

Vesper Society

Financial Statements

December 31, 2018 and 2017



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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, 2018 and 2017, the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, 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.

Change in Accounting Principle

Vesper Society has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 Presentation of Financial Statements of Not-for-Profit Entities as discussed in Note 2. Our opinion is not modified with respect to that matter.

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

Armanino^{LLP}
San Ramon, California

March 14, 2019

Vesper Society
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 47,616	\$ 34,103
Investments	29,653,875	33,309,721
Advances to project partners	1,047,019	1,042,595
Contributions and grants receivable, net	1,450	2,200
Prepaid expenses	6,100	29,634
Total current assets	30,756,060	34,418,253
Other assets		
Property and equipment, net	1,307	2,875
Deposits	9,887	3,119
Total other assets	11,194	5,994
Total assets	\$ 30,767,254	\$ 34,424,247
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 46,378	\$ 43,016
Accrued vacation	36,526	33,668
Capital lease obligation, current	1,845	1,596
Total current liabilities	84,749	78,280
Long-term liabilities		
Deferred excise taxes	5,296	56,274
Deferred rent	12,848	-
Capital lease obligation, net of current portion	-	1,845
Security deposits	2,371	-
Total long-term liabilities	20,515	58,119
Total liabilities	105,264	136,399
Net assets		
Without donor restrictions		
Undesignated	30,583,201	34,216,209
Board-designated	78,789	71,639
Total net assets without donor restrictions	30,661,990	34,287,848
Total liabilities and net assets	\$ 30,767,254	\$ 34,424,247

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

Vesper Society
 Statements of Activities
 For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Support, gains (losses) and revenue		
Interest and dividends	\$ 1,924,829	\$ 1,395,026
Net investment gain (loss)	(4,058,659)	3,279,588
Contributions	7,150	35,832
Other loss	(2,288)	(2,340)
Total support, gains (losses) and revenue	<u>(2,128,968)</u>	<u>4,708,106</u>
Functional expenses		
Program services		
Health Services to the Underserved	779,349	697,052
Youth Services	184,747	211,224
Service in the World	87,250	118,640
Partner Capacity Building	168,086	96,438
Total program services	<u>1,219,432</u>	<u>1,123,354</u>
Supporting services		
Administrative	298,657	283,586
Total support services	<u>298,657</u>	<u>283,586</u>
Total functional expenses	<u>1,518,089</u>	<u>1,406,940</u>
Change in net assets from operations	(3,647,057)	3,301,166
Excise tax benefit (expense)	<u>21,199</u>	<u>(16,519)</u>
Change in net assets	(3,625,858)	3,284,647
Net assets without donor restrictions, beginning of year	<u>34,287,848</u>	<u>31,003,201</u>
Net assets without donor restrictions, end of year	<u>\$ 30,661,990</u>	<u>\$ 34,287,848</u>

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

Vesper Society
Statement of Functional Expenses
For the Year Ended December 31, 2018

	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	\$ 61,141	\$ 30,356	\$ 22,280	\$ 42,115	\$ 76,719	\$ 23,423	\$ 256,034
Employee benefits and payroll taxes	15,739	8,459	5,688	10,333	24,865	9,455	74,539
Common cost	<u>35,265</u>	<u>17,627</u>	<u>13,115</u>	<u>25,879</u>	<u>45,040</u>	<u>(136,926)</u>	<u>-</u>
Total personnel expenses	112,145	56,442	41,083	78,327	146,624	(104,048)	330,573
Staff development	-	-	-	-	1,610	-	1,610
Board development	-	-	-	-	3,966	-	3,966
Professional fees	-	-	-	20,250	93,577	4,734	118,561
Payments to project partners	654,215	121,315	28,400	57,647	-	-	861,577
Grants	3,000	3,000	14,000	4,000	-	-	24,000
Rent	-	-	-	-	-	74,692	74,692
Supplies	-	-	-	-	488	4,604	5,092
Equipment lease and rental	-	-	-	-	-	216	216
Dues, subscriptions, and reference materials	-	-	-	-	2,845	1,057	3,902
Insurance	-	-	-	-	5,082	6,107	11,189
Postage, shipping and delivery	167	33	23	-	336	865	1,424
Telecommunications	-	-	-	-	1,025	7,884	8,909
Printing	-	-	-	-	2,371	993	3,364
Bank and other fees	-	-	-	-	445	311	756
Interest expense	-	-	-	-	-	1,004	1,004
Transportation and parking	-	-	-	-	117	13	130
Travel	7,699	3,477	3,645	4,540	20,845	-	40,206
Meetings	2,123	480	99	3,322	19,326	-	25,350
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,568</u>	<u>1,568</u>
	<u>\$ 779,349</u>	<u>\$ 184,747</u>	<u>\$ 87,250</u>	<u>\$ 168,086</u>	<u>\$ 298,657</u>	<u>\$ -</u>	<u>\$ 1,518,089</u>

