



**AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2022**

**National Anti-Vivisection Society  
Audit Report  
For the Year Ended June 30, 2022**

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# Selden Fox

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
National Anti-Vivisection Society  
Chicago, Illinois

### Opinion

We have audited the accompanying financial statements of **National Anti-Vivisection Society**, which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Anti-Vivisection Society as of June 30, 2022 and 2021, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Anti-Vivisection Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Anti-Vivisection Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Anti-Vivisection Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Anti-Vivisection Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Selden Fox, Ltd.*

October 14, 2022

**National Anti-Vivisection Society**  
**Statement of Financial Position**  
**June 30,**

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 240,177	\$ 144,351
Investments	10,764,534	12,886,397
Royalties receivable	51,323	58,095
Accrued interest receivable	2,553	1,583
Prepaid expenses	34,658	65,683
<b>Total current assets</b>	<b>11,093,245</b>	13,156,109
Property and equipment, net	36,982	8,887
<b>Total assets</b>	<b>\$ 11,130,227</b>	<b>\$ 13,164,996</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accrued wages and vacation	\$ 44,278	\$ 13,988
Accounts payable and accrued expenses	214,634	127,837
Payroll Protection Program loan	-	205,595
<b>Total current liabilities</b>	<b>258,912</b>	347,420
Net assets without donor restrictions	10,478,327	12,354,813
Net assets with donor restrictions:		
Special project	392,988	462,763
<b>Total net assets</b>	<b>10,871,315</b>	12,817,576
<b>Total liabilities and net assets</b>	<b>\$ 11,130,227</b>	<b>\$ 13,164,996</b>

See accompanying notes.

**National Anti-Vivisection Society**  
**Statement of Activities**  
**For the Year Ended June 30,**

	<b>2022</b>		<b>Total</b>
	Without Donor Restrictions	With Donor Restrictions	
Revenues:			
Donations	\$ 818,965	\$ 40,339	\$ 859,304
Foundation grants	256,600	-	256,600
Net investment income (loss)	(1,395,893)	-	(1,395,893)
Legacies and bequests	1,137,849	-	1,137,849
Gain on extinguishment of Paycheck Protection Program loan	205,595	-	205,595
Royalty income	280,744	-	280,744
Miscellaneous	-	-	-
Net assets released from restrictions	110,114	(110,114)	-
<b>Total revenues</b>	<b>1,413,974</b>	<b>(69,775)</b>	<b>1,344,199</b>
Expenses:			
Program - education	2,444,270	-	2,444,270
Supporting services:			
Management and general	650,926	-	650,926
Fund-raising	195,264	-	195,264
<b>Total expenses</b>	<b>3,290,460</b>	<b>-</b>	<b>3,290,460</b>
<b>Change in net assets</b>	<b>(1,876,486)</b>	<b>(69,775)</b>	<b>(1,946,261)</b>
Net assets:			
Beginning of the year	12,354,813	462,763	12,817,576
End of the year	\$ 10,478,327	\$ 392,988	\$ 10,871,315

See accompanying notes.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 778,889	\$ 80,980	\$ 859,869
491,440	-	491,440
2,775,015	-	2,775,015
2,903,303	-	2,903,303
157,016	-	157,016
198,870	-	198,870
432	-	432
217,735	(217,735)	-
<u>7,522,700</u>	<u>(136,755)</u>	<u>7,385,945</u>
1,934,922	-	1,934,922
508,192	-	508,192
270,152	-	270,152
<u>2,713,266</u>	<u>-</u>	<u>2,713,266</u>
4,809,434	(136,755)	4,672,679
<u>7,545,379</u>	<u>599,518</u>	<u>8,144,897</u>
<u>\$ 12,354,813</u>	<u>\$ 462,763</u>	<u>\$ 12,817,576</u>

