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**CALIFORNIA EASTERN STAR FOUNDATION**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020 AND 2019**

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To the Audit Committee and Board of Trustees  
California Eastern Star Foundation  
Yorba Linda, California

## **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of *California Eastern Star Foundation (a nonprofit organization)*, which comprise the statements of financial position as of September 30, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' 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 *California Eastern Star Foundation* as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

February 10, 2021  
St. Louis, Missouri

*Mueller Prost LC*  
Certified Public Accountants

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**CALIFORNIA EASTERN STAR FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash	\$ 92,985	\$ 127,177
Other receivables	1,124	-
Investments	<u>9,908,988</u>	<u>9,622,716</u>
Total Assets	<b>\$ <u>10,003,097</u></b>	<b>\$ <u>9,749,893</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 1,076	\$ -
Due to affiliate	-	14
Grants payable	<u>6,200</u>	<u>31,659</u>
Total Liabilities	<u>7,276</u>	<u>31,673</u>
Net assets		
Without donor restrictions	21,975	23,707
With donor restrictions	<u>9,973,846</u>	<u>9,694,513</u>
Total Net Assets	<u>9,995,821</u>	<u>9,718,220</u>
Total Liabilities and Net Assets	<b>\$ <u>10,003,097</u></b>	<b>\$ <u>9,749,893</u></b>

**CALIFORNIA EASTERN STAR FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue			
Contributions			
Donations	\$ 4,306	\$ 78,622	\$ 82,928
Member dues	-	6,467	6,467
Investment income, net	691	422,581	423,272
Subtotal - Support and Revenue	4,997	507,670	512,667
Net assets released from restrictions	228,337	(228,337)	-
Total Support and Revenue	233,334	279,333	512,667
Expenses			
Program services			
Member assistance	143,903	-	143,903
Humanitarian assistance	42,068	-	42,068
Support services			
Management and general	48,549	-	48,549
Fundraising	546	-	546
Total Expenses	235,066	-	235,066
Change in Net Assets	(1,732)	279,333	277,601
Net Assets, Beginning of Year	23,707	9,694,513	9,718,220
Net Assets, End of Year	\$ 21,975	\$ 9,973,846	\$ 9,995,821

**CALIFORNIA EASTERN STAR FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions			
Donations	\$ 24,595	\$ 168,296	\$ 192,891
Member dues	-	6,935	6,935
Investment income, net	697	441,678	442,375
Subtotal - Support and Revenue	<u>25,292</u>	<u>616,909</u>	<u>642,201</u>
Net assets released from restrictions	<u>223,765</u>	<u>(223,765)</u>	<u>-</u>
Total Support and Revenue	<u>249,057</u>	<u>393,144</u>	<u>642,201</u>
Expenses			
Program services			
Member assistance	147,833	-	147,833
Humanitarian assistance	69,137	-	69,137
Support services			
Management and general	31,650	-	31,650
Fundraising	951	-	951
Total Expenses	<u>249,571</u>	<u>-</u>	<u>249,571</u>
Change in Net Assets	(514)	393,144	392,630
Net Assets, Beginning of Year	<u>24,221</u>	<u>9,301,369</u>	<u>9,325,590</u>
Net Assets, End of Year	<u>\$ 23,707</u>	<u>\$ 9,694,513</u>	<u>\$ 9,718,220</u>

**CALIFORNIA EASTERN STAR FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Program Services			Support Services		
	Member Assistance	Humanitarian Assistance	Total Program Services	Management and General	Fundraising	Total
Administration fees	\$ 4,098	\$ 216	\$ 4,314	\$ 17,255	\$ -	\$ 21,569
Assistance to members	67,905	1,611	69,516	-	-	69,516
Fundraising	-	-	-	-	546	546
Professional and consulting	-	-	-	30,215	-	30,215
Grants, awards and donations	71,900	40,241	112,141	-	-	112,141
Office expenses	-	-	-	1,079	-	1,079
Total Expenses	<b>\$ 143,903</b>	<b>\$ 42,068</b>	<b>\$ 185,971</b>	<b>\$ 48,549</b>	<b>\$ 546</b>	<b>\$ 235,066</b>

