Audited Financial Statements

vespersociety

December 31, 2023 and 2022

Quigley & Miron

Quigley & Miron

Certified Public Accountants

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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 statements of financial position as of December 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of Vesper Society as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Quigley & Miron

Campbell, California
March 16, 2024

Vesper Society
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash	$ 152,100	$ 74,735
Investments—Note 3	29,086,130	28,465,156
Advances to project partners—Note 4	2,246,256	1,636,580
Accrued rent receivable	2,643	5,888
Pledges receivable	1,100	-
Prepaid expenses	15,045	20,434
Total Current Assets	**31,503,274**	**30,202,793**
Noncurrent assets		
Deposits	9,887	9,887
Deferred tax asset	-	18,624
Operating lease right-of-use asset—Note 10	67,029	166,052
Total Noncurrent Assets	**76,916**	**194,563**
Total Assets	**$ 31,580,190**	**$ 30,397,356**
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 76,031	$ 38,958
Accrued vacation	36,385	38,285
Deferred revenue	2,700	2,620
Operating lease liability, current—Note 10	77,601	112,001
Total Current Liabilities	**192,717**	**191,864**
Long-term liabilities		
Deferred excise taxes—Note 7	22,570	-
Security deposits	2,371	2,371
Operating lease liability—Note 10	-	77,601
Total Long-Term Liabilities	**24,941**	**79,972**
Total Liabilities	**217,658**	**271,836**
Net Assets		
Without donor restrictions		
Undesignated	31,303,674	30,070,737
Board-designated—Note 8	58,858	54,783
Total Net Assets without Donor Restrictions	**31,362,532**	**30,125,520**
Total Liabilities and Net Assets	**$ 31,580,190**	**$ 30,397,356**

See notes to financial statements.

Vesper Society
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
Operating Activities		
Support, gains, and revenue		
Realized gains on investments	$ 396,658	$ 1,548,145
Unrealized gains (losses) on investments	2,963,596	(8,373,108)
Less investment management fees	(128,601)	(145,706)
Investment Return, Net	**3,231,653**	**(6,970,669)**
Interest and dividends	705,799	762,067
Total Return on Investments	**3,937,452**	**(6,208,602)**
Contributions	4,075	105,000
Other income	4,480	1,865
Total Support, Gains, and Revenue	**3,946,007**	**(6,101,737)**
Expenses		
Program services		
Health Services to the Underserved	1,301,203	1,322,871
Youth Services	164,011	171,484
Service in the World	107,722	168,422
Partner Capacity Building	725,963	613,166
Total Program Services	**2,298,899**	**2,275,943**
Supporting services		
Administrative	355,709	338,289
Total Supporting Services	**355,709**	**338,289**
Total Expenses	**2,654,608**	**2,614,232**
Increase in Net Assets from Operations	**1,291,399**	**(8,715,969)**
Excise taxes—Note 7	(54,387)	85,904
Change in Net Assets	**1,237,012**	**(8,630,065)**
Net Assets at Beginning of Year	**30,125,520**	**38,755,585**
Net Assets at End of Year	**$ 31,362,532**	**$ 30,125,520**

See notes to financial statements.

