

Audited Financial Statements



December 31, 2021

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Independent Auditor's Report

Board of Directors
Vesper Society
San Francisco, California

Opinion

We have audited the accompanying financial statements of Vesper Society, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. 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, 2021, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Vesper Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

2020 Financial Statements Audited by Another Auditor

The financial statements of Vesper Society for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on March 17, 2021.

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 Vesper Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

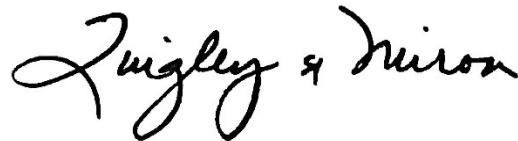
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Vesper 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 Vesper 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.

A handwritten signature in black ink that reads "Zugley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
March 19, 2022

Vesper Society
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash	\$ 68,875	\$ 56,015
Investments—Note 3	37,302,514	35,014,564
Advances to project partners—Note 5	1,593,703	1,043,013
Contributions and grants receivable	882	-
Prepaid expenses	14,404	19,506
	<u>38,980,378</u>	<u>36,133,098</u>
	Total Current Assets	
Other assets		
Deposits	9,887	9,887
Property and equipment, net—Note 6	1,667	3,667
	<u>11,554</u>	<u>13,554</u>
	Total Other Assets	
	<u>\$ 38,991,932</u>	<u>\$ 36,146,652</u>
	Total Assets	
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 74,129	\$ 50,227
Accrued vacation	35,117	43,704
Capital lease obligation, current—Note 7	2,100	2,053
	<u>111,346</u>	<u>95,984</u>
	Total Current Liabilities	
Long-term liabilities		
Deferred excise taxes—Note 8	97,762	67,251
Deferred rent	24,868	29,618
Deferred revenue	-	2,433
Capital lease obligation, net of current portion—Note 7	-	2,100
Security deposits	2,371	2,371
	<u>125,001</u>	<u>103,773</u>
	Total Long-Term Liabilities	
	<u>236,347</u>	<u>199,757</u>
	Total Liabilities	
Net Assets		
Without donor restrictions		
Undesignated	38,705,802	35,899,040
Board-designated—Note 9	49,783	47,855
	<u>38,755,585</u>	<u>35,946,895</u>
	Total Net Assets without Donor Restrictions	
	<u>\$ 38,991,932</u>	<u>\$ 36,146,652</u>
	Total Liabilities and Net Assets	

See notes to financial statements.

Vesper Society
Statements of Activities
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Operating Activities		
Support, gains, and revenue		
Realized gains on investments	\$ 1,327,998	\$ 1,878,095
Unrealized gains on investments	2,195,000	661,236
Less investment management fees	(162,458)	(140,736)
Investment Return, Net	3,360,540	2,398,595
Interest and dividends	1,482,125	1,085,743
Total Return on Investments	4,842,665	3,484,338
Contributions	6,928	8,839
Other income	4,502	2,771
Total Support, Gains, and Revenue	4,854,095	3,495,948
Expenses		
Program services		
Health Services to the Underserved	951,254	1,113,774
Youth Services	191,881	224,018
Service in the World	138,530	102,318
Partner Capacity Building	419,406	459,394
Total Program Services	1,701,071	1,899,504
Supporting services		
Administrative	276,870	292,116
Total Support Services	276,870	292,116
Total Expenses	1,977,941	2,191,620
Increase in Net Assets from Operations	2,876,154	1,304,328
Excise taxes—Note 8	(67,464)	(64,921)
Change in Net Assets	2,808,690	1,239,407
Net Assets at Beginning of Year	35,946,895	34,707,488
Net Assets at End of Year	\$ 38,755,585	\$ 35,946,895

See notes to financial statements.