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

Vesper Society
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (3,625,858)	\$ 3,284,647
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,568	1,569
Realized and unrealized loss (gain) on investments	3,910,438	(3,421,533)
Deferred excise taxes	(50,978)	(4,180)
Changes in operating assets and liabilities		
Advances to project partners	(4,424)	(90,904)
Contributions and grants receivable, net	750	(2,200)
Prepaid expenses	23,534	(17,536)
Deposits	(6,768)	-
Accounts payable and accrued expenses	3,362	(18,145)
Accrued vacation	2,858	1,190
Deferred rent	12,848	-
Security deposits	2,371	-
Net cash provided by (used in) operating activities	269,701	(267,092)
Cash flows from investing activities		
Purchase of investments	(1,616,983)	(2,120,556)
Proceeds from the sale of investments	1,362,391	2,366,379
Net cash provided by (used in) investing activities	(254,592)	245,823
Cash flows from financing activities		
Principal payments on capital lease obligation	(1,596)	(1,114)
Net cash used in financing activities	(1,596)	(1,114)
Net increase (decrease) in cash and cash equivalents	13,513	(22,383)
Cash and cash equivalents, beginning of year	34,103	56,486
Cash and cash equivalents, end of year	\$ 47,616	\$ 34,103

Supplemental disclosures of cash flow information

Cash paid during the year for		
Interest	\$ 1,004	\$ 1,553
Excise tax	\$ 6,600	\$ 16,000

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

Vesper Society
Notes to Financial Statements
December 31, 2018 and 2017

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:

Behavioral Health and Mental Health Services with La Clinica de La Raza (Oakley and Vallejo, CA); Asian Health Services (Oakland, CA); Clinic by the Bay (San Francisco, CA); Clinica de Salud del Pueblo (El Centro, CA); United Indian Health Services (Arcata, CA); and Street Level Health (Oakland, CA).

Telehealth Services with Asian Health Services (Oakland, CA); and Modoc Medical Center (Alturas, CA).

Dental Health Services and Equipment with La Clinica de La Raza (Vallejo, CA); and United Indian Health Services (Arcata, CA).

Other Health Services with Clinic by the Bay (San Francisco, CA); Clinicas de Salud del Pueblo (El Centro, CA); Open Door Community Health Center (Fortuna, CA); and St. Rose Hospital (Hayward, CA).

Youth Leadership Services with Imperial Valley Regional Occupational Program (El Centro, CA); Community Initiatives/Renaissance Journalism (San Francisco, CA); UC Agriculture and National Resources - Imperial County 4-H (Holtville, CA); and St. Rose Hospital FACES for the Future (Hayward, CA).

Interfaith/Social Justice Programs with California Lutheran University (Thousand Oaks and Berkeley, CA); First United Methodist Church (El Centro, CA); and Los Angeles United Methodist Urban Foundation (Los Angeles, CA).

Vesper Society
Notes to Financial Statements
December 31, 2018 and 2017

1. NATURE OF ORGANIZATION (continued)

The Partner Capacity Building program responds to the organizational development needs of these project partners: California Children and Families Foundation – Humboldt County (Eureka, CA); Clinic by the Bay (San Francisco, CA); and United Indian Health Services (Arcata, CA).

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 \$78,789 and \$71,639 at December 31, 2018 and 2017, 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 actions of the organization. Vesper had no net assets with donor restrictions at December 31, 2018 and 2017.

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.

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 Society
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and fair value measurements (continued)

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 Vesper's 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 restriction unless otherwise restricted by the donor.

Vesper Society
Notes to Financial Statements
December 31, 2018 and 2017

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 conditions on which they depend are substantially met. 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, 2018 and 2017, there was no allowance for doubtful contributions and grants receivables, respectively.

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, 2018 and 2017. 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% (2% if minimum payout requirements prescribed by the Code are not met) 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.

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Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, 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 14, 2019, 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.

New accounting standard

In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Vesper adopted the provisions of this new standard during the year ended December 31, 2018. In addition to the changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 12), and a statement of expenses by both natural and functional classification.

3. INVESTMENTS

Investments consisted of the following:

	<u>2018</u>	<u>2017</u>
Equity funds	\$ 20,522,096	\$ 23,971,461
Bond funds	9,081,756	9,285,343
Money market funds	49,482	51,853
Fixed income	<u>541</u>	<u>1,064</u>
	<u>\$ 29,653,875</u>	<u>\$ 33,309,721</u>

Vesper Society
Notes to Financial Statements
December 31, 2018 and 2017

3. INVESTMENTS (continued)

Investment earnings consisted of the following:

	2018	2017
Interest and dividends	\$ 1,924,829	\$ 1,395,026
Realized gains	1,187,349	814,759
Unrealized gains (losses)	(5,097,787)	2,606,774
	\$ (1,985,609)	\$ 4,816,559

Investment expenses, which primarily consist of custodial and management fees, were \$148,221 and \$141,945 during the years ended December 31, 2018 and 2017, respectively. These expenses are included in net investment gain (loss) on the statements of activities.