Vesper Society
Statement of Functional Expenses
Year Ended December 31, 2023

	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	$ 76,334	$ 16,265	$ 22,367	$ 60,935	$ 175,901	$ 88,455	$ 17,160	$ 281,516
Payroll taxes	5,300	1,127	1,586	4,359	12,372	5,910	1,674	19,956
Employee benefits	10,050	2,225	2,950	8,041	23,266	11,731	2,638	37,635
Total Personnel Expenses	**91,684**	**19,617**	**26,903**	**73,335**	**211,539**	**106,096**	**21,472**	**339,107**
Payments to project partners	1,157,041	132,881	57,328	598,075	1,945,325	-	-	1,945,325
Professional fees	-	-	-	-	-	163,168	2,906	166,074
Office lease expense	-	-	-	-	-	-	89,649	89,649
Grants	7,000	2,000	9,000	17,000	35,000	-	-	35,000
Meetings	547	-	931	2,341	3,819	24,832	-	28,651
Travel	6,159	1,223	2,234	3,830	13,446	7,733	27	21,206
Insurance	-	-	-	-	-	2,371	6,206	8,577
Dues, subscriptions, and reference materials	-	-	-	500	500	3,555	4,037	8,092
Supplies	120	20	-	27	167	645	2,631	3,443
Telecommunications	-	-	-	-	-	-	3,419	3,419
Equipment lease and rental	-	-	-	-	-	-	2,223	2,223
Printing	-	-	-	-	-	427	1,192	1,619
Staff development	-	-	-	-	-	1,104	-	1,104
Bank and other fees	-	-	-	-	-	540	-	540
Board development	-	-	-	-	-	412	-	412
Postage, shipping, and delivery	-	34	-	-	34	-	96	130
Transportation and parking	-	-	-	-	-	37	-	37
Common cost	38,652	8,236	11,326	30,855	89,069	44,789	(133,858)	-
Total Expenses	**$ 1,301,203**	**$ 164,011**	**$ 107,722**	**$ 725,963**	**$ 2,298,899**	**$ 355,709**	**$ -**	**$ 2,654,608**

See notes to financial statements.

Vesper Society
Statement of Functional Expenses
Year Ended December 31, 2022

	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	$ 70,676	$ 27,311	$ 28,021	$ 50,820	$ 176,828	$ 59,747	$ 9,964	$ 246,539
Payroll taxes	4,941	1,788	1,720	3,292	11,741	4,107	618	16,466
Employee benefits	10,025	4,021	4,017	7,054	25,117	9,871	1,893	36,881
Total Personnel Expenses	**85,642**	**33,120**	**33,758**	**61,166**	**213,686**	**73,725**	**12,475**	**299,886**
Payments to project partners	1,188,707	116,281	109,628	397,507	1,812,123	-	-	1,812,123
Professional fees	-	-	-	6,825	6,825	191,500	4,774	203,099
Office lease expense	-	-	-	-	-	-	86,877	86,877
Grants	6,000	5,090	8,000	115,000	134,090	-	-	134,090
Meetings	148	322	87	1,290	1,847	20,596	-	22,443
Travel	4,223	1,919	1,816	3,917	11,875	10,417	-	22,292
Insurance	-	-	-	-	-	2,357	6,006	8,363
Dues, subscriptions, and reference materials	-	-	-	-	-	2,404	3,758	6,162
Supplies	-	-	-	-	-	669	4,936	5,605
Telecommunications	-	-	-	-	-	296	5,607	5,903
Equipment lease and rental	-	-	-	-	-	-	707	707
Printing	-	-	-	-	-	674	453	1,127
Staff development	-	-	-	-	-	262	-	262
Bank and other fees	-	-	-	-	-	2,614	-	2,614
Interest expense	-	-	-	-	-	-	248	248
Postage, shipping, and delivery	51	29	27	65	172	223	25	420
Transportation and parking	-	-	-	-	-	344	-	344
Depreciation	-	-	-	-	-	-	1,667	1,667
Common cost	38,100	14,723	15,106	27,396	95,325	32,208	(127,533)	-
Total Expenses	**$ 1,322,871**	**$ 171,484**	**$ 168,422**	**$ 613,166**	**$ 2,275,943**	**$ 338,289**	**$ -**	**$ 2,614,232**

See notes to financial statements.

Vesper Society
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 1,237,012	$ (8,630,065)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	1,667
Non cash lease expenses	99,023	95,851
Net realized and unrealized (gain) loss on investments	(3,360,254)	6,824,963
Deferred excise taxes	22,570	(116,386)
Changes in operating assets:		
Advances to project partners	(609,676)	(42,877)
Accrued rent receivable	3,245	2,401
Pledges receivables	(1,100)	882
Prepaid expenses	5,389	(6,030)
Deferred tax asset	18,624	-
Changes in operating liabilities:		
Accounts payable and accrued expenses	37,073	(35,171)
Accrued vacation	(1,900)	3,168
Deferred revenue	80	2,620
Operating lease liability	(112,001)	(105,458)
Net Cash Used in Operating Activities	**(2,661,915)**	**(2,004,435)**
Cash Flows from Investing Activities		
Purchases of investments	(1,663,079)	(14,872,391)
Proceeds from sale of investments	4,402,359	16,884,786
Net Cash Provided by Investing Activities	**2,739,280**	**2,012,395**
Cash Flows from Financing Activities		
Principal payments on capital lease obligation	-	(2,100)
Net Cash Used in Financing Activities	**-**	**(2,100)**
Increase in Cash	**77,365**	**5,860**
Cash at Beginning of Year	**74,735**	**68,875**
Cash at End of Year	**$ 152,100**	**$ 74,735**
Supplementary Disclosures		
Excise taxes paid	$ 4,158	$ 49,143
Interest paid	$ -	$ 248

