



**AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2023**

**National Anti-Vivisection Society  
Audit Report  
For the Year Ended June 30, 2023**

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# Selden Fox

Accounting for your future

619 Enterprise Drive | Oak Brook, Illinois 60523 | [www.seldenfox.com](http://www.seldenfox.com)  
p 630.954.1400 | f 630.954.1327 | [email@seldenfox.com](mailto:email@seldenfox.com)

## 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, 2023 and 2022, 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, 2023 and 2022, 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.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, National Anti-Vivisection Society has adopted Financial Accounting Standards Board Accounting Standard Codification 842, *Leases*. Our opinion is not modified with respect to that matter.

### 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.*

November 6, 2023

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

| <b>Assets</b>  | <b>2023</b>          | <b>2022</b>          |
|--|----------------------|----------------------|
| Current assets:                                      |                      |                      |
| Cash and cash equivalents                            | \$ 492,428           | \$ 240,177           |
| Investments  | 12,481,776           | 10,764,534           |
| Royalties receivable                                 | 34,148               | 51,323               |
| Accrued interest receivable                          | 14,868               | 2,553                |
| Prepaid expenses                                     | 68,650               | 34,658               |
| <b>Total current assets</b>                          | <b>13,091,870</b>    | <b>11,093,245</b>    |
| Property and equipment, net                          | 33,306               | 36,982               |
| Operating ROU asset                                  | 332,217              | -                    |
| <b>Total assets</b>                                  | <b>\$ 13,457,393</b> | <b>\$ 11,130,227</b> |
| <b>Liabilities and Net Assets</b>                    |                      |                      |
| Current liabilities:                                 |                      |                      |
| Accrued wages and vacation                           | \$ 48,141            | \$ 44,278            |
| Accounts payable and accrued expenses                | 227,993              | 214,634              |
| Operating lease liability, current portion           | 63,130               | -                    |
| <b>Total current liabilities</b>                     | <b>339,264</b>       | <b>258,912</b>       |
| Noncurrent assets:                                   |                      |                      |
| Operating lease liability, noncurrent portion        | 302,732              | -                    |
| <b>Total liabilities</b>                             | <b>641,996</b>       | <b>258,912</b>       |
| Net assets without donor restrictions                | 12,487,888           | 10,478,327           |
| Net assets with donor restrictions - Special project | 327,509              | 392,988              |
| <b>Total net assets</b>                              | <b>12,815,397</b>    | <b>10,871,315</b>    |
| <b>Total liabilities and net assets</b>              | <b>\$ 13,457,393</b> | <b>\$ 11,130,227</b> |

See accompanying notes.

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

|   | <b>2023</b>                      |                               | <b>Total</b>     |
|---|----------------------------------|-------------------------------|------------------|
|   | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions |                  |
| Revenues:   |                                  |                               |                  |
| Donations   | \$ 1,063,901                     | \$ 9,021                      | \$ 1,072,922     |
| Foundation grants   | 73,850                           | 50,000                        | 123,850          |
| Net investment income (loss)                                  | 1,304,557                        | -                             | 1,304,557        |
| Legacies and bequests   | 2,570,098                        | -                             | 2,570,098        |
| Gain on extinguishment of Paycheck<br>Protection Program loan | -                                | -                             | -                |
| Royalty income  | 265,385                          | -                             | 265,385          |
| Miscellaneous   | 14,189                           | -                             | 14,189           |
| Net assets released from restrictions                         | 124,500                          | (124,500)                     | -                |
| <b>Total revenues</b>   | <b>5,416,480</b>                 | <b>(65,479)</b>               | <b>5,351,001</b> |
| Expenses:   |                                  |                               |                  |
| Program - education   | 2,182,851                        | -                             | 2,182,851        |
| Supporting services:  |                                  |                               |                  |
| Management and general  | 555,407                          | -                             | 555,407          |
| Fund-raising  | 668,661                          | -                             | 668,661          |
| <b>Total expenses</b>   | <b>3,406,919</b>                 | <b>-</b>                      | <b>3,406,919</b> |
| <b>Change in net assets</b>                                   | <b>2,009,561</b>                 | <b>(65,479)</b>               | <b>1,944,082</b> |
| Net assets:   |                                  |                               |                  |
| Beginning of the year   | 10,478,327                       | 392,988                       | 10,871,315       |
| End of the year   | \$ 12,487,888                    | \$ 327,509                    | \$ 12,815,397    |