**CALIFORNIA EASTERN STAR FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program Services			Support Services		
	Member Assistance	Humanitarian Assistance	Total Program Services	Management and General	Fundraising	Total
Administration fees	\$ 3,276	\$ 172	\$ 3,448	\$ 13,795	\$ -	\$ 17,243
Assistance to members	73,555	872	74,427	-	-	74,427
Fundraising	-	-	-	-	951	951
Committee	252	-	252	-	-	252
Professional and consulting	-	-	-	16,785	-	16,785
Grants, awards and donations	70,750	68,093	138,843	-	-	138,843
Office expenses	-	-	-	1,070	-	1,070
Total Expenses	<b>\$ 147,833</b>	<b>\$ 69,137</b>	<b>\$ 216,970</b>	<b>\$ 31,650</b>	<b>\$ 951</b>	<b>\$ 249,571</b>



**CALIFORNIA EASTERN STAR FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 277,601	\$ 392,630
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized and unrealized gains on investments	(204,151)	(189,818)
Changes in operating assets and liabilities		
Other receivables	(1,124)	-
Prepaid expenses	-	107
Due from/to affiliate	(14)	6,416
Accounts payable	1,076	(1,621)
Grants payable	(25,459)	(4,723)
Net Cash (Used in) Provided by Operating Activities	<u>47,929</u>	<u>202,991</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,071,816	868,410
Purchase of investments	<u>(1,158,830)</u>	<u>(1,135,725)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(87,014)</u>	<u>(267,315)</u>
Net Change in Cash and Restricted Cash and Cash Equivalents	(39,085)	(64,324)
Cash and Restricted Cash and Cash Equivalents, Beginning of Year	<u>373,696</u>	<u>438,020</u>
Cash and Restricted Cash and Cash Equivalents, End of Year	<b>\$ <u>334,611</u></b>	<b>\$ <u>373,696</u></b>

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 DESCRIPTION OF OPERATIONS**

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*California Eastern Star Foundation (Foundation)* is a California not-for-profit corporation organized to receive gifts, bequests, and contributions for the furtherance of educational, charitable, and scientific purposes. The Foundation was organized in 1996 at the direction of the members of the Grand Chapter of California, Order of the Eastern Star (Grand Chapter) and operated in accordance with the Grand Chapter constitution and laws.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Financial Statement Presentation of Net Assets**

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 8 for disclosures of donor restrictions that are perpetual in nature.

**Concentrations**

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of cash deposits and money market funds at financial institutions. The Foundation maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The Foundation's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid investments with an initial maturity at date of purchase of three months or less.

**Investments**

Investments are reported at their fair value in the statements of financial position. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest and dividend earnings, changes in fair value and any gains or losses realized upon liquidation, net of any investment fees.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded at the ex-dividend date.

**Revenue Recognition**

Contributions

Contributions received, including unconditional promises to give, are recorded as revenue in the period received at their fair value.

For financial reporting purposes, the Foundation distinguishes between contributions with donor restrictions and without donor restrictions. Contributions for which donors have imposed restrictions limiting the use of the donated assets are reported as support and revenue with donor restrictions on the statements of activities. When such donor-imposed restrictions are met, net assets with donor restrictions are transferred to net assets without donor restrictions and reported as net assets released from restrictions on the statements of activities. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are also classified as net assets with donor restrictions. See Note 8 for disclosures regarding the endowment. Contributions for which donors have not stipulated restrictions are reported as net assets without donor restrictions.

Unconditional promises to give, with payments due in future periods, are reported as support and revenue with donor restrictions on the statements of activities. Gifts of land, buildings and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Promises to give, which depend on the occurrence of a specified future and uncertain event, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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Donated Goods, Facilities and Services

Donated non-cash assets, such as use of facilities and goods, are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills (which include accounting and legal services), are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received.

