
**GRAND CHAPTER OF CALIFORNIA,
ORDER OF THE EASTERN STAR
AND
ENDOWMENT FUND OF THE
GRAND CHAPTER OF CALIFORNIA,
ORDER OF THE EASTERN STAR**

**COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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To the Audit Committee
Grand Chapter of California, Order of the Eastern Star and
Endowment Fund of the Grand Chapter of California, Order of the Eastern Star
Yorba Linda, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combined financial statements of *Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star* (a nonprofit organization and affiliate), which comprise the combined statement of financial position as of September 30, 2021, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined 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 2021 combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of *Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star* as of September 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Combined Financial Statements

The combined financial statements of *Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star* as of September 30, 2020, were audited by Mueller Prost LC, which combined practices with Wipfli LLP as of June 1, 2021, and whose reported dated January 28, 2021, expressed an unmodified opinion on those combined financial statements.

Wipfli LLP

Wipfli LLP

February 7, 2022

Irvine, California

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
AND ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA,
ORDER OF THE EASTERN STAR**

**COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 944,918	\$ 830,806
Accounts receivable	72,202	11,401
Investments, at fair value	33,963,597	29,944,441
Prepaid expenses and other assets	93,594	128,234
Total Current Assets	<u>35,074,311</u>	<u>30,914,882</u>
Property and Equipment, Net	1,043	2,308
Cash and Cash Equivalents, Restricted	367,507	138,831
Beneficial Interest in Perpetual Trusts, at Fair Value	<u>1,555,038</u>	<u>1,345,329</u>
Total Assets	<u>\$ 36,997,899</u>	<u>\$ 32,401,350</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities		
Accounts payable	\$ 31,327	\$ 35,613
Accrued expenses	15,556	8,974
Due to affiliates	61,772	-
Deferred revenue	15,733	1,745
Total Current Liabilities	<u>124,388</u>	<u>46,332</u>
Net Assets		
Without donor restrictions	994,329	992,085
With donor restrictions	35,879,182	31,362,933
Total Net Assets	<u>36,873,511</u>	<u>32,355,018</u>
Total Liabilities and Net Assets	<u>\$ 36,997,899</u>	<u>\$ 32,401,350</u>

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
AND ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA,
ORDER OF THE EASTERN STAR
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions			
Bequests	\$ -	\$ 384,148	\$ 384,148
Donations	20,869	22,474	43,343
Life sponsors	-	7,310	7,310
Residents' assets	-	89,406	89,406
Members' dues	335,793	40,380	376,173
Investment income, net	52,835	5,626,355	5,679,190
Sales of supplies	9,934	-	9,934
Administration fees	124,459	-	124,459
Miscellaneous	345	-	345
	544,235	6,170,073	6,714,308
Net Assets Released from Restrictions			
Programs	48,824	(48,824)	-
Grants to Eastern Star Homes of California	1,605,000	(1,605,000)	-
Total Support and Revenue	2,198,059	4,516,249	6,714,308
Expenses			
Program services			
Member services	373,500	-	373,500
Grants to Eastern Star Homes of California	1,605,000	-	1,605,000
Support services			
Management and general	217,315	-	217,315
Total Expenses	2,195,815	-	2,195,815
Change in Net Assets	2,244	4,516,249	4,518,493
Net Assets, Beginning of Year	992,085	31,362,933	32,355,018
Net Assets, End of Year	\$ 994,329	\$ 35,879,182	\$ 36,873,511