See accompanying notes.

| 2022                             |                               |               |
|----------------------------------|-------------------------------|---------------|
| Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total         |
| \$ 818,965                       | \$ 40,339                     | \$ 859,304    |
| 256,600                          | -                             | 256,600       |
| (1,395,893)                      | -                             | (1,395,893)   |
| 1,137,849                        | -                             | 1,137,849     |
| 205,595                          | -                             | 205,595       |
| 280,744                          | -                             | 280,744       |
| -                                | -                             | -             |
| 110,114                          | (110,114)                     | -             |
| 1,413,974                        | (69,775)                      | 1,344,199     |
| 2,444,270                        | -                             | 2,444,270     |
| 650,926                          | -                             | 650,926       |
| 195,264                          | -                             | 195,264       |
| 3,290,460                        | -                             | 3,290,460     |
| (1,876,486)                      | (69,775)                      | (1,946,261)   |
| 12,354,813                       | 462,763                       | 12,817,576    |
| \$ 10,478,327                    | \$ 392,988                    | \$ 10,871,315 |

**National Anti-Vivisection Society  
Statement of Functional Expenses  
For the Year Ended June 30, 2023**

|  | <b>Program Services</b>                         |                                 |                          |                     |
|--|---|---------------------------------|--------------------------|---------------------|
|  | Public<br>Awareness<br>and General<br>Education | Student/<br>Teacher<br>Programs | Legal and<br>Legislative | Science<br>Programs |
| Salaries   | \$ 275,432                                      | \$ 179,527                      | \$ 152,928               | \$ 222,092          |
| Payroll taxes  | 26,613  | 8,940                           | 12,067                   | 15,463              |
| <b>Total salaries and<br/>related expenses</b>                     | 302,045   | 188,467                         | 164,995                  | 237,555             |
| Professional and<br>consulting fees                                | 27,198  | 25,911                          | 13,865                   | 9,014               |
| Telephone  | 2,545   | 22                              | 33                       | 33                  |
| Postage  | 109,976   | -                               | -                        | -                   |
| Occupancy  | 94,054  | -                               | -                        | -                   |
| Repairs and maintenance  | 11,917  | 4,743                           | 622                      | 622                 |
| Insurance  | 15,283  | 10,279                          | 10,532                   | 20,410              |
| Printing and publication   | 286,961   | 83                              | -                        | 58                  |
| Dues and subscriptions   | 5,612   | -                               | 340                      | -                   |
| Conferences, conventions,<br>and meetings                          | 6,409   | 22,060                          | 4,670                    | 3,556               |
| Office expense   | 2,353   | 4,653                           | -                        | -                   |
| Grants   | 750   | 29,350                          | 135,000                  | 170,000             |
| Software and information<br>technology                             | 114,245   | 119                             | -                        | -                   |
| Bank fees  | -   | -                               | -                        | -                   |
| Miscellaneous  | -   | -                               | -                        | 900                 |
| <b>Total expenses before<br/>depreciation and<br/>amortization</b> | 979,348   | 285,687                         | 330,057                  | 442,148             |
| Depreciation and amortization                                      | -   | -                               | -                        | -                   |
| <b>Total expenses</b>  | <b>\$ 979,348</b>                               | <b>\$ 285,687</b>               | <b>\$ 330,057</b>        | <b>\$ 442,148</b>   |

See accompanying notes.



