

**Vesper Society**

Financial Statements

December 31, 2020 and 2019



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Vesper Society  
San Francisco, California

We have audited the accompanying financial statements of Vesper Society (a California nonprofit corporation) ("Vesper"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vesper Society as of December 31, 2020 and 2019, and the changes 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.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Ramon, California

March 17, 2021



An independent firm  
associated with Moore  
Global Network Limited

Vesper Society  
Statements of Financial Position  
December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 56,015	\$ 65,412
Investments	35,014,564	34,109,388
Advances to project partners	1,043,013	658,717
Contributions and grants receivable	-	2,228
Prepaid expenses	14,206	26,442
Total current assets	36,127,798	34,862,187
Other assets		
Property and equipment, net	3,667	5,667
Deposits	9,887	9,887
Total other assets	13,554	15,554
Total assets	\$ 36,141,352	\$ 34,877,741
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 44,927	\$ 49,437
Accrued vacation	43,704	36,695
Capital lease obligation, current	2,053	1,593
Total current liabilities	90,684	87,725
Long-term liabilities		
Deferred excise taxes	67,251	41,748
Deferred rent	29,618	31,984
Deferred revenue	2,433	2,273
Capital lease obligation, net of current portion	2,100	4,152
Security deposits	2,371	2,371
Total long-term liabilities	103,773	82,528
Total liabilities	194,457	170,253
Net assets		
Without donor restrictions		
Undesignated	35,899,040	34,618,972
Board-designated	47,855	88,516
Total net assets without donor restrictions	35,946,895	34,707,488
Total liabilities and net assets	\$ 36,141,352	\$ 34,877,741

The accompanying notes are an integral part of these financial statements.

Vesper Society  
 Statements of Activities  
 For the Years Ended December 31, 2020 and 2019

	2020	2019
Support, gains and revenue		
Interest and dividends	\$ 1,085,743	\$ 1,563,505
Net investment gains	2,398,595	4,450,268
Contributions	8,839	10,227
Other income	2,771	1,880
Total support, gains and revenue	3,495,948	6,025,880
Functional expenses		
Program services		
Health Services to the Underserved	1,113,774	1,011,489
Youth Services	224,018	223,285
Service in the World	102,318	98,847
Partner Capacity Building	459,394	203,641
Total program services	1,899,504	1,537,262
Supporting services		
Administrative	292,116	382,823
Total support services	292,116	382,823
Total functional expenses	2,191,620	1,920,085
Change in net assets from operations	1,304,328	4,105,795
Excise tax expense	(64,921)	(60,297)
Change in net assets	1,239,407	4,045,498
Net assets without donor restrictions, beginning of year	34,707,488	30,661,990
Net assets without donor restrictions, end of year	\$ 35,946,895	\$ 34,707,488

The accompanying notes are an integral part of these financial statements.

Vesper Society  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services				Supporting Services		Total
	Health Services to the Underserved	Youth Services	Service in the World	Partner Capacity Building	Administrative	Common Cost	
Personnel expenses							
Salaries	\$ 64,028	\$ 30,880	\$ 23,278	\$ 56,517	\$ 83,097	\$ 18,210	\$ 276,010
Employee benefits and payroll taxes	16,614	8,112	5,780	14,107	27,289	6,738	78,640
Total personnel expenses	80,642	38,992	29,058	70,624	110,386	24,948	354,650
Staff development	-	-	-	-	1,122	-	1,122
Professional fees	-	-	-	60,571	114,034	4,390	178,995
Payments to project partners	992,358	124,229	45,408	270,210	-	-	1,432,205
Grants	3,105	43,000	15,000	25,000	-	-	86,105
Rent	-	-	-	-	-	88,580	88,580
Supplies	-	-	-	-	732	3,639	4,371
Equipment lease and rental	-	-	-	-	-	736	736
Dues, subscriptions, and reference materials	-	-	-	-	3,762	1,821	5,583
Insurance	-	-	-	-	4,978	6,173	11,151
Postage, shipping and delivery	82	14	-	88	524	-	708
Telecommunications	-	-	-	-	746	6,246	6,992
Printing	-	-	-	-	1,029	383	1,412
Bank and other fees	-	-	-	-	280	-	280
Interest expense	-	-	-	-	-	1,293	1,293
Transportation and parking	-	-	-	-	1,668	-	1,668
Travel	1,888	982	164	1,223	249	-	4,506
Meetings	876	6	28	941	3,912	-	5,763
Miscellaneous expenses	-	-	-	-	3,500	-	3,500
Depreciation	-	-	-	-	-	2,000	2,000
Common cost	34,823	16,795	12,660	30,737	45,194	(140,209)	-
	<u>\$ 1,113,774</u>	<u>\$ 224,018</u>	<u>\$ 102,318</u>	<u>\$ 459,394</u>	<u>\$ 292,116</u>	<u>\$ -</u>	<u>\$ 2,191,620</u>

The accompanying notes are an integral part of these financial statements.