Vesper Society
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services					Supporting Services		
	Health Services to the Underserved	Youth Services	Service in the World	Partner Capacity Building	Total Program Services	Administrative	Common Cost	Total
Personnel Expenses								
Salaries	\$ 67,083	\$ 28,246	\$ 27,638	\$ 51,430	\$ 174,397	\$ 70,748	\$ 11,913	\$ 257,058
Payroll taxes	4,389	1,951	1,776	3,277	11,393	5,441	978	17,812
Employee benefits	12,642	5,645	4,858	8,971	32,116	19,853	4,185	56,154
Total Personnel Expenses	84,114	35,842	34,272	63,678	217,906	96,042	17,076	331,024
Payments to project partners	825,188	131,734	73,852	251,940	1,282,714	-	-	1,282,714
Professional fees	-	-	-	60,317	60,317	124,799	1,455	186,571
Rent	-	-	-	-	-	-	88,394	88,394
Grants	3,605	8,000	15,000	14,126	40,731	-	-	40,731
Insurance	-	-	-	-	-	4,583	6,057	10,640
Travel	1,959	1,183	553	580	4,275	3,775	-	8,050
Telecommunications	-	-	-	-	-	13	7,263	7,276
Meetings	604	84	119	1,309	2,116	3,155	-	5,271
Dues, subscriptions and reference materials	-	-	-	-	-	3,362	1,865	5,227
Supplies	-	-	-	-	-	339	3,554	3,893
Depreciation	-	-	-	-	-	-	2,000	2,000
Transportation and parking	-	-	-	-	-	1,773	-	1,773
Equipment lease and rental	-	-	-	-	-	-	1,239	1,239
Interest expense	-	-	-	-	-	-	834	834
Printing	-	-	-	-	-	285	425	710
Postage, shipping, and delivery	130	25	45	122	322	97	110	529
Bank and other fees	-	-	-	-	-	469	20	489
Board development	-	-	-	-	-	422	-	422
Staff development	-	-	-	-	-	154	-	154
Common cost	35,654	15,013	14,689	27,334	92,690	37,602	(130,292)	-
Total Expenses	\$ 951,254	\$ 191,881	\$ 138,530	\$ 419,406	\$ 1,701,071	\$ 276,870	\$ -	\$ 1,977,941

See notes to financial statements.

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

	Program Services					Supporting Services		
	Health Services to the Underserved	Youth Services	Service in the World	Partner Capacity Building	Total Program Services	Administrative	Common Cost	Total
Personnel Expenses								
Salaries	\$ 64,028	\$ 30,880	\$ 23,278	\$ 56,517	\$ 174,703	\$ 83,097	\$ 18,210	\$ 276,010
Payroll taxes	4,510	1,981	1,559	3,726	11,776	5,517	1,225	18,518
Employee benefits	12,104	6,131	4,221	10,381	32,837	21,772	5,512	60,121
Total Personnel Expenses	80,642	38,992	29,058	70,624	219,316	110,386	24,947	354,649
Payments to project partners	992,358	124,229	45,408	270,210	1,432,205	-	-	1,432,205
Professional fees	-	-	-	60,571	60,571	114,034	4,390	178,995
Rent	-	-	-	-	-	-	88,580	88,580
Grants	3,105	43,000	15,000	25,000	86,105	-	-	86,105
Insurance	-	-	-	-	-	4,978	6,173	11,151
Travel	1,888	982	164	1,223	4,257	249	-	4,506
Telecommunications	-	-	-	-	-	746	6,246	6,992
Meetings	876	6	28	941	1,851	3,912	-	5,763
Dues, subscriptions and reference materials	-	-	-	-	-	3,762	1,821	5,583
Supplies	-	-	-	-	-	732	3,639	4,371
Depreciation	-	-	-	-	-	-	2,000	2,000
Transportation and parking	-	-	-	-	-	1,668	-	1,668
Equipment lease and rental	-	-	-	-	-	-	736	736
Interest expense	-	-	-	-	-	-	1,293	1,293
Printing	-	-	-	-	-	1,029	384	1,413
Postage, shipping, and delivery	82	14	-	88	184	524	-	708
Bank and other fees	-	-	-	-	-	280	-	280
Staff development	-	-	-	-	-	1,122	-	1,122
Miscellaneous expenses	-	-	-	-	-	3,500	-	3,500
Common cost	34,823	16,795	12,660	30,737	95,015	45,194	(140,209)	-
Total Expenses	\$ 1,113,774	\$ 224,018	\$ 102,318	\$ 459,394	\$ 1,899,504	\$ 292,116	\$ -	\$ 2,191,620

See notes to financial statements.