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

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
AND ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA,
ORDER OF THE EASTERN STAR
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions			
Bequests	\$ 10,350	\$ 107,848	\$ 118,198
Donations	28,856	17,549	46,405
Life sponsors	-	7,945	7,945
Residents' assets	-	97,617	97,617
Members' dues	354,703	46,220	400,923
Convention revenue	106,904	-	106,904
Investment income, net	18,176	1,211,828	1,230,004
Sales of supplies	53,591	-	53,591
Administration fees	108,309	-	108,309
Miscellaneous	4,946	-	4,946
	<u>685,835</u>	<u>1,489,007</u>	<u>2,174,842</u>
Net Assets Released from Restrictions			
Programs	78,064	(78,064)	-
Grants to Eastern Star Homes of California	<u>1,475,000</u>	<u>(1,475,000)</u>	<u>-</u>
Total Support and Revenue	<u>2,238,899</u>	<u>(64,057)</u>	<u>2,174,842</u>
Expenses			
Program services			
Member services	491,266	-	491,266
Grants to Eastern Star Homes of California	1,475,000	-	1,475,000
Support services			
Management and general	<u>209,810</u>	<u>-</u>	<u>209,810</u>
Total Expenses	<u>2,176,076</u>	<u>-</u>	<u>2,176,076</u>
Change in Net Assets	62,823	(64,057)	(1,234)
Net Assets, Beginning of Year	<u>929,262</u>	<u>31,426,990</u>	<u>32,356,252</u>
Net Assets, End of Year	<u>\$ 992,085</u>	<u>\$ 31,362,933</u>	<u>\$ 32,355,018</u>

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND ENDOWMENT FUND OF THE
GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Program Services</u>			<u>Support Services</u>	
	<u>Member Services</u>	<u>Support of Eastern Star Homes of California</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Grants to Eastern Star Homes of California	\$ -	\$ 1,605,000	\$ 1,605,000	\$ -	\$ 1,605,000
Cost of sales	49,791	-	49,791	-	49,791
Allowances	-	-	-	10,138	10,138
Convention	3,121	-	3,121	-	3,121
Depreciation	923	-	923	342	1,265
Insurance	60,908	-	60,908	22,528	83,436
Equipment rental and maintenance	13,267	-	13,267	4,907	18,174
Office supplies	1,518	-	1,518	562	2,080
Rent	11,422	-	11,422	4,225	15,647
Other office expenses	4,506	-	4,506	1,666	6,172
Telephone	2,410	-	2,410	891	3,301
Utilities	1,353	-	1,353	500	1,853
Contract services	59,502	-	59,502	22,007	81,509
Licenses and other taxes	637	-	637	235	872
Salaries and wages	129,669	-	129,669	47,960	177,629
Payroll taxes	10,402	-	10,402	3,847	14,249
Employee benefits	18,024	-	18,024	6,666	24,690
Other employee related expenses	6,047	-	6,047	2,236	8,283
Professional fees	-	-	-	88,605	88,605
Total Expenses	<u>\$ 373,500</u>	<u>\$ 1,605,000</u>	<u>\$ 1,978,500</u>	<u>\$ 217,315</u>	<u>\$ 2,195,815</u>

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND ENDOWMENT FUND OF THE
GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Program Services</u>			<u>Support Services</u>	
	<u>Member Services</u>	<u>Support of Eastern Star Homes of California</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Grants to Eastern Star Homes of California	\$ -	\$ 1,475,000	\$ 1,475,000	\$ -	\$ 1,475,000
Cost of sales	28,962	-	28,962	-	28,962
Allowances	-	-	-	33,038	33,038
Schools and training	2,819	-	2,819	-	2,819
Convention	112,583	-	112,583	-	112,583
Depreciation	2,532	-	2,532	714	3,246
Insurance	63,916	-	63,916	18,027	81,943
Equipment rental and maintenance	12,039	-	12,039	3,395	15,434
Office supplies	4,153	-	4,153	1,171	5,324
Rent	12,024	-	12,024	3,391	15,415
Other office expenses	33,088	-	33,088	9,332	42,420
Telephone	2,349	-	2,349	662	3,011
Utilities	1,199	-	1,199	338	1,537
Contract services	10,466	-	10,466	2,952	13,418
Licenses and other taxes	3,186	-	3,186	898	4,084
Salaries and wages	167,512	-	167,512	47,247	214,759
Payroll taxes	14,457	-	14,457	4,077	18,534
Employee benefits	14,605	-	14,605	4,120	18,725
Other employee related expenses	5,376	-	5,376	1,516	6,892
Professional fees	-	-	-	78,932	78,932
Total Expenses	<u>\$ 491,266</u>	<u>\$ 1,475,000</u>	<u>\$ 1,966,266</u>	<u>\$ 209,810</u>	<u>\$ 2,176,076</u>