|                                      |                              | <b>Supporting Services</b>   |                    |                              |                                |
|--------------------------------------|------------------------------|------------------------------|--------------------|------------------------------|--------------------------------|
| Cooperative<br>Efforts and<br>Grants | <b>Total</b>                 | Management<br>and<br>General | Fund-<br>raising   | <b>Total</b>                 | <b>Total</b>                   |
| \$ 17,233<br>1,339                   | <b>\$ 847,212<br/>64,422</b> | \$ 266,397<br>20,281         | \$ 41,109<br>3,254 | <b>\$ 307,506<br/>23,535</b> | <b>\$ 1,154,718<br/>87,957</b> |
| 18,572                               | <b>911,634</b>               | 286,678                      | 44,363             | <b>331,041</b>               | <b>1,242,675</b>               |
| -                                    | <b>75,988</b>                | 158,954                      | 454,542            | <b>613,496</b>               | <b>689,484</b>                 |
| 22                                   | <b>2,655</b>                 | 474                          | 145                | <b>619</b>                   | <b>3,274</b>                   |
| -                                    | <b>109,976</b>               | 104                          | 40,392             | <b>40,496</b>                | <b>150,472</b>                 |
| -                                    | <b>94,054</b>                | 13,359                       | 4,447              | <b>17,806</b>                | <b>111,860</b>                 |
| 311                                  | <b>18,215</b>                | 1,430                        | 496                | <b>1,926</b>                 | <b>20,141</b>                  |
| 2,206                                | <b>58,710</b>                | 44,877                       | 8,256              | <b>53,133</b>                | <b>111,843</b>                 |
| -                                    | <b>287,102</b>               | 60                           | 115,245            | <b>115,305</b>               | <b>402,407</b>                 |
| -                                    | <b>5,952</b>                 | 775                          | 775                | <b>1,550</b>                 | <b>7,502</b>                   |
| -                                    | <b>36,695</b>                | 86                           | -                  | <b>86</b>                    | <b>36,781</b>                  |
| -                                    | <b>7,006</b>                 | 497                          | -                  | <b>497</b>                   | <b>7,503</b>                   |
| 124,500                              | <b>459,600</b>               | -                            | -                  | <b>-</b>                     | <b>459,600</b>                 |
| -                                    | <b>114,364</b>               | 1,591                        | -                  | <b>1,591</b>                 | <b>115,955</b>                 |
| -                                    | <b>-</b>                     | 27,012                       | -                  | <b>27,012</b>                | <b>27,012</b>                  |
| -                                    | <b>900</b>                   | 8,030                        | -                  | <b>8,030</b>                 | <b>8,930</b>                   |
| 145,611                              | <b>2,182,851</b>             | 543,927                      | 668,661            | <b>1,212,588</b>             | <b>3,395,439</b>               |
| -                                    | <b>-</b>                     | 11,480                       | -                  | <b>11,480</b>                | <b>11,480</b>                  |
| <b>\$ 145,611</b>                    | <b>\$ 2,182,851</b>          | <b>\$ 555,407</b>            | <b>\$ 668,661</b>  | <b>\$ 1,224,068</b>          | <b>\$ 3,406,919</b>            |

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

|  | <b>Program Services</b>                         |                                 |                          |                     |
|--|---|---------------------------------|--------------------------|---------------------|
|  | Public<br>Awareness<br>and General<br>Education | Student/<br>Teacher<br>Programs | Legal and<br>Legislative | Science<br>Programs |
| Salaries   | \$ 280,687                                      | \$ 162,594                      | \$ 218,400               | \$ 144,650          |
| Payroll taxes  | 21,017  | 12,892                          | 14,652                   | 11,442              |
| <b>Total salaries and<br/>related expenses</b>                     | 301,704   | 175,486                         | 233,052                  | 156,092             |
| Professional and<br>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,<br>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<br/>depreciation and<br/>amortization</b> | 982,011   | 278,050                         | 591,567                  | 450,605             |
| Depreciation and amortization                                      | 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<br>Efforts and<br>Grants | Total               | Management<br>and<br>General | Fund-<br>raising  | Total             | Total               |
| \$ 16,653                            | \$ 822,984          | \$ 255,299                   | \$ 38,461         | \$ 293,760        | \$ 1,116,744        |
| 1,290                                | 61,293              | 19,341                       | 2,988             | 22,329            | 83,622              |
| 17,943                               | 884,277             | 274,640                      | 41,449            | 316,089           | 1,200,366           |
| -                                    | 509,186             | 205,275                      | 36,856            | 242,131           | 751,317             |
| -                                    | 2,814               | -                            | -                 | -                 | 2,814               |
| 38                                   | 1,670               | 7,650                        | 76                | 7,726             | 9,396               |
| -                                    | 117,539             | 486                          | 43,757            | 44,243            | 161,782             |
| -                                    | 51,152              | 7,061                        | 2,411             | 9,472             | 60,624              |
| 754                                  | 23,639              | 1,795                        | 932               | 2,727             | 26,366              |
| 5,269                                | 107,603             | 71,156                       | 5,815             | 76,971            | 184,574             |
| -                                    | 172,646             | 4,940                        | 63,176            | 68,116            | 240,762             |
| -                                    | 4,331               | 345                          | 260               | 605               | 4,936               |
| -                                    | -                   | 9,360                        | -                 | 9,360             | 9,360               |
| -                                    | 28,111              | 92                           | -                 | 92                | 28,203              |
| -                                    | 1,450               | 174                          | -                 | 174               | 1,624               |
| 112,714                              | 530,678             | -                            | -                 | -                 | 530,678             |
| -                                    | 3,855               | 64,938                       | -                 | 64,938            | 68,793              |
| 136,718                              | 2,438,951           | 647,912                      | 194,732           | 842,644           | 3,281,595           |
| -                                    | 5,319               | 3,014                        | 532               | 3,546             | 8,865               |
| <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 Cash Flows**  
**For the Year Ended June 30,**