Vesper Society  
Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services				Supporting Services		Total
	Health Services to the Underserved	Youth Services	Service in the World	Partner Capacity Building	Administrative	Common Cost	
Personnel expenses							
Salaries	\$ 61,700	\$ 30,644	\$ 23,079	\$ 40,089	\$ 81,956	\$ 23,255	\$ 260,723
Employee benefits and payroll taxes	<u>16,929</u>	<u>8,912</u>	<u>6,047</u>	<u>10,189</u>	<u>26,892</u>	<u>8,982</u>	<u>77,951</u>
Total personnel expenses	<u>78,629</u>	<u>39,556</u>	<u>29,126</u>	<u>50,278</u>	<u>108,848</u>	<u>32,237</u>	<u>338,674</u>
Staff development	-	-	-	-	2,201	-	2,201
Board development	-	-	-	-	757	-	757
Professional fees	-	-	-	31,269	122,449	5,912	159,630
Payments to project partners	878,237	157,571	38,673	87,320	-	-	1,161,801
Grants	3,000	3,000	14,075	4,000	-	-	24,075
Rent	-	-	-	-	-	85,659	85,659
Supplies	-	-	-	-	687	7,811	8,498
Equipment lease and rental	-	-	-	-	-	616	616
Dues, subscriptions, and reference materials	-	-	-	-	4,081	2,187	6,268
Insurance	-	-	-	-	4,735	6,514	11,249
Postage, shipping and delivery	173	48	49	28	512	371	1,181
Telecommunications	64	-	-	14	948	7,199	8,225
Printing	-	-	-	-	3,194	368	3,562
Bank and other fees	-	-	-	-	291	-	291
Interest expense	-	-	-	-	-	376	376
Transportation and parking	-	-	-	-	226	-	226
Travel	8,254	3,402	2,125	3,721	13,740	-	31,242
Meetings	3,928	236	134	1,538	36,496	-	42,332
Miscellaneous expenses	-	-	-	-	31,582	-	31,582
Depreciation	-	-	-	-	-	1,640	1,640
Common cost	<u>39,204</u>	<u>19,472</u>	<u>14,665</u>	<u>25,473</u>	<u>52,076</u>	<u>(150,890)</u>	<u>-</u>
	<u>\$ 1,011,489</u>	<u>\$ 223,285</u>	<u>\$ 98,847</u>	<u>\$ 203,641</u>	<u>\$ 382,823</u>	<u>\$ -</u>	<u>\$ 1,920,085</u>

The accompanying notes are an integral part of these financial statements.

Vesper Society  
 Statements of Cash Flows  
 For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 1,239,407	\$ 4,045,498
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,000	1,640
Realized and unrealized gains on investments	(2,539,331)	(4,594,034)
Deferred excise taxes	25,503	36,452
Changes in operating assets and liabilities		
Advances to project partners	(384,296)	388,302
Contributions and grants receivable, net	2,228	(778)
Prepaid expenses	12,236	(20,342)
Accounts payable and accrued expenses	(4,510)	3,059
Accrued vacation	7,009	169
Deferred rent	(2,366)	19,136
Deferred revenue	160	2,273
Net cash used in operating activities	(1,641,960)	(118,625)
Cash flows from investing activities		
Purchases of investments	(9,884,383)	(5,146,058)
Proceeds from the sales of investments	11,518,538	5,284,579
Net cash provided by investing activities	1,634,155	138,521
Cash flows from financing activities		
Principal payments on capital lease obligation	(1,592)	(2,100)
Net cash used in financing activities	(1,592)	(2,100)
Net increase (decrease) in cash and cash equivalents	(9,397)	17,796
Cash and cash equivalents, beginning of year	65,412	47,616
Cash and cash equivalents, end of year	\$ 56,015	\$ 65,412

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 1,293	\$ 376
Excise taxes	\$ 28,978	\$ 36,560

Supplemental schedule of noncash investing and financing activities

Property and equipment acquired through capital lease	\$ -	\$ 6,000
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The accompanying notes are an integral part of these financial statements.



Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

1. NATURE OF ORGANIZATION

Vesper Society ("Vesper") is a California not-for-profit corporation located in San Francisco, California. Vesper's mission is to promote social justice locally and globally by addressing critical social issues including the provision of health services for the underserved. The purposes of Vesper are:

- 1) To provide care, treatment, diagnosis, hospitalization and other health services to injured, afflicted, sick, infirmed and aged persons.
- 2) To promote social justice by assisting individuals and organizations to address social and ethical issues from a faith-based moral and ethical perspective and by encouraging the laity to work from such a perspective, particularly for the benefit of the underserved.

Vesper invested funds received from the sale of two hospitals. Substantial revenue is generated from these investments, which subjects Vesper's income to market forces. The Attorney General of the State of California has required Vesper to spend at least 60% of its annual program expenditures, excluding expenses generated by grants, gifts and other donations received after January 1, 2003, for the provision of care, treatment, diagnosis, hospitalization and other health services to injured, afflicted, sick, infirmed and aged persons. Compliance with this requirement is determined on the basis of a three-year rolling average. Management believes that Vesper is in compliance with this requirement.

Program activities of Vesper Society include:

Direct health services for the underserved with clinic partners in the San Francisco Bay Area (Asian Health Services, Clinic by the Bay, HealthRIGHT 360, Street Level Health Project, La Clinica de La Raza, Marin City Health and Wellness Center); in Humboldt County (K'ima:w Medical Center, Open Door Community Health Centers, United Indian Health Services), and in Imperial County (Clinicas de Salud del Pueblo). These direct health services include behavioral health, telehealth, dental health, medical equipment, and new clinic facilities.

Social determinants of health for the underserved with partners in Humboldt County (California Children and Families First 5 Humboldt, Humboldt State University, Nature Rights Council, Two Feathers Native American Family Services) and in Imperial County (Imperial Valley Regional Occupational Program, Imperial Valley 4-H). These include building resilience in children and families, promoting wellness through sustainable healthy food, and creating an environment where youth can thrive by developing strong relationships and promoting new career pathways.

Social justice ministries for the underserved with partners at California Lutheran University/Pacific Lutheran Theological Seminary, Los Angeles United Methodist Urban Foundation, and El Centro First United Methodist Church.

Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of Vesper have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), whereby revenue and gains, except contribution revenue, are recognized when earned and expenses and losses when incurred.

Basis of presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- *Without donor restrictions* - Those net assets and activities which represent the portion of expendable funds available to support operations that are not subject to donor-imposed stipulations. A portion of these net assets may be designated by the Board of Directors ("Board") for specific purposes. Amounts designated by the Board were \$47,855 and \$88,516 at December 31, 2020 and 2019, respectively.
- *With donor restrictions* - The portion of net assets for which Vesper is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by Vesper's actions. Vesper had no net assets with donor restrictions at December 31, 2020 and 2019.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Vesper and changes therein are classified as with or without donor restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that may or will be met either by actions of Vesper and/or the passage of time.

The Board may designate a portion of the net assets without donor restrictions for a specific use or purpose. Such amounts are not available for other uses without the approval of the Board. It is the practice of the Board and members to donate funds on an annual or more frequent basis into the Board-designated fund. These amounts as well as other contributions received without donor-stipulated restrictions are classified as net assets without donor restrictions on the statements of financial position. The President has the discretion to utilize the Board-designated funds as Vesper exits a partnership in order to provide a Vesper remembrance in discussion with the Program Committee and the Board. The remembrance(s) may vary by size and type as appropriate for the existing partner.

Cash and cash equivalents

Vesper considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash on deposit occasionally exceeds federally insured limits. Vesper believes it mitigates this risk by maintaining deposits with major financial institutions.

Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and fair value measurements

Investments in marketable debt and equity securities are reported at fair value based on their published market value. Investment income and realized and unrealized gains and losses are reported as increases or decreases in net assets without donor restriction unless otherwise restricted by a donor. Purchases and sales of securities are recorded on a trade-date basis.

Vesper's investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Vesper determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3).

- *Level 1* - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Vesper has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- *Level 3* - unobservable inputs for the asset or liability. Unobservable inputs reflect Vesper's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include Vesper's own data.

Advances to project partners

Vesper seeks project partners to collaborate with in conducting various projects that are in line with its mission and help accomplish its programmatic objectives. Payments to project partners are recorded as expenses when programmatic objectives have been met and/or tasks enumerated in the memorandum of understanding with the partner have been completed. Any funding provided but not expended before the end of the year is recorded as an advance to project partner in the statements of financial position. Since Vesper receives a benefit and establishes specific deliverables from the participating partners, these activities are recorded as exchange transactions.