**Functional Allocation of Expenses**

Expenses are charged to program and support services on the basis of actual use or estimated use if actual use is not readily determinable. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

The Foundation has two funds for program services which are designated for assisting either members or other humanitarian efforts. The costs of providing program and support services (management and general, and fundraising) have been summarized on a functional basis. Accordingly, certain costs have been allocated among program services and support services benefited. The Foundation's Board of Trustees (Board) approves the expense allocation methodology which was based primarily on the invested balances of each fund during the years ended September 30, 2020 and 2019, respectively.

The expenses that are allocated include:

- Assistance to members; fundraising expenses; committee expenses; professional and consulting expenses; grants, awards, and donations; office expenses; and miscellaneous expenses are allocated based upon benefit received or provided; and
- Administration fees are allocated using a methodology approved by the Board which allocates 20% of the expense to program services and the other 80% to management and general within support services, since the bulk of these fees are related to bookkeeping, budgeting, and other financial and business-related activities.

**Income Taxes**

The Foundation is a not-for-profit Foundation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the Revenue Taxation Code of California and is a publicly supported Foundation as described in Section 509(a) of the IRC.

The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Foundation is not subject to unrelated business income tax and, therefore, has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the Internal Revenue Service. The Foundation has no unrecognized tax liabilities or benefits recorded or unrecorded at September 30, 2020 and 2019.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Grant Expenditures**

Grant expenditures are recognized in the period the grant is made, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at present value of expected future payments.

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Adoption of Accounting Pronouncements**

In January 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments, in addition to certain disclosure requirements. This guidance is effective for fiscal years beginning after December 15, 2018 and early adoption is permitted. Management has evaluated the impact of adopting ASU 2016-01 on the Foundation's financial statements and related disclosures, and no adjustments were required to be made.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, which amends the classification and presentation of changes in restricted cash on the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. Management has evaluated the impact of adopting ASU 2016-18 and has modified the statements of cash flows retrospectively for the years ended September 30, 2020 and 2019 in accordance with its guidelines.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from FASB ASU 2014-09, *Revenue from Contracts with Customers*, regarding its implications on the grants and contracts of not-for-profit organizations. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. For nonreciprocal transactions (contributions), the next point to consider for both parties is whether conditions have been placed on the resources provided. The presence of conditions affects the timing of revenue and expense recognition by the resource recipient and resource provider, respectively. Management has evaluated the impact of adopting ASU 2018-08 on the Foundation's financial statements and related disclosures, and no adjustments were required to be made.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Recent Accounting Pronouncements – Not Yet Adopted**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Topic 606 supersedes most current revenue recognition guidance, including industry-specific guidance, and outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and reward. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time, and ensuring the time value of money is considered in the transaction price. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*. Prior to ASU 2020-05, Topic 606 was effective for fiscal years beginning after December 15, 2018 for entities other than public business entities. ASU 2020-05 defers the effective date of Topic 606 for entities that have not previously published financial statements to periods beginning after December 15, 2019. Management has adopted the provisions of ASU 2020-05 and will defer implementation of Topic 606. Management is currently evaluating the impact of adopting ASU 2014-09 on the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases: Amendments to the FASB Accounting Standards Codification (Topic 842)*, which amends the existing guidance on accounting for leases. This ASU requires the recognition of lease assets and liabilities on the statement of financial position and the disclosure of key information about leasing arrangements. Early adoption is permitted and modified retrospective application is required for leases that exist or are entered into after the beginning of the earliest comparative period in the combined financial statements. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*. Prior to ASU 2020-05, the amendments to Topic 842 would be effective for periods beginning after December 15, 2020, for entities other than public business entities. ASU 2020-05 defers the effective date of the amendments to Topic 842 to periods beginning after December 15, 2021. Management has adopted the provisions of ASU 2020-05 and will defer implementation of the amendments to Topic 842. Management is currently evaluating the impact of adopting ASU 2016-02 on the Foundation's financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statements of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of adopting ASU 2016-13 on the Foundation's financial statements and related disclosures.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 LIQUIDITY AND AVAILABILITY**