**National Anti-Vivisection Society  
Statement of Functional Expenses  
For the Year Ended June 30, 2022**

	<b>Program Services</b>			
	Public Awareness and General Education	Student/ Teacher Programs	Legal and Legislative	Science Programs
Salaries	\$ 280,687	\$ 162,594	\$ 218,400	\$ 144,650
Payroll taxes	21,017	12,892	14,652	11,442
<b>Total salaries and related expenses</b>	301,704	175,486	233,052	156,092
Professional and consulting fees	232,353	63,550	195,590	17,693
Educational material	-	1,733	1,081	-
Telephone	1,480	38	57	57
Postage	117,539	-	-	-
Occupancy	51,152	-	-	-
Repairs and maintenance	19,115	752	1,509	1,509
Insurance	71,041	5,837	13,354	12,102
Printing and publication	171,975	671	-	-
Dues and subscriptions	3,803	-	-	528
Special services	-	-	-	-
Conferences, conventions, and meetings	5,770	6,793	1,924	13,624
Office expense	1,450	-	-	-
Grants	774	23,190	145,000	249,000
Miscellaneous	3,855	-	-	-
<b>Total expenses before depreciation</b>	982,011	278,050	591,567	450,605
Depreciation	5,319	-	-	-
<b>Total expenses</b>	<b>\$ 987,330</b>	<b>\$ 278,050</b>	<b>\$ 591,567</b>	<b>\$ 450,605</b>

See accompanying notes.



<b>Supporting Services</b>					
Cooperative Efforts and Grants	<b>Total</b>	Management and General	Fund- raising	<b>Total</b>	<b>Total</b>
\$ 16,653 1,290	<b>\$ 822,984 61,293</b>	\$ 255,299 19,341	\$ 38,461 2,988	<b>\$ 293,760 22,329</b>	<b>\$ 1,116,744 83,622</b>
17,943	<b>884,277</b>	274,640	41,449	<b>316,089</b>	<b>1,200,366</b>
-	<b>509,186</b>	205,275	36,856	<b>242,131</b>	<b>751,317</b>
-	<b>2,814</b>	-	-	<b>-</b>	<b>2,814</b>
38	<b>1,670</b>	7,650	76	<b>7,726</b>	<b>9,396</b>
-	<b>117,539</b>	486	43,757	<b>44,243</b>	<b>161,782</b>
-	<b>51,152</b>	7,061	2,411	<b>9,472</b>	<b>60,624</b>
754	<b>23,639</b>	1,795	932	<b>2,727</b>	<b>26,366</b>
5,269	<b>107,603</b>	71,156	5,815	<b>76,971</b>	<b>184,574</b>
-	<b>172,646</b>	4,940	63,176	<b>68,116</b>	<b>240,762</b>
-	<b>4,331</b>	345	260	<b>605</b>	<b>4,936</b>
-	<b>-</b>	9,360	-	<b>9,360</b>	<b>9,360</b>
-	<b>28,111</b>	92	-	<b>92</b>	<b>28,203</b>
-	<b>1,450</b>	174	-	<b>174</b>	<b>1,624</b>
112,714	<b>530,678</b>	-	-	<b>-</b>	<b>530,678</b>
-	<b>3,855</b>	64,938	-	<b>64,938</b>	<b>68,793</b>
136,718	<b>2,438,951</b>	647,912	194,732	<b>842,644</b>	<b>3,281,595</b>
-	<b>5,319</b>	3,014	532	<b>3,546</b>	<b>8,865</b>
<b>\$ 136,718</b>	<b>\$ 2,444,270</b>	<b>\$ 650,926</b>	<b>\$ 195,264</b>	<b>\$ 846,190</b>	<b>\$ 3,290,460</b>