See notes to financial statements.

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:
San Francisco Bay Area (Asian Health Services, Clinic by the Bay, HealthRIGHT360, Street Level Health Project, La Clinica de la Raza, Marin City Health and Wellness Center, West Oakland Health Center); Humboldt County (K'ima:w Medical Center, Open Door Community Health Centers, United Indian Health Services); Imperial County (Innercare); Central Valley (Camerena Health, Clinica Sierra Vista). These direct health services include behavioral health, telehealth, dental services, medical equipment, new clinic facilities, optometry, maternal health services, mobile medical vans.

Social Determinants of Health for the Underserved with partners in:
Humboldt County (First 5 Humboldt, Cal Poly Humboldt, Nature Rights Council, Two Feathers Native American Family Services, Hupa Immersion Nest); Imperial County (IVROP), Central Valley (California School-based Health Alliance). These include building resilience in children and families, promoting wellness through sustainable health food, reclaiming Indigenous cultural practices, creating an environment where youth can thrive by developing strong relationships and accessing new career pathways, promoting school-based health clinics.

Social Justice Ministries for the Underserved with partners at California Lutheran University, Pacific Lutheran Theological Seminary, and Los Angeles United Methodist Urban Foundation. These include introducing Indigenous perspectives to theology and supporting college access for underserved youth.

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.

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

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, 2023 and 2022.

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.

Recently Adopted Accounting Principle—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018–11 *Leases (Topic 842) – Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016–02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjust to the opening balance of net assets without donor restrictions in the period of adoption. Vesper Society adopted ASU 2016–02 and its related amendments on a retrospective approach as of January 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling $261,903, as well as an operating lease liability totaling $295,060. Vesper Society elected to adopt the transition relief provisions from ASU 2018-11 as of January 1, 2022, without restating any prior year amounts or disclosures.

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, 2023 and 2022.

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 and losses. 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 net unrealized gains and losses on its investments.

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, 2023 and 2022. Generally, Vesper Society's information returns remain open for inspection for a period of three years (federal) or four years (state of California).

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

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, 2023 and 2022, 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.

Concentration of Credit Risk—Financial instruments which potentially subject the Vesper Society to concentrations of credit risk consist of cash and investments in securities.

Vesper Society places its cash with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. Such cash balances are normally not in excess of FDIC insurance limits. Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to $250,000 and the investments in securities are insured 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. At times, such balances may exceed SIPC insurance limits during the normal course of business.

While Vesper Society is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, Vesper Society’s management has assessed the credit risk associated with its cash deposits and investments at December 31, 2023 and 2022 and believes it is not exposed to

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

any significant credit risk with its cash and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 11), the potential related impact cannot be reasonably estimated at this time.

Interest and dividend income—Interest and dividend income earned on investments is recognized when received and is reported as interest and dividends under operating activities in the statement of activities.

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, 2023 and 2022. 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.

Note 2—Availability and Liquidity

Vesper Society 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 Society 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 Society considers all expenditures related to its ongoing program and supporting activities. Based on this analysis, Vesper Society sets the amount to draw from its investments as a part of its annual budget process. Vesper Society 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's financial assets available for general expenditure within one year of the statements of financial position for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Cash	$ 152,100	$ 74,735
Investments	29,086,130	28,465,156
Pledges receivable	1,100	-
Current Availability of Financial Assets	**$ 29,239,330**	**$ 28,539,891**

Note 3—Investments and 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.