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND
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 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 4,518,493	\$ (1,234)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	1,265	3,246
Change in value of beneficial interest in perpetual trusts	(263,583)	(81,116)
Contributions restricted for endowment fund	(9,369)	(11,135)
Realized and unrealized gains on investments	(5,154,425)	(563,599)
Changes in operating assets and liabilities		
Accounts receivable	(60,801)	129,390
Prepaid expenses and supplies	34,640	7,648
Due from affiliates	61,772	88
Other receivable	-	29,745
Accounts payable	(4,286)	(1,157)
Accrued expenses	6,582	(5,063)
Deferred revenue	13,988	(70,510)
Net Cash Used in Operating Activities	<u>(855,724)</u>	<u>(563,697)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	4,399,928	4,018,935
Purchase of investments, including reinvested dividends	<u>(3,776,643)</u>	<u>(3,573,904)</u>
Net Cash Provided by Investing Activities	<u>623,285</u>	<u>445,031</u>
Cash Flows from Financing Activities		
Contributions restricted for endowment fund	<u>9,369</u>	<u>11,135</u>
Net Cash Provided by Financing Activities	<u>9,369</u>	<u>11,135</u>
Net Change in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	<u>(223,070)</u>	<u>(107,531)</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning of year	<u>1,894,068</u>	<u>2,001,599</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, End of year	<u>\$ 1,670,998</u>	<u>\$ 1,894,068</u>

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
AND ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA,
ORDER OF THE EASTERN STAR
NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 1 NATURE OF OPERATIONS

Grand Chapter of California, Order of the Eastern Star (Grand Chapter) is a California not-for-profit unincorporated association which promotes and practices charity and fraternalism. *Endowment Fund of the Grand Chapter of California, Order of the Eastern Star* (Endowment Fund) is a separate IRS Section 501(c)(3) organization of the Grand Chapter used to support *Eastern Star Homes of California* (Homes), a related not-for-profit organization founded by the Grand Chapter.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying combined financial statements include the accounts of Grand Chapter and the Endowment Fund (collectively, the Organization), which are under common control. All significant intercompany balances and transactions have been eliminated in combination.

The combined financial statements do not include the financial position or results of activities of the Eastern Star Homes of California or local chapters throughout the State of California, or the *California Eastern Star Foundation* (Foundation), related not-for-profit organizations. Management has evaluated the structure and relationships of these related organizations in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810 and determined that consolidation would not be required or appropriate as the Grand Chapter does not have a controlling financial and/or economic interest in these organizations.

Basis of Accounting

The combined financial statements of the Organization 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).

Combined Financial Statement Presentation of Net Assets

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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 9 and Note 10 for disclosures of donor restrictions that are perpetual in nature.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

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

The Organization'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 Organization'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 combined 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.

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.

Receivables

Receivables are stated at net realizable amounts. Management has elected to record bad debts using the direct write-off method. U.S. GAAP requires that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Investments

Investments, other than certificates of deposit, are reported at their fair value in the combined statements of financial position. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Certificates of deposit held for investment are classified as investments and are reported at amortized cost. 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.

Property and Equipment

Property and equipment is carried at cost, net of accumulated depreciation and amortization.

Cost of normal maintenance and repairs and minor replacements are charged to expense when incurred. Major replacements or betterments of properties are capitalized. Depreciation of property and equipment is provided using the straight-line method over the assets' estimated useful lives of 3 to 5 years.