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, 2018:

	Level 1	Level 2	Level 3	Fair Value
Equity funds	\$ 20,522,096	\$ -	\$ -	\$ 20,522,096
Bond funds	9,081,756	-	-	9,081,756
Money market funds	49,482	-	-	49,482
Fixed income	-	541	-	541
	\$ 29,653,334	\$ 541	\$ -	\$ 29,653,875

The following table sets forth by level, within the fair value hierarchy, Vesper's assets at fair value at December 31, 2017:

	Level 1	Level 2	Level 3	Fair Value
Equity funds	\$ 23,971,461	\$ -	\$ -	\$ 23,971,461
Bond funds	9,285,343	-	-	9,285,343
Money market funds	51,853	-	-	51,853
Fixed income	-	1,064	-	1,064
	\$ 33,308,657	\$ 1,064	\$ -	\$ 33,309,721

Vesper Society
Notes to Financial Statements
December 31, 2018 and 2017

5. ADVANCES TO PROJECT PARTNERS

Vesper paid advances to its project partners in the amount of \$1,047,019 and \$1,042,595 at December 31, 2018 and 2017 to meet certain commitments. These commitments will be fulfilled once project partners meet certain thresholds in accordance with their memorandum of understanding with Vesper.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2018	2017
Equipment	\$ 13,569	\$ 13,569
Accumulated depreciation	(12,262)	(10,694)
	\$ 1,307	\$ 2,875

Depreciation expense for the years ended December 31, 2018 and 2017 was \$1,568 and \$1,569, respectively.

7. CAPITAL LEASE OBLIGATIONS

In November 2016, Vesper entered into a capital lease agreement for office equipment requiring monthly payments of \$199 through October 2019.

The remaining capital lease obligation of \$1,845 at December 31, 2018 is due during the year ending December 31, 2019.

Interest expense related to the capital lease obligations amounted to \$1,004 and \$1,553 for the years ended December 31, 2018 and 2017, respectively.

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. At December 31, 2018, the Board has not defined a designated purpose for the use of these funds.

Vesper Society
Notes to Financial Statements
December 31, 2018 and 2017

9. EXCISE TAX EXPENSE (BENEFIT)

Excise tax expense (benefit) 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% excise tax for the years ended December 31, 2018 and 2017. Deferred excise tax liabilities at December 31, 2018 and 2017 were \$5,296 and \$56,274, respectively.

Excise tax expense (benefit) was reported as follows:

	2018	2017
Current	\$ 29,779	\$ 20,699
Deferred tax benefit	(50,978)	(4,180)
	\$ (21,199)	\$ 16,519

10. PENSION PLAN

Vesper provides a defined contribution 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 this 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 this plan during the years ended December 31, 2018 and 2017 were \$16,891 and \$17,228, respectively.

11. COMMITMENTS AND CONTINGENCIES

Vesper rents its office space under an operating lease agreement that had an expiration date of October 31, 2018, which was extended through 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 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 balance sheet. Rent expense was \$74,908 and \$50,844 during the years ended December 31, 2018 and 2017, respectively.

Vesper Society
Notes to Financial Statements
December 31, 2018 and 2017

11. COMMITMENTS AND CONTINGENCIES (continued)

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

<u>Year ending December 31,</u>	
2019	\$ 102,772
2020	105,537
2021	109,115
2022	112,389
2023	115,760
Thereafter	<u>98,867</u>
	<u><u>\$ 644,440</u></u>

Vesper began subleasing part of its office space on August 1, 2013 under a noncancelable operating lease arrangement which had an expiration date of October 31, 2018, that was extended through August 31, 2024. Sublease income was \$15,308 and \$12,841 for the year ended December 31, 2018 and 2017, respectively, and was recorded net of rent expense of \$17,612 and \$15,618 as other loss on the statements of activities.

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

<u>Year ending December 31,</u>	
2019	\$ 25,713
2020	26,484
2021	27,279
2022	28,097
2023	28,940
Thereafter	<u>19,773</u>
	<u><u>\$ 156,286</u></u>

12. 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 at its disposal, 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
December 31, 2018 and 2017

12. LIQUIDITY AND FUNDS AVAILABLE (continued)

Vesper's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 47,616	\$ 34,103
Investments	29,653,875	33,309,721
Contributions and grants receivable, net	<u>1,450</u>	<u>2,200</u>
	<u>\$ 29,702,941</u>	<u>\$ 33,346,024</u>