Vesper Society
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,808,690	\$ 1,239,407
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,000	2,000
Net realized and unrealized gain on investments	(3,522,998)	(2,539,331)
Deferred excise taxes	30,511	25,503
Changes in operating assets:		
Advances to project partners	(550,690)	(384,296)
Contributions and grants receivable	(882)	2,228
Prepaid expenses	5,102	6,936
Changes in operating liabilities:		
Accounts payable and accrued expenses	23,902	790
Accrued vacation	(8,587)	7,009
Deferred rent	(4,750)	(2,366)
Deferred revenue	(2,433)	160
Net Cash Used in Operating Activities	(1,220,135)	(1,641,960)
Cash Flows from Investing Activities		
Purchases of investments	(3,060,368)	(9,884,383)
Proceeds from sale of investments	4,295,416	11,518,538
Net Cash Provided by Investing Activities	1,235,048	1,634,155
Cash Flows from Financing Activities		
Principal payments on capital lease obligation	(2,053)	(1,592)
Net Cash Used in Financing Activities	(2,053)	(1,592)
Increase (Decrease) in Cash	12,860	(9,397)
Cash at Beginning of Year	56,015	65,412
Cash at End of Year	\$ 68,875	\$ 56,015
Supplementary Disclosures		
Excise taxes paid	<u>\$ 29,446</u>	<u>\$ 28,978</u>
Interest paid	<u>\$ 834</u>	<u>\$ 1,293</u>

See notes to financial statements.

Vesper Society
Notes to Financial Statements
December 31, 2021 and 2020

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Vesper Society is a California not-for-profit corporation located in San Francisco, California. Vesper Society'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 Society are:

1. To provide care, treatment, diagnosis, hospitalization and other health services to injured, afflicted, sick, infirmed and aged persons.
2. To assist individuals and organizations to address social and ethical issues from a faith-based moral and ethical perspective for the benefit of the underserved.

Vesper Society has invested funds received from the sale of two hospitals. Substantial revenue is generated from these investments, which subjects the organization's income to market forces. The Attorney General of the State of California has required Vesper Society 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, infirm, and aged persons. Compliance with this requirement is determined on the basis of a three-year rolling average. Management believes that Vesper Society 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—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Vesper Society's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of Vesper Society and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of Vesper Society. These net assets may be used at the discretion of Vesper Society's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of Vesper Society and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit Vesper Society to use all or part of the income earned on related investments for general or specific purposes. There were no net assets with donor restrictions as of December 31, 2021 and 2020.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The board of directors (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 statement of financial position. The President has the discretion to utilize the Board-designated funds in discussion with the Program Committee and the Board.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of Vesper Society's grantmaking activities and resources that generate return from investments. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature; Vesper Society did not engage in any reportable nonoperating activities during the years ended December 31, 2021 and 2020.

Income Taxes—Vesper Society is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for income taxes is included in the financial statements. As a private foundation, in accordance with applicable provisions of the Code, Vesper Society is subject to federal excise tax of 1.39% on its net investment income, excluding unrealized gains. In addition, certain minimum distributions are required by the Code to be made in accordance with a specified formula. Vesper Society 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—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2021 and 2020. Generally, Vesper Society's information returns remain open for inspection for a period of three years (federal) or four years (state of California).

Investments—Investments in marketable debt and equity securities are stated 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 Society'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.

Advances to Project Partners—Vesper Society seeks project partners with whom to collaborate 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 statement of financial position. Since Vesper Society 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. 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, 2021 and 2020, there was no allowance for doubtful contributions and grants receivable.

Property and Equipment—Significant leasehold improvements and acquisitions of property and equipment with a cost or fair value of \$2,500 or more are capitalized. Property and equipment are stated at cost at the date of acquisition or, in the case of contributions, at the estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the related asset, primarily three to seven years. 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.

Vesper Society

Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Concentrations of Credit Risk—Financial instruments which potentially subject Vesper Society to concentrations of credit risk consist of cash and investments. Vesper Society places its cash with a high credit quality financial institution where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Investments are insured by the Securities Investors Protection Corporation (SIPC) up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. Such balances are in excess of the SIPC coverage limits. Management of Vesper Society has assessed the credit risk associated with the cash and investments held at December 31, 2021 and 2020 and has determined that an allowance for potential losses due to credit risk is not necessary.

Functional Expenses—Common costs, primarily related to the operation and maintenance of an office facility, are pooled in a cost center and allocated among the programs or supporting activities benefited. The basis for the allocation was direct salaries for the years ended December 31, 2021 and 2020. Salaries and related expenses are allocated to program and supporting activities based on time spent on each activity and reported by staff. All other expenses are charged directly to the program or supporting activity benefited.

Estimates—The preparation of financial statements in conformity 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Reclassifications—Certain amounts in 2020 have been reclassified to conform with the 2021 financial statement presentation.