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
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NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

When facts and circumstances indicate that the carrying values of long-lived assets may be impaired, the Organization performs an evaluation of recoverability by comparing the carrying values of the assets to projected future cash flows in addition to other quantitative and qualitative analyses. No impairment charges were recorded for the years ended September 30, 2021 and 2020.

Revenue Recognition

Contributions

Contributions received, including unconditional promises to give, are recorded as revenue in the period received at their fair value. Bequests are recorded based on the liquidated value upon legal determination of the Organization's rights to the assets.

For financial reporting purposes, the Organization 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 combined 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. 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 restricted support. Gifts of land, buildings and equipment are recorded as support without donor restrictions 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 Organization 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 to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

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.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Residents' Assets

Revenue from residents' assets represents contributions to the Endowment Fund by asset transfer residents upon admission into the Homes. The recognition of this revenue is considered to be a contribution, which is restricted for the costs of services rendered by the Homes. The services to be rendered are consistent with the Homes' mission of providing housing to members of the Order of the Eastern Star and the purpose of the Organization's endowment fund is to support the Homes. Upon completion of a 90-day right-of-return period, residents' assets are recognized as time or purpose restricted contributions on the 91st day after a resident has been admitted to the Homes under a Life Care Contract. Revenue is recorded based on the estimated liquidated value of the contributed assets.

Members' Dues

Membership dues are assessed on members in exchange of membership in the Grand Chapter. In accordance with the Organization's Constitution and Laws, membership dues are used for the furtherment of the programs of the Organization and affiliates such as Homes and Foundation, and are contributions to these organizations. The portion of the membership dues that is due to the Organization is recognized as a contribution without donor restrictions and recognized in the period in which it is received. Membership period is from July through June and dues are collected by September.

Convention Revenue

The Organization hosts an annual membership meeting called "the Annual Session of Grand Chapter" (Annual Session), which is held at a chosen site each year, which includes activities that participants can attend for an extra fee. Members register for the Annual Session and additional services at a stated transaction price. Payment is made at the time of registration and members have the right to cancel their registration and receive a refund for the full amount. Other services, such as meals, are paid for in advance and have a deadline for cancellation and refund, typically up to one week prior. The performance obligation is providing the Annual Session and any activities for which members have registered. Revenues are recognized over time as the services are provided to the members over the duration of the Annual Session.

Sales of Supplies

The Organizations sells various supplies to members and chapters. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the supplies to the customer based on established prices. Revenue is recognized at the time of sale.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Administration Fees

Administrative services are provided to related parties (Note 8). The Organization recognizes administration fees revenue at the amount of consideration to which the Organization expects to be entitled to in exchange for providing services to its related parties. The services are considered to be one performance obligation, which is to provide financial, accounting, and other services in accordance with a contract. Administration fees revenue is recognized over time based on hours incurred as management considers that to be the best available measure of progress on the Organization's performance obligation. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization bills the services provided at the beginning of the following month.

Other Revenue

All non-contribution revenue is recognized when earned, except for investments recorded as time or purpose restricted based on donor restrictions.

The Organization's revenue from contracts with customers for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Convention revenue (recognized over time)	\$ -	\$ 106,904
Sales of supplies (recognized at a point in time)	9,934	53,591
Administration fees (recognized over time)	<u>124,459</u>	<u>108,309</u>
Total revenue from contracts with customers	<u>\$ 134,393</u>	<u>\$ 268,804</u>

Functional Allocation of Expenses

The Organization's functional expense methodology was developed to accurately assign each category based on several factors. Expenses are charged to program services 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 Organization.