Contributions and grants receivable

Contributions and grants receivable are reported as net assets without donor restrictions unless otherwise restricted by the donor.

Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivable (continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier for which they depend is achieved and the right of release has been overcome. Contributions and grants receivable that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable, if applicable, is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. As of December 31, 2020 and 2019, there was no allowance for doubtful contributions and grants receivable.

Property and equipment

Acquisitions of property and equipment with a cost, or fair value, of \$2,500 or more and significant leasehold improvements are capitalized. Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of contributions. Depreciation is provided over the estimated useful lives of the assets, primarily three to seven years, using the straight-line method of depreciation. Leasehold improvements are amortized using the straight-line method over the remaining life of the lease or the estimated useful life of the improvement, whichever is shorter.

Functional expenses

Common costs, primarily related to the operation and maintenance of an office facility, are pooled in a cost center and allocated in total among program and supporting activities benefited. The basis for allocation was direct salaries in the years ended December 31, 2020 and 2019. Salaries and related expenses are allocated to program and supporting activities based on time spent in each activity and reported by staff.

Income tax status

Vesper is exempt from Federal and State income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and Section 23701(d) of the State Revenue and Taxation Code as a "Private Operating Foundation", whereby its net investment income is subject to excise taxes.

In accordance with the applicable provisions of the Code, Vesper is subject to an excise tax of 1.39% on its net investment income, excluding unrealized gains. In addition, the Code requires that certain minimum distributions be made in accordance with a specified formula. Vesper estimates and records its excise taxes to include a provision for deferred taxes on unrealized gains and losses on its investments.

Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

Vesper has evaluated its current tax positions and has concluded that as of December 31, 2020 and 2019, it does not have any significant uncertain tax positions for which a reserve would be necessary. Vesper's annual informational returns are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they are filed.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant accounting estimates reflected in Vesper's financial statements include the functional allocation of expenses. Actual results could differ from those estimates.

Subsequent events

Vesper has evaluated subsequent events through March 17, 2021, the date which the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of Vesper's financial statements.

3. INVESTMENTS

Investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Equity funds	\$ 25,033,521	\$ 24,781,505
Bond funds	9,953,072	9,268,753
Money market funds	27,931	58,903
Fixed income	<u>40</u>	<u>227</u>
	<u>\$ 35,014,564</u>	<u>\$ 34,109,388</u>

Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

3. INVESTMENTS (continued)

Investment earnings consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,085,743	\$ 1,563,505
Realized gains	1,878,095	948,788
Unrealized gains	661,236	3,645,246
Investment expenses	<u>(140,736)</u>	<u>(143,766)</u>
	<u>\$ 3,484,338</u>	<u>\$ 6,013,773</u>

4. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, Vesper's assets at fair value at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity funds	\$ 25,033,521	\$ -	\$ -	\$ 25,033,521
Bond funds	9,953,072	-	-	9,953,072
Money market funds	27,931	-	-	27,931
Fixed income	<u>-</u>	<u>40</u>	<u>-</u>	<u>40</u>
	<u>\$ 35,014,524</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 35,014,564</u>

The following table sets forth by level, within the fair value hierarchy, Vesper's assets at fair value at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity funds	\$ 24,781,505	\$ -	\$ -	\$ 24,781,505
Bond funds	9,268,753	-	-	9,268,753
Money market funds	58,903	-	-	58,903
Fixed income	<u>-</u>	<u>227</u>	<u>-</u>	<u>227</u>
	<u>\$ 34,109,161</u>	<u>\$ 227</u>	<u>\$ -</u>	<u>\$ 34,109,388</u>

5. ADVANCES TO PROJECT PARTNERS

Vesper paid advances to its project partners in the amount of \$1,043,013 and \$658,717 at December 31, 2020 and 2019 to meet certain commitments. These commitments will be fulfilled once project partners meet certain thresholds in accordance with their memorandum of understanding with Vesper.

Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2020	2019
Equipment	\$ 14,864	\$ 14,864
Accumulated depreciation	(11,197)	(9,197)
	\$ 3,667	\$ 5,667

Depreciation expense for the years ended December 31, 2020 and 2019 was \$2,000 and \$1,640, respectively.

7. CAPITAL LEASE OBLIGATION

In November 2016, Vesper entered into an agreement to lease office equipment. Upon expiration of the lease in October 2019, Vesper entered into another lease agreement for similar office equipment, requiring monthly payments of \$241 through October 2022.