**National Anti-Vivisection Society  
Statement of Functional Expenses  
For the Year Ended June 30, 2021**

	<b>Program Services</b>			
	Public Awareness and General Education	Student/ Teacher Programs	Legal and Legislative	Science Programs
Salaries	\$ 264,699	\$ 142,143	\$ 203,685	\$ 134,996
Payroll taxes	26,694	10,105	12,510	12,202
<b>Total salaries and related expenses</b>	291,393	152,248	216,195	147,198
Professional and consulting fees	163,482	67,540	7,500	9,623
Educational material	-	-	70	30
Telephone	7,967	49	72	72
Postage	131,583	-	-	-
Occupancy	48,873	-	-	-
Repairs and maintenance	16,833	152	455	365
Insurance	42,072	3,970	11,721	8,839
Printing and publication	109,683	-	-	-
Dues and subscriptions	3,809	-	60	-
Conferences, conventions, and meetings	2,965	2,775	-	527
Office expense	1,942	-	-	-
Grants	458	20,000	120,000	215,000
Miscellaneous	3,268	-	-	-
<b>Total expenses before depreciation</b>	824,328	246,734	356,073	381,654
Depreciation	5,363	-	-	-
<b>Total expenses</b>	<b>\$ 829,691</b>	<b>\$ 246,734</b>	<b>\$ 356,073</b>	<b>\$ 381,654</b>

See accompanying notes.

<b>Supporting Services</b>					
Cooperative Efforts and Grants	Total	Management and General	Fund- raising	Total	Total
\$ 16,596	\$ 762,119	\$ 227,611	\$ 37,444	\$ 265,055	\$ 1,027,174
908	62,419	11,503	2,904	14,407	76,826
17,504	824,538	239,114	40,348	279,462	1,104,000
-	248,145	154,162	134,335	288,497	536,642
-	100	-	-	-	100
48	8,208	264	96	360	8,568
-	131,583	591	50,239	50,830	182,413
-	48,873	7,020	2,300	9,320	58,193
191	17,996	1,364	368	1,732	19,728
4,727	71,329	17,145	5,175	22,320	93,649
-	109,683	7,831	35,946	43,777	153,460
-	3,869	1,026	809	1,835	5,704
-	6,267	350	-	350	6,617
-	1,942	784	-	784	2,726
98,300	453,758	-	-	-	453,758
-	3,268	75,503	-	75,503	78,771
120,770	1,929,559	505,154	269,616	774,770	2,704,329
-	5,363	3,038	536	3,574	8,937
<b>\$ 120,770</b>	<b>\$ 1,934,922</b>	<b>\$ 508,192</b>	<b>\$ 270,152</b>	<b>\$ 778,344</b>	<b>\$ 2,713,266</b>

**National Anti-Vivisection Society**  
**Statement of Cash Flows**  
**For the Year Ended June 30,**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,946,261)	\$ 4,672,679
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	8,865	8,937
Unrealized loss (gain) on investments	2,119,798	(2,235,971)
Realized gain on investments	(499,746)	(410,942)
Gain on extinguishment of Paycheck Protection Program loan	(205,595)	(157,016)
Changes in operating assets and liabilities:		
Royalties receivable	5,802	(43,879)
Prepaid expenses	31,025	(17,517)
Accounts payable and accrued expenses	117,087	43,364
<b>Cash from operating activities</b>	<b>(369,025)</b>	<b>1,859,655</b>
Cash flows from investing activities:		
Proceeds from the sale of investments	3,386,604	2,714,644
Purchases of investments	(2,884,793)	(4,869,238)
Purchase of furniture, equipment and improvements	(36,960)	(5,486)
<b>Cash from investing activities</b>	<b>464,851</b>	<b>(2,160,080)</b>
Cash flows from financing activities - proceeds from Payroll Protection Program loan	-	205,595
<b>Increase (decrease) in cash and cash equivalents</b>	<b>95,826</b>	<b>(94,830)</b>
Cash and cash equivalents, beginning of the year	144,351	239,181
Cash and cash equivalents, end of the year	\$ 240,177	\$ 144,351
Supplemental disclosure of noncash financing activities:		
Extinguishment of Paycheck Protection Program loan	\$ 205,595	\$ 157,016

See accompanying notes.

## National Anti-Vivisection Society Notes to the Financial Statements

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### 1. Summary of Significant Accounting Policies

**Organization and Purpose** – The National Anti-Vivisection Society (hereafter “NAVS” or “Society”) is incorporated under the laws of the state of Illinois as of 1929, as a not-for-profit corporation.