|  | <u>2023</u>              | <u>2022</u>              |
|--|--------------------------|--------------------------|
| Cash flows from operating activities:  |                          |                          |
| Change in net assets   | \$ 1,944,082             | \$ (1,946,261)           |
| Adjustments to reconcile change in net assets to net cash from operating activities: |                          |                          |
| Depreciation and amortization expense  | 11,480                   | 8,865                    |
| Amortization of operating ROU asset  | 58,336                   |                          |
| Unrealized loss (gain) on investments  | (834,653)                | 2,119,798                |
| Realized gain on investments   | (247,772)                | (499,746)                |
| Gain on extinguishment of Paycheck Protection Program loan                           | -                        | (205,595)                |
| Changes in operating assets and liabilities:   |                          |                          |
| Royalties receivable   | 17,175                   | 5,802                    |
| Accrued interest receivable  | (12,315)                 | -                        |
| Prepaid expenses   | (33,992)                 | 31,025                   |
| Accounts payable and accrued expenses  | 17,222                   | 117,087                  |
| Operating lease liability  | (24,691)                 | -                        |
| <b>Cash from operating activities</b>  | <b><u>894,872</u></b>    | <b><u>(369,025)</u></b>  |
| Cash flows from investing activities:  |                          |                          |
| Proceeds from the sale of investments  | 2,265,097                | 3,386,604                |
| Purchases of investments   | (2,899,914)              | (2,884,793)              |
| Purchase of furniture, equipment and improvements                                    | (7,804)                  | (36,960)                 |
| <b>Cash from investing activities</b>  | <b><u>(642,621)</u></b>  | <b><u>464,851</u></b>    |
| <b>Increase in cash and cash equivalents</b>   | <b>252,251</b>           | <b>95,826</b>            |
| Cash and cash equivalents, beginning of the year                                     | <u>240,177</u>           | <u>144,351</u>           |
| Cash and cash equivalents, end of the year   | <b><u>\$ 492,428</u></b> | <b><u>\$ 240,177</u></b> |
| Supplemental disclosure of noncash financing activities:                             |                          |                          |
| Extinguishment of Paycheck Protection Program loan                                   | <b><u>\$ 205,595</u></b> | <b><u>\$ 205,595</u></b> |

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 statement of financial position, and changes in fair value are reported as investment gains/(losses) in the statement of activities.

Investment gain/(loss) is reported net in the statement 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 and amortization of property and equipment is provided by the straight-line method over the following estimated useful lives:

|                         |              |
|-------------------------|--------------|
| 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 2023 or 2022. Accordingly, no provision for income taxes is included in the financial statements.

NAVS' tax returns for the years ended June 30, 2020 through 2022, 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 statement 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 March of 2021, NAVS received \$205,595 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.

**New Accounting Pronouncement – Leases** – NAVS adopted Financial Accounting Standards Board (FASB) ASC 842, *Leases*, using the optional transition method, which allows for NAVS to initially apply the new lease standard at the adoption date and recognize a cumulative adjustment to the opening balance of retained earnings in the period of adoption, if applicable. As a result, the comparative period presented in the financial statements is in accordance with FASB ASC 840. In addition, NAVS elected to adopt the package of practical expedients available under the transition guidance permitting NAVS to not reassess historical lease classification included in leases in effect at the point of adoption, prior conclusions relating to initial direct costs, and whether any expired or existing contracts contain leases. Upon adoption of ASC 842, which was effective on July 1, 2022, NAVS recognized an operating lease ROU asset, of \$390,553 and operating lease liability of \$425,597. Adoption did not have a material effect on the results of operations or cash flows.