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Financial assets available for general expenditure, as well as reductions for donor restrictions and Board-approved expenditures, within one year of the statement of financial position as of September 30, 2020, comprise the following:

Cash	\$ 92,985
Other receivables	1,124
Investments	<u>9,908,988</u>
Total Financial Assets	<u>10,003,097</u>
Less: Purpose restricted net assets	(8,917,908)
Perpetually restricted net assets	<u>(1,055,938)</u>
Total Net Assets with Donor Restrictions	<u>(9,973,846)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u><b>\$ 29,251</b></u>

The Foundation, as part of its liquidity plan, puts its excess cash into the money market and utilizes a bank sweep program that automatically transfers amounts that exceed, or fall short of, a certain level into a higher interest-earning investment option at the close of each business day. The Foundation's operating revenue covers its ongoing, operating expenditures and it is expected to be available to meet cash needs.

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**NOTE 4 INVESTMENTS**

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At September 30, 2020 and 2019, investments consist of the following:

	<u>2020</u>	<u>2019</u>
Deposit accounts	\$ 34,753	\$ 60,897
Money market mutual funds	206,873	185,622
Mutual funds	649,309	299,427
Exchange traded funds	<u>9,018,053</u>	<u>9,076,770</u>
Total	<u><b>\$ 9,908,988</b></u>	<u><b>\$ 9,622,716</b></u>

Investment income for the years ended September 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 231,400	\$ 264,502
Realized and unrealized gains	204,151	189,818
Investment fees	<u>(12,279)</u>	<u>(11,945)</u>
Total	<u><b>\$ 423,272</b></u>	<u><b>\$ 442,375</b></u>

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 INVESTMENTS (CONTINUED)**

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The Foundation's Board of Trustees and the Grand Chapter's Finance Committee have the sole discretion as to the investment and reinvestment of the Foundation's assets (other than beneficial interests in trusts, which are invested according to the respective trustees). The Committee must invest the Foundation's assets, exclusive of tangible property and revolving funds, as provided in guidelines established by the Grand Chapter's Constitution and Laws. The referenced guidelines are as follows:

- A. Not less than 20% of the assets subject to investment under these guidelines, as valued at the time of deposit or purchase (and disregarding any automatic reinvestments of income or gains), must be invested in Tier 1 and Tier 2 investments.

Tier 1 (Cash Reserves): The lesser of 8% of the assets subject to investment under these guidelines or two times the average annual expenditures over the prior three full calendar years must be invested in:

- Cash or cash equivalents,
- Money market funds or accounts,
- Checking accounts or savings accounts of depository institutions to the extent fully insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund,
- Certificates of Deposit with maturities of less than two years to the extent fully insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund,
- Obligations of the United States Government or obligations whose payment is pledged by the full faith and credit of the United States Government with maturities of less than three years, or
- Investment companies or investment trusts that invest in the above referenced financial instruments.

Tier 2 (Fixed Income): The balance of the 20% investment minimum under paragraph A may be invested in:

- Cash or cash equivalents,
- Money market funds or accounts,
- Checking accounts or savings accounts of depository institutions to the extent fully insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund,
- Certificates of Deposit without regard to maturities to the extent fully insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund,
- Obligations of the United States Government or obligations whose payment is pledged by the full faith and credit of the United States Government without regard to maturities,
- Corporate notes and bonds that are at least investment grade and are fully registered with the Securities and Exchange Commission and whose issuers have a market capitalization of at least \$500 million,
- Mortgage-Backed Securities,
- Commercial Paper that is at least investment grade,
- Banker's Acceptances,