NAVS is dedicated to abolishing the exploitation of animals used in research, education, and product testing.

NAVS promotes greater compassion, respect, and justice for animals through educational programs based on respected ethical and scientific theory and supported by extensive documentation of the cruelty and waste of Vivisection. NAVS' educational programs are directed at increasing public awareness about Vivisection, identifying humane solutions to human problems, developing alternatives to the use of animals, and working with like-minded individuals and groups to effect changes that help to end the suffering inflicted on innocent animals.

**Basis of Presentation** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes: with donor restrictions and without donor restrictions.

**Net Assets Without Donor Restrictions** – Net assets which are available for fulfillment of NAVS' mission and which may be expended at the discretion of management and the Board of Directors.

**Net Assets With Donor Restrictions** – Net assets which are subject to donor-imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of NAVS or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Royalty income is received from a gas and oil lease agreement on land owned by NAVS. Revenue is recognized based on the number of units drilled computed on a daily basis.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor restrictions that are met in the same year as received are reported as being received without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor imposed restrictions are released when restrictions expire (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed). Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Use of Estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities and the related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

NAVS records investments at fair value. The ultimate realization of the investments is based upon future economic factors related to the investments. For this estimate, it is reasonably possible that the recorded amount or related disclosure could significantly change in the near future, as new information is available.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, NAVS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments** – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statement of activities.

Investment return/(loss) is reported net in the statements of activities and consists of realized and unrealized gains and losses, less external and direct internal investment expenses. Interest and dividends and investment return are reflected in the statement of activities as income without donor restrictions or income with donor restrictions based upon the existence and nature of any donor restrictions. Interest and dividends and investment return that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the interest and dividends and investment return are recognized.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

**Property and Equipment** – Betterments and replacements of major items of property are capitalized. Maintenance, repairs and minor replacements are expensed. The cost of property sold or retired is removed from the related property and accumulated depreciation accounts, and the resultant gain or loss is recorded. Depreciation of property and equipment is provided by the straight-line method over the following estimated useful lives:

Leasehold improvements	5 - 15 years
Furniture and equipment	3 - 10 years
Automobile	5 years
Computer software	3 years

**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Income Taxes** – NAVS is a not-for-profit entity, as described under Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except for taxes on unrelated business income generated from unrelated or trade business activities. NAVS had no unrelated or trade business activity in 2022 or 2021. Accordingly, no provision for income taxes is included in the financial statements.

NAVS' tax returns for the years ended June 30, 2019 through 2021, are open years for purposes of any future IRS or applicable state examinations.

**Functional Allocation of Expenses** – The costs of program and supporting services activities have been summarized on a functional expense basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on estimated staff time. All direct costs of the programs are charged to the programs, and all remaining costs are considered administrative expenses.

**SBA Loan - Paycheck Protection Program Loan** – In April of 2020 and March of 2021, NAVS received \$157,016 and \$205,595, respectively, of proceeds in the form of a potentially forgivable loan under the CARES Act's Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Association (SBA). NAVS has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470, *Debt*. Under this guidance, extinguishment of the loan would be recognized when NAVS has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration approves the Institute's forgiveness application. The PPP loan issued in 2021 was forgiven in April of 2022. The PPP loan issued in 2020 was forgiven in April of 2021.

**Subsequent Events** – Subsequent events have been evaluated through October 14, 2022, which is the date the financial statements were available to be issued.

**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

**2. Liquidity and Availability**

The following represents the Society's financial assets available to meet general expenditures over the next twelve months at June 30:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 240,177	\$ 144,351
Receivables	53,876	59,678
Investments	10,764,534	12,886,397
Less financial assets with restrictions	(392,988)	(462,793)
<b>Financial assets available to meet general expenditures over the next twelve months</b>	<b>\$ 10,665,599</b>	<b>\$ 12,627,663</b>

NAVS' goal is generally to maintain approximately \$250,000 in liquid cash. The investment balance is intended to ensure the long-term financial viability of NAVS, but management has the ability to utilize these funds to meet current obligations as necessary.