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

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

**Lease Accounting Standard** – As of July 1, 2022, management evaluates contracts at their inception to determine if an arrangement contains a lease based on whether NAVS has the right to control the asset during the contract period and other facts and circumstances. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities.

As a lessee, NAVS records a right-of-use (“ROU”) asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. For leases with a term of less than 12 months (short-term leases), NAVS does not record a ROU asset and lease liability and the payments will be recognized in results of operations over the lease term. ROU assets and lease liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. NAVS includes lease extensions in the lease term when it is reasonably certain that it will exercise the extension. The discount rates used to determine the ROU asset and liability are the lease’s implied rate, if readily determinable. If the implied rate is not readily determinable, the discount rate used is NAVS’ incremental borrowing rate. For lease agreements with both lease and non-lease components, management has elected the practical expedient to account for them as a single lease component. The ROU asset also includes initial direct costs and prepaid lease payments made less lease incentives and deferred rent, if any. NAVS’ lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Subsequent Events** – Subsequent events have been evaluated through November 6, 2023, which is the date the financial statements were available to be issued.

**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:

|  | 2023                 | 2022                 |
|--|----------------------|----------------------|
| Financial assets at year-end:  |                      |                      |
| Cash and cash equivalents  | \$ 492,428           | \$ 240,177           |
| Receivables  | 49,016               | 53,876               |
| Investments  | 12,481,776           | 10,764,534           |
| Less financial assets with restrictions  | (327,509)            | (392,988)            |
| <b>Financial assets available to meet general expenditures over the next twelve months</b> | <b>\$ 12,695,711</b> | <b>\$ 10,665,599</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.



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

**3. Investments**

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

|                               | June 30, 2023        |                      | June 30, 2022        |                      |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
|                               | Cost                 | Fair Value           | Cost                 | Fair Value           |
| Common stock and mutual funds | \$ 10,990,193        | \$ 12,481,676        | \$ 10,107,604        | \$ 10,764,434        |
| Other - cost                  | 100                  | 100                  | 100                  | 100                  |
|                               | <b>\$ 10,990,293</b> | <b>\$ 12,481,776</b> | <b>\$ 10,107,704</b> | <b>\$ 10,764,534</b> |

Net investment income for the year ended June 30, 2023, consists of an unrealized gain of \$834,653 (\$2,119,798 of unrealized loss for the year ended June 30, 2022), realized gain of \$247,772 (\$499,746 of realized gain for the year ended June 30, 2022), interest and dividends of \$300,140 (\$315,318 for the year ended June 30, 2022), and investment expenses of \$78,008 (\$91,159 for the year ended June 30, 2022).

**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.

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

**4. Investments Hierarchy**

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.

| <b>2023</b>             |  |   |  |                      |
|-------------------------|--|---|--|----------------------|
| Description             | Quoted Prices in<br>Active Market for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance,<br>June 30  |
| Mutual funds:           |  |   |  |                      |
| U.S. Large Cap          | \$ 3,224,425   | \$ -  | \$ -   | \$ 3,224,425         |
| U.S. Mid Cap            | 390,095  | -   | -  | 390,095              |
| U.S. Small Cap          | 308,962  | -   | -  | 308,962              |
| International           | 651,577  | -   | -  | 651,577              |
| Fixed income            | 1,663,727  | -   | -  | 1,663,727            |
| Other                   | 187,114  | -   | -  | 187,114              |
| Common stocks:          |  |   |  |                      |
| Domestic                | 4,238,732  | -   | -  | 4,238,732            |
| Cash                    | 294,789  | -   | -  | 294,789              |
| Certificates of deposit | 1,522,355  | -   | -  | 1,522,355            |
|                         | <u>\$ 12,481,776</u>   | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 12,481,776</u> |
| <b>2022</b>             |  |   |  |                      |
| Description             | Quoted Prices in<br>Active Market for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance,<br>June 30  |
| 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)**

**5. Property and Equipment**

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

|   | <b>2023</b>      | <b>2022</b> |
|---|------------------|-------------|
| Furniture and equipment                           | <b>\$ 56,830</b> | \$ 49,026   |
| Computer software                                 | <b>149,694</b>   | 149,694     |
| Automobile  | <b>40,636</b>    | 40,636      |
|   | <b>247,160</b>   | 239,356     |
| Less accumulated depreciation<br>and amortization | <b>213,854</b>   | 202,374     |
|   | <b>\$ 33,306</b> | \$ 36,982   |

Depreciation and amortization expense of property and equipment for the year ended June 30, 2023, was \$11,480 (\$8,865 for the year ended June 30, 2022).