At December 31, 2023 and 2022, investments consisted of marketable securities, totaling $29,086,130 and $28,465,156, respectively, which are considered to have Level 1 inputs.

Market value of investments consist of the following at December 31, 2023 and 2022:

	2023	2022
Equity funds	$ 20,861,940	$ 20,266,540
Bond funds	8,177,425	8,134,696
Money market funds	46,765	63,920
Totals	**$ 29,086,130**	**$ 28,465,156**

The following schedule summarizes the investment return for the years ended December 31, 2023 and 2022:

	2023	2022
Realized gain on investments	$ 396,658	$ 1,548,145
Unrealized gain (loss) on investments	2,963,596	(8,373,108)
Less investment management fees	(128,601)	(145,706)
Investment Return, Net	**3,231,653**	**(6,970,669)**
Interest income	705,799	762,067
Total Return on Investments	**$ 3,937,452**	**$ (6,208,602)**

Note 4—Advances to Project Partners

At December 31, 2023 and 2022, Vesper Society had unfulfilled advances to its project partners of $2,246,256 and $1,636,580, respectively. These commitments will be fulfilled once project partners meet certain thresholds in accordance with their memoranda of understanding with Vesper Society.

Note 5—Property and Equipment, Net

Net property and equipment consists of office equipment held under capital lease which has been fully depreciated as of December 31, 2022. Depreciation expense totaled $0 and $1,667 for the years ended December 31, 2023 and 2022, respectively.

Note 6—Capital Lease Obligation

Vesper Society previously leased office equipment under a non-cancellable capital lease which expired in October 2022. During the year ended December 31, 2023 Vesper Society did not renew the lease office equipment and instead rent on a month to month basis with no commitment/obligation. Interest expense related to this capital lease obligation amounted to $0 and $248, respectively, for the years ended December 31, 2023 and 2022.

Note 7—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 Society was subject to a 1.39% excise tax for the years ended December 31, 2023 and 2022. Deferred excise tax liabilities at December 31, 2023 and 2022 totaled $22,570 and $0, respectively.

The excise tax provisions for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Current	$ 13,537	$ 30,482
Deferred	40,850	(116,386)
Net	**$ 54,387**	**$ (85,904)**

Note 8—Net Assets Without Donor Restrictions

Board-designated net assets are comprised of contributions received without donor restriction that do not fall within the Attorney General's requirement to spend 60% of program dollars on health-related activities. The purpose of the designation is to keep the contributions separate from funds that are subject to the Attorney General's requirement. During the years ended December 31, 2023 and 2022, Vesper Society paid grants in the amount of $0 and $100,000 respectively, from its board-designated funds.

Activity in the board-designated funds for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Beginning balance	$ 54,783	$ 49,783
Pledges	4,075	105,000
Expenses	-	(100,000)
Ending Balance	**$ 58,858**	**$ 54,783**

Note 9—Defined Contribution 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, 2023 and 2022 totaled $17,475 and $16,870, respectively.

Note 10—Commitments and Contingencies

In March 2018, Vesper Society signed a lease agreement for office space, under an operating lease agreement which 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 actual payments and straight-line office expense is recorded as deferred rent liability on the statements of financial position.

Future minimum annual rental commitments for operating leases from December 31, 2023 amounted to $79,093 all due within one year. Operating lease liability at December 31, 2023 and 2022, amounted to $77,601 and $189,602, respectively.

Office lease expense at December 31, 2023 and 2022 amounted to $89,649 and $88,877, respectively.

Vesper Society subleases part of its office space under a noncancelable lease arrangement that expires on August 31, 2024. Sublease income amounted to $28,090 and $27,561, respectively, for the years ended December 31, 2023 and 2022 and was recorded net of related rent expense of $25,696 and $25,696, respectively, and is included in other income in the statements of activities.

Future minimum annual rental income under the sublease terms from December 31, 2023 amounted to $19,773, all due within one year.

Note 11—Risks and Uncertainties

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As of the date of this report, and as disclosed in Note 1, management does not believe Vesper Society is exposed to any significant financial risk as a result of this crisis.

Note 12—Subsequent Events

Subsequent events were evaluated through March 16, 2024, 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.