**3. Investments**

Investments classified as current assets in the statement of financial position are summarized as follows:

	June 30, 2022		June 30, 2021	
	Cost	Fair Value	Cost	Fair Value
Common stock and mutual funds	\$ 10,107,604	\$ 10,764,434	\$ 10,109,669	\$ 12,886,297
Other - cost	100	100	100	100
	<b>\$ 10,107,704</b>	<b>\$ 10,764,534</b>	<b>\$ 10,109,769</b>	<b>\$ 12,886,397</b>

Net investment income for the year ended June 30, 2022, consists of an unrealized loss of \$2,119,798 (\$2,235,971 of unrealized gain for the year ended June 30, 2021), realized gain of \$499,746 (\$410,942 of realized gain for the year ended June 30, 2021), interest and dividends of \$315,318 (\$204,957 for the year ended June 30, 2021), and investment expenses of \$91,159 (\$76,855 for the year ended June 30, 2021).



**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

**4. Investments Hierarchy**

A significant number of NAVS' financial instruments are carried at fair value with changes in fair value recognized in net assets each period. NAVS makes estimates regarding valuation of assets measured at fair value in preparing the financial statements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is broken down into a three-level valuation hierarchy based on the reliability of observable and unobservable inputs as follows:

**Level 1** – Valuations are based on quoted prices in active markets for identical assets or liabilities that NAVS has the ability to access at the measurement date.

**Level 2** – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

**Level 3** – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for investments measured at fair value, as well as the general classification of such investments pursuant to the valuation hierarchy.

Common stock and mutual funds are valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy.

Description	<b>2022</b>			<b>Balance, June 30</b>
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
U.S. Large Cap	\$ 2,928,044	\$ -	\$ -	\$ 2,928,044
U.S. Mid Cap	424,271	-	-	424,271
U.S. Small Cap	254,359	-	-	254,359
International	600,534	-	-	600,534
Fixed income	1,751,605	-	-	1,751,605
Other	231,783	-	-	231,783
Common stocks:				
Domestic	4,308,112	-	-	4,308,112
Cash	265,826	-	-	265,826
	<u>\$ 10,764,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,764,534</u>

**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

**4. Investments Hierarchy (cont'd)**

Description	2021			Balance, June 30
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
U.S. Large Cap	\$ 3,184,216	\$ -	\$ -	\$ 3,184,216
U.S. Mid Cap	790,812	-	-	790,812
U.S. Small Cap	397,084	-	-	397,084
International	1,706,824	-	-	1,706,824
Fixed income	1,855,800	-	-	1,855,800
Other	109,682	-	-	145,397
Common stocks:				
Domestic	4,587,844	-	-	4,587,844
Cash	218,420	-	-	218,420
	<u>\$ 12,886,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,886,397</u>

**5. Property and Equipment**

Property and equipment is comprised of the following at June 30:

	2022	2021
Furniture and equipment	\$ 49,026	\$ 12,066
Computer software	149,694	149,694
Automobile	40,636	40,636
	<u>239,356</u>	202,396
Less accumulated depreciation and amortization	<u>202,374</u>	193,509
	<u>\$ 36,982</u>	<u>\$ 8,887</u>

Depreciation of property and equipment for the year ended June 30, 2022, was \$8,865 (\$8,937 for the year ended June 30, 2021).

**6. Commitments**

**Operating Lease** – NAVS previously leased office space under an operating lease, which expired in February 2021. The lease provided for basic monthly rentals. In March of 2021, NAVS entered into a new office space lease which expires in August of 2028. Rental expense under the leases totaled \$58,553 for the year ended June 30, 2022 (\$58,652 for the year ended June 30, 2021).