Future maturities of capital lease obligation are as follows:

<u>Year ending December 31,</u>			
2021		\$	2,886
2022			2,348
			5,234
Amount representing interest			(1,081)
Present value of minimum lease payments			4,153
Current portion			(2,053)
		\$	2,100

Interest expense related to the capital lease obligations amounted to \$1,293 and \$376 for the years ended December 31, 2020 and 2019, respectively. The cost of assets held under capital lease was \$14,864 at December 31, 2020 and 2019. The accumulated depreciation of assets held under capital lease was \$11,197 and \$9,197 at December 31, 2020 and 2019, respectively (Note 6).

Vesper Society  
Notes to Financial Statements  
December 31, 2020 and 2019

8. NET ASSETS WITHOUT DONOR RESTRICTION

Board-designated net assets are comprised of contributions received without donor restriction that do not fall under the Attorney General's requirement for Vesper to spend 60% of its program dollars in health-related activities. The purpose of the designation is to keep the funds separate from the funds that do fall under the Attorney General's requirement. During the year ended December 31, 2020, Vesper paid grants in the amount of \$50,000 from its board-designated funds.

9. EXCISE TAX EXPENSE

Excise tax expense differs from amounts currently payable because certain investment income is included in the statements of activities in periods that differ from those in which it is subject to taxation. The difference between tax expense and taxes currently payable is reflected as a deferred excise tax liability on the statements of financial position. Vesper was subject to a 1.39% and 1.00% excise tax for the years ended December 31, 2020 and 2019, respectively. Deferred excise tax liabilities at December 31, 2020 and 2019 were \$67,251 and \$41,748 respectively.

Excise tax expense was reported as follows:

	2020	2019
Current	\$ 39,418	\$ 23,845
Deferred tax expense	25,503	36,452
	\$ 64,921	\$ 60,297

10. PENSION PLAN

Vesper provides a defined contribution plan (the "Plan") to all employees who have completed six months of employment and normally work more than 20 hours per week. Vesper makes annual contributions to the Plan equal to a certain percentage of each employee's compensation up to a ceiling that is adjusted in accordance with IRS determined amounts each year. Total contributions to the Plan during the years ended December 31, 2020 and 2019 were \$18,830 and \$19,506, respectively.

11. COMMITMENTS AND CONTINGENCIES

Vesper rents its office space under a lease agreement that expires on August 31, 2024. The lease calls for monthly payments escalating each year from \$8,528 to \$9,887 over the term of the lease. Rent expense is recorded on a straight-line basis over the lease term. The cumulative difference between the actual payments and the straight-line rent expense is recorded as a deferred rent liability on the statements of financial position. Rent expense was \$88,580 and \$85,659 during the years ended December 31, 2020 and 2019, respectively.



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11. COMMITMENTS AND CONTINGENCIES (continued)

The scheduled minimum lease payments under the lease term are as follows:

<u>Year ending December 31,</u>	
2021	\$ 109,115
2022	112,389
2023	115,760
2024	<u>79,093</u>
	<u>\$ 416,357</u>

Vesper subleases part of its office space under a noncancelable lease arrangement that expires on August 31, 2024. Sublease income was \$28,467 and \$26,867 for the years ended December 31, 2020 and 2019, respectively. These amounts were recorded net of rent expense of \$25,696 and \$25,696 for the years ended December 31, 2020 and 2019, respectively, and are included in other income on the statements of activities.

The future scheduled minimum rental income under the lease terms is as follows:

<u>Year ending December 31,</u>	
2021	\$ 27,279
2022	28,097
2023	28,940
2024	<u>19,773</u>
	<u>\$ 104,089</u>

12. RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where Vesper is located, have declared a state of emergency.

COVID-19 could adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the value of Vesper's investments. Although Vesper is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change.

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13. LIQUIDITY AND FUNDS AVAILABLE

Vesper regularly monitors liquidity required to meet its operating needs and its commitments to its partners, while also striving to maximize the investment of its available funds. Vesper has various sources of liquidity sources, including cash and cash equivalents, and marketable debt and equity securities.

For the purposes of analyzing resources available to meet general expenditures over a 12-month period, Vesper considers all expenditures related to its ongoing program and supporting activities. Based on this analysis, Vesper sets the amount to draw from its investments as a part of its annual budget process. Vesper monitors the cash need monthly and adjusts the need to draw funds from its investments based on payments due to its partners and general operating expenses.

Vesper's financial assets available within one year of the statements of financial position for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 56,015	\$ 65,412
Investments	35,014,564	34,109,388
Contributions and grants receivable	<u>-</u>	<u>2,228</u>
	<u>\$ 35,070,579</u>	<u>\$ 34,177,028</u>