**6. Operating Lease**

In March of 2021, NAVS entered into an office space lease which expires in August of 2028. Operating lease ROU assets and operating lease liabilities of \$332,217 and \$365,862, respectively, associated with this lease are included on the statement of financial position as of June 30, 2023.

Operating lease cost is recognized on a straight-line basis over the lease term and is included in occupancy expenses on the statement of functional expenses. Operating lease cost was \$105,434 for the year ended June 30, 2023.

As of June 30, 2023, the weighted-average remaining lease term was 5.09 years, and the weighted average discount rate was 2.92% for the operating lease recognized in the financial statements.

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

**6. Operating Lease (cont'd)**

Future minimum lease payments for each of the next three years due under noncancelable operating leases with initial or remaining lease terms in excess of one year consisted of the following at June 30, 2023:

|  |      |    |          |
|--|------|----|----------|
|  | 2024 | \$ | 72,978   |
|  | 2025 |    | 74,620   |
|  | 2026 |    | 76,299   |
|  | 2027 |    | 78,016   |
|  | 2028 |    | 79,771   |
|  | 2029 |    | 53,972   |
| Total minimum lease payments               |      |    | 435,656  |
| Less imputed interest                      |      |    | (69,794) |
| Present value of operating lease liability |      | \$ | 365,862  |

The following table provides supplemental cash flow information related to our leases for the year ended June 30, 2023.

Cash paid for amounts included in the measurement of lease liabilities:

|  |    |        |
|--|----|--------|
| Operating cash outflows for operating leases | \$ | 71,789 |
|--|----|--------|

Prior to July 1, 2022, NAVS accounted for its leases under ASC 840. Rent expense of \$58,553 was recognized during the year ended June 30, 2022.

Future minimum lease payments were 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 |

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

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**7. Related Parties**

The Executive Director of NAVS is also an officer for the International Foundation for Ethical Research (IFER), to which NAVS granted \$200,000 for the year ended June 30, 2023 (\$250,000 for the year ended June 30, 2022). 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, 2023 and 2022, 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:

|  | <b>2023</b>              | 2022                     |
|--|--------------------------|--------------------------|
| Public awareness and general education | <b>\$ 306,526</b>        | \$ 231,207               |
| Cooperative efforts and grants         | <b>124,500</b>           | 110,114                  |
| Fund-raising                           | <b>119,610</b>           | 72,195                   |
| <b>Total</b>                           | <b><u>\$ 550,636</u></b> | <b><u>\$ 413,516</u></b> |

**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.

**10. Net Assets With Donor Restrictions**

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

|                                  | <b>2023</b>              | 2022              |
|----------------------------------|--------------------------|-------------------|
| Special project – Sanctuary fund | <b><u>\$ 327,509</u></b> | <u>\$ 392,988</u> |

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

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**10. Net Assets With Donor Restrictions (cont'd)**

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:

|                                  | <u>2023</u>       | <u>2022</u>       |
|----------------------------------|-------------------|-------------------|
| Special project – Sanctuary fund | <u>\$ 124,500</u> | <u>\$ 110,114</u> |

**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 \$22,500 for calendar year 2023 and \$20,500 for calendar year 2022, 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, 2023, amounted to \$265,385 (\$280,744 for the year ended June 30, 2022). The royalties are computed monthly and typically received within 60 days of each month end. As of June 30, 2023, \$34,148 of royalties were receivable, and recorded as royalties receivable on the statement of financial position (\$51,323 as of June 30, 2022).

**13. Risks and Uncertainties**

NAVS has been the recipient of federal assistance in the form of forgivable PPP loans, which the SBA has forgiven. NAVS forgiveness applications remain subject to audit, and any disallowed credits could become a liability to NAVS.