**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

**6. Commitments (cont'd)**

Future minimum lease payments are as follows:

Fiscal Year Ending June 30,	Amount
2023	\$ 71,372
2024	72,978
2025	74,620
2026	76,299
2027	78,016
Thereafter	93,264
	\$ 466,549

**7. Related Parties**

The Executive Director of NAVS is also an officer for the International Foundation for Ethical Research (IFER), to which NAVS granted \$250,000 for the year ended June 30, 2022 (\$210,000 for the year ended June 30, 2021). IFER is a non-profit corporation, organized under the laws of Massachusetts, and was issued a certificate of incorporation by the state of Massachusetts on May 26, 1985. IFER fulfills its mission by awarding research grants to scientists who are developing credible alternatives, and to postgraduate students seeking to incorporate animal welfare issues into their studies. In addition, IFER disseminates information designed to increase awareness of alternatives through seminars, publications, and workshops.

**8. Allocation of Joint Costs**

During the years ended June 30, 2022 and 2021, NAVS incurred joint costs for informational materials and activities that included fund-raising appeals. The allocation of those costs was as follows as of June 30:

	2022	2021
Public awareness and general education	\$ 231,207	\$ 196,981
Cooperative efforts and grants	110,114	98,300
Fund-raising	72,195	64,325
<b>Total</b>	<b>\$ 413,516</b>	<b>\$ 359,606</b>

**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

**9. SBA Loan (PPP)**

The \$205,595 PPP draw 2 loan was forgiven in April 2022 and NAVS recognized a gain on the extinguishment of the loan in that amount for the year ended June 30, 2022.

The \$157,016 PPP draw 1 loan was forgiven in April 2021 and NAVS recognized a gain on the extinguishment of the loan in that amount for the year ended June 30, 2021.

**10. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of unexpended revenues and gains available for the following at June 30:

	2022	2021
Special project – Sanctuary fund	\$ 392,988	\$ 462,763

The sources of net other assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes, or by the occurrence of events specified by the donor, were as follows at June 30:

	2022	2021
Special project – Sanctuary fund	\$ 110,114	\$ 98,300
Special project – Petrie	-	119,435
<b>Total</b>	<b>\$ 110,114</b>	<b>\$ 217,735</b>

**11. Retirement Benefits**

NAVS established an employees' benefit plan that allows all full-time employees to voluntarily defer current taxation of up to 16.6% to a maximum \$20,500 for calendar year 2022 and \$19,500 for calendar year 2021, of current income.

**12. Royalty Income**

In a previous year, NAVS received a bequest of 320 acres of land. In a lease executed during the year ended June 30, 2008, with an unrelated third party, NAVS will receive royalty income of 15% on all oil produced, saved, and marketed from the leased premises, and 15% of the market value for gas produced from the leased premises. The lease shall remain in force as long as oil or gas is produced from the leased premises. Total royalty income recorded in the statement of activities for the year ended June 30, 2022, amounted to \$280,744 (\$198,870 for the year ended June 30, 2021). The royalties are computed monthly and typically received within 60 days of each month end. As of June 30, 2022, \$51,323 of royalties were receivable, and recorded as royalties receivable on the statement of financial position (\$58,095 as of June 30, 2021).

**National Anti-Vivisection Society**  
**Notes to the Financial Statements (cont'd)**

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**13. Future Changes in Accounting Principles**

**Leases** – In February 2016, the Financial Accounting Standards Board released Accounting Standards Update No. 2016-02 *Leases (Topic 842)*. The revised standard is intended to increase transparency by recognizing lease assets and liabilities on the statement of financial position and enhancing the related disclosures. Under current standards, a lease was only recognized on the balance sheet if it met the definition of a capital lease. However, under the new standard, a lessee will be required to:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

In doing so, an entity must separate lease components from nonlease components (such as maintenance services) and include only the lease components in the measurement of the right-to-use asset and lease liability. This standard will be applicable to NAVS for the year ending June 30, 2023. NAVS is in the process of evaluating the potential impacts of its adoption but has yet to determine its effect.

**14. Risks and Uncertainties**

Subsequent to year-end, the United States and global markets experienced significant declines in value. We are closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these declines. Our financial statements do not include adjustments to fair value that have resulted from these declines.