**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 INVESTMENTS (CONTINUED)**

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- i. Investment companies or investment trusts that invest in the above referenced financial instruments, or
  - ii. Such other prudent and appropriate investments as may be approved from time to time by the Worthy Grand Matron after consultation with the Finance Committee.
- B. Tier 3 (Growth Assets): No more than 80% of the assets subject to investment under these guidelines, as valued at the time of deposit or purchase (and disregarding any automatic reinvestments of income or gains), may be invested in:
- i. Common stocks which must be fully registered with the Securities and Exchange Commission and whose issuers have a market capitalization of at least \$500 million;
  - ii. Preferred stocks;
  - iii. Master Limited Partnerships;
  - iv. Convertible Notes and Bonds;
  - v. Convertible Preferred Stocks;
  - vi. ADRs (American Depository Receipts) of non-U.S. companies;
  - vii. Publicly traded REITs (Real Estate Investment Trusts);
  - viii. Investment companies or investment trusts that invest in the above referenced financial instruments; or
  - ix. Such other prudent and appropriate investments as may be approved from time to time by the Worthy Grand Matron after consultation with the Finance Committee.

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**NOTE 5 FAIR VALUE MEASUREMENTS**

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The Foundation values its financial assets and liabilities at the fair market value defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below.

Level I: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level I inputs.

Level II: Observable inputs other than Level I prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level III: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level III inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

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Fair values of investments measured on a recurring basis at September 30, 2020, are as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Deposit accounts	\$ 34,753	\$ -	\$ -	\$ 34,753
Money market mutual funds	206,873	-	-	206,873
Mutual funds	649,309	-	-	649,309
Exchange traded funds	<u>9,018,053</u>	-	-	<u>9,018,053</u>
Total	<b>\$ <u>9,908,988</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>9,908,988</u></b>

Fair values of investments measured on a recurring basis at September 30, 2019, are as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Deposit accounts	\$ 60,897	\$ -	\$ -	\$ 60,897
Money market mutual funds	185,622	-	-	185,622
Mutual funds	299,427	-	-	299,427
Exchange traded funds	<u>9,076,770</u>	-	-	<u>9,076,770</u>
Total	<b>\$ <u>9,622,716</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>9,622,716</u></b>

Valuations of mutual funds and exchange traded funds are obtained from real-time quotes for transactions in active exchange markets involving identical assets. For the years ended September 30, 2020 and 2019, there have been no changes in the valuation methodologies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**NOTE 6 RELATED PARTY TRANSACTIONS**

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The Foundation incurred expenses for administrative services of \$21,569 and \$17,243 from the Grand Chapter for the years ended September 30, 2020 and 2019, respectively. At September 30, 2020, there were no amounts due to or from the Grand Chapter. At September 30, 2019, \$14 was due to the Grand Chapter.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 NET ASSETS**

Net assets are comprised of the following at September 30, 2020:

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	
Unrestricted	\$ 21,975	\$ -	\$ -	\$ 21,975
Benevolent fund	-	567,537	-	567,537
J. Clifford Lee Memorial Cancer fund	-	6,357,608	-	6,357,608
Marquerite Rennie Memorial fund *	-	909,233	615,274	1,524,507
Scholarship fund *	-	520,226	274,664	794,890
Eastern Star Patient Comfort Program fund	-	325,963	-	325,963
Gerald P. Cashion fund *	-	53,979	166,000	219,979
Disaster fund	-	88,237	-	88,237
Nirk fund	-	95,125	-	95,125
Total	<u>\$ 21,975</u>	<u>\$ 8,917,908</u>	<u>\$1,055,938</u>	<u>\$ 9,995,821</u>

Net assets are comprised of the following at September 30, 2019:

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	
Unrestricted	\$ 23,707	\$ -	\$ -	\$ 23,707
Benevolent fund	-	556,951	-	556,951
J. Clifford Lee Memorial Cancer fund	-	6,137,464	-	6,137,464
Marquerite Rennie Memorial fund *	-	861,965	615,274	1,477,239
Scholarship fund *	-	545,608	270,980	816,588
Eastern Star Patient Comfort Program fund	-	314,264	-	314,264
Gerald P. Cashion fund *	-	48,263	166,000	214,263
Disaster fund	-	84,436	-	84,436
Nirk fund	-	93,308	-	93,308
Total	<u>\$ 23,707</u>	<u>\$ 8,642,259</u>	<u>\$1,052,254</u>	<u>\$ 9,718,220</u>

\*See Note 8 for endowment disclosures.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8    ENDOWMENTS**

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The Foundation's Endowments include funds that are donor-restricted in perpetuity. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Foundation has interpreted the State of California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies these assets as perpetually restricted within net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted is classified as restricted for a specific purpose within net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Foundation and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Foundation's Board of Directors and the Grand Chapter's Finance Committee have the sole discretion as to the investment and reinvestment of the assets of the fund based on the guidelines described in Note 4.