Note 2—Availability and Liquidity

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 Society
Notes to Financial Statements—Continued

Note 2—Availability and Liquidity—Continued

Vesper's financial assets available for general expenditure within one year of the statements of financial position for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 68,875	\$ 56,015
Investments	37,302,514	35,014,564
Contributions and grants receivable	882	-
Current Availability of Financial Assets	<u>\$ 37,372,271</u>	<u>\$ 35,070,579</u>

Note 3—Investments

Market value of investments consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equity funds	\$ 26,703,049	\$ 25,033,521
Bond funds	10,506,892	9,953,072
Money market funds	92,573	27,931
Fixed income	-	40
Totals	<u>\$ 37,302,514</u>	<u>\$ 35,014,564</u>

Note 4—Fair Value Measurements

In determining the fair value of investments, Vesper Society utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Vesper Society determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include 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 other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Vesper Society
Notes to Financial Statements—Continued

Note 4—Fair Value Measurements—Continued

At December 31, 2021 and 2020, investments consisted of marketable securities, totaling \$37,302,514 and \$35,014,564, respectively, which are considered to have Level 1 inputs.

Note 5—Advances to Project Partners

At December 31, 2021 and 2020, Vesper Society had unfulfilled advances to its project partners of \$1,593,703 and \$1,043,013, respectively. These commitments will be fulfilled once project partners meet certain thresholds in accordance with their memoranda of understanding with Vesper Society.

Note 6—Property and Equipment, Net

Net property and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 14,864	\$ 14,864
Total Property and Equipment	14,864	14,864
Less accumulated depreciation	(13,197)	(11,197)
Property and Equipment, Net	<u>\$ 1,667</u>	<u>\$ 3,667</u>

Depreciation expense totaled \$2,000 for each of the years ended December 31, 2021 and 2020.

Note 7—Capital Lease Obligation

Vesper Society leases office equipment under a non-cancellable operating lease which expires in October 2022. Future maturities of this lease are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 2,348
Gross Capital Lease Obligation	2,348
Amount representing interest	(248)
Present Value of Minimum Lease Payments	2,100
Less current portion	(2,100)
Net	<u>\$ -</u>

Interest expense related to this capital lease obligation amounted to \$834 and \$1,293, respectively, for the years ended December 31, 2021 and 2020. Cost and accumulated depreciation of assets held under capital lease totaled \$14,864 and \$13,197, respectively, for the year ended December 31, 2021, and \$14,864 and \$11,197, respectively, for the year ended December 31, 2020.

Vesper Society
Notes to Financial Statements—Continued

Note 8—Excise Taxes

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% excise tax for the years ended December 31, 2021 and 2020. Deferred excise tax liabilities at December 31, 2021 and 2020 totaled \$97,762 and \$67,251, respectively.

The excise tax provisions for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Current	\$ 36,953	\$ 39,418
Deferred	30,511	25,503
Net	<u>\$ 67,464</u>	<u>\$ 64,921</u>

Note 9—Net Assets Without Donor Restrictions

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 years ended December 31, 2021 and 2020, Vesper paid grants in the amount of \$5,000 and \$50,000, respectively, from its board-designated funds.

Activity in the board-designated funds for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 47,855	\$ 88,516
Pledges	6,928	9,339
Expenses	(5,000)	(50,000)
Ending Balance	<u>\$ 49,783</u>	<u>\$ 47,855</u>

Note 10—Pension Plan

Vesper Society 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 Society 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. Contributions to the Plan during the years ended December 31, 2021 and 2020 totaled \$17,878 and \$18,830, respectively.

Vesper Society
Notes to Financial Statements—Continued

Note 11—Commitments and Contingencies

Vesper Society 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 \$88,394 and \$88,580, respectively, during the years ended December 31, 2021 and 2020.

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

<u>Year Ending December 31,</u>	
2022	\$ 112,389
2023	115,760
2024	<u>79,093</u>
Total	\$ <u><u>307,242</u></u>

Vesper subleases part of its office space under a noncancelable lease arrangement that expires on August 31, 2024. Sublease income amounted to \$28,832 and \$28,467, respectively, for the years ended December 31, 2021 and 2020 and was recorded net of related rent expense of \$25,696 and \$25,696, respectively, in the other income caption in the statements of activities.

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

<u>Year Ending December 31,</u>	
2022	\$ 28,097
2023	28,940
2024	<u>19,773</u>
Total	\$ <u><u>76,810</u></u>

Note 12—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Vesper Society has continued to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on Vesper Society, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Vesper Society

Notes to Financial Statements—Continued

Note 13—Recent Accounting Pronouncements

Leases—In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for private companies, nonprofit organizations, and certain small public companies with annual periods beginning after December 15, 2021, with early adoption permitted. Vesper Society is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Note 14—Subsequent Events

Subsequent events were evaluated through March 19, 2022, which is the date the financial statements were available to be issued, and it was concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.