The primary investment objective of these accounts is capital preservation. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Foundation has a policy of appropriating for distribution each year up to 7% of its endowment fund's average fair value of the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets; the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions; and the possible effects of inflation.

Endowment net assets with donor restrictions broken out by type of restriction as of September 30, 2020, were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment funds	<b><u>\$1,483,439</u></b>	<b><u>\$1,055,938</u></b>	<b><u>\$2,539,377</u></b>

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 8    ENDOWMENTS (CONTINUED)**

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Endowment net assets with donor restrictions broken out by type of restriction as of September 30, 2019, were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment funds	<b><u>\$1,455,836</u></b>	<b><u>\$1,052,254</u></b>	<b><u>\$2,508,090</u></b>

The following table summarizes the activity affecting endowment net assets with donor restrictions for the year ended September 30, 2020:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,455,836	\$ 1,052,254	\$ 2,508,090
Contributions	19,237	3,684	22,921
Investment income, net	54,852	-	54,852
Net appreciation	50,721	-	50,721
Amounts appropriated for expenditure	<u>(97,207)</u>	<u>-</u>	<u>(97,207)</u>
Endowment net assets, end of year	<b><u>\$1,483,439</u></b>	<b><u>\$ 1,055,938</u></b>	<b><u>\$2,539,377</u></b>

The following table summarizes the activity affecting endowment net assets with donor restrictions for the year ended September 30, 2019:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,382,723	\$ 1,052,254	\$ 2,434,977
Contributions	59,873	-	59,873
Investment income, net	65,435	-	65,435
Net appreciation	47,159	-	47,159
Amounts appropriated for expenditure	<u>(99,354)</u>	<u>-</u>	<u>(99,354)</u>
Endowment net assets, end of year	<b><u>\$1,455,836</u></b>	<b><u>\$ 1,052,254</u></b>	<b><u>\$2,508,090</u></b>

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**NOTE 9    DONATED SERVICES**

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For the year ended September 30, 2020, the fair value of donated services of \$12,897 is included as donations revenue on the statement of activities and as professional and consulting expense on the statement of functional expenses. No such donated services were recorded for the year ended September 30, 2019.

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 9 DONATED SERVICES (CONTINUED)**

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The Foundation receives a significant amount of donated services from unpaid volunteers. For the years ended September 30, 2020 and 2019, no donated services from volunteers have been recognized in the statements of activities because the criteria for recognition was not satisfied.

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**NOTE 10 RISKS AND UNCERTAINTIES**

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On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. The extent of the impact of COVID-19 on the Foundation's financial condition will depend on certain developments, including the duration and spread of the outbreak, impact on investment performance, and other circumstances all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Foundation's financial condition is uncertain.

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**NOTE 11 STATEMENTS OF CASH FLOWS**

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The following table provides a reconciliation of cash and restricted cash and cash equivalents reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 92,985	\$ 127,177
Deposit accounts included in investments, at fair value	34,753	60,897
Money market mutual funds included in investments, at fair value	<u>206,873</u>	<u>185,622</u>
Total cash and restricted cash and cash equivalents shown on the statements of cash flows	<u>\$ 334,611</u>	<u>\$ 373,696</u>

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**NOTE 12 RECLASSIFICATIONS**

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Certain reclassifications have been made to the prior year combined financial statements to conform to current year presentation. Total assets, total liabilities, total net assets, and the total change in net assets was not affected

**CALIFORNIA EASTERN STAR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 13   SUBSEQUENT EVENTS**

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Subsequent events have been evaluated by the Foundation through the date of the auditors' report, which was the date the financial statements were available to be issued.