The Organization has two funds for program services, which include member services and support of the Eastern Star Homes of California. The costs of providing program services and support services (management and general) have been summarized on a functional basis. Accordingly, certain costs have been allocated among program services and support services. The expense allocation methodology for the years ended September 30, 2021 and 2020, is described below.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

The functional expenses for the Organization are determined, by definition, for the following categories:

- Support of the Eastern Star Homes of California
- Cost of Sales (sold only to members)
- Allowances (only provided for Grand Line elected officers)
- Schools and training (for members only)
- Convention
- Professional fees

All the remaining categories are allocated by the number of Grand Chapter employees' hours worked for administrative services for the Organization and for the related organizations (Eastern Star Homes of California, California Eastern Star Foundation, General Grand Chapter, local chapters throughout the state of California). An overall allocation was derived from these worked hours and applied as either member services or management and general. The allocation was 73% program services and 27% management and general for the year ended September 30, 2021 and 78% program services and 22% management and general for the year ended September 30, 2020.

Income Taxes

Effective April 23, 2020, Grand Chapter of California, Order of the Eastern Star is a not-for-profit organization exempt from income taxes under Section 501(c)(10) of the Internal Revenue Code (IRC) and Section 23701(l) of the Revenue Taxation Code of California. Prior to April 23, 2020, Grand Chapter of California, Order of the Eastern Star was exempt from income taxes under Section 501(c)(8) of the IRC and Section 23701(b) of the Revenue Taxation Code of California. The Grand Chapter obtained a group filing exemption covering the local chapters throughout the State of California during the 1940's and has included those chapters' funds in its annual exempt organization returns.

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

Each entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Organization 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 Grand Chapter and the Endowment Fund have no unrecognized tax liabilities or benefits recorded or unrecorded at September 30, 2021 and 2020.

Use of Estimates

The preparation of the combined 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 combined financial statements and accompanying notes. Actual results could differ from those estimates.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 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. Effective October 1, 2020, the Organization adopted ASU 2014-09 using the modified retrospective method, and there was no cumulative adjustment to net assets, as the nature and timing of revenue recognition was determined to remain consistent between the new standard and the previous standard. The Organization also reviewed the disclosure requirements under the new standard and has compiled information needed for the expanded disclosures which are included herein.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all entities that are required to include fair value measurement disclosures. The guidance is effective for fiscal years beginning after December 15, 2019. The Organization adopted ASU 2018-13 on a retrospective basis as of October 1, 2020. The adoption of this accounting guidance reduced the disclosure requirement on level III investments on Note 6.

Recent Accounting Pronouncements – Not Yet Adopted

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 for entities other than public business entities. Management has adopted the provisions of ASU 2020-05 and will defer implementation according to the amendments in Topic 842. Management is currently evaluating the impact of adopting ASU 2016-02 on the Organization's combined financial statements and related disclosures.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements – Not Yet Adopted (Continued)

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 statement 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 was delayed in 2019 and will be effective for fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of adopting ASU 2016-13 on the Organization’s combined financial statements and related disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Services*. This ASU requires contributed nonfinancial assets to be presented on a separate line in the statements of activities, apart from contributions of cash and other financial assets. It also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets. This standard will be effective for annual periods beginning after June 15, 2021. Management is currently evaluating the impact of adopting this ASU on the Organization’s financial statements and related disclosures.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, as well as, reductions for donor restrictions and Board-approved expenditures, within one year of the combined statements of financial position as of September 30, 2021 and 2020, comprised of the following.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 944,918	\$ 830,806
Accounts receivables	72,202	11,401
Investments	33,963,597	29,944,441
Cash and cash equivalents, restricted	<u>367,507</u>	<u>138,831</u>
Total Financial Assets	35,348,224	30,925,479
Less: Purpose Restricted Net Assets	(21,516,338)	(17,219,167)
Perpetually Restricted Net Assets,		
Net of Interest in Beneficial Trusts	<u>(12,807,806)</u>	<u>(12,798,437)</u>
	<u>(34,324,144)</u>	<u>(30,017,604)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,024,080</u>	<u>\$ 907,875</u>

The Organization’s operating revenue covers its ongoing operating expenditures and it is expected to be available to meet cash needs. See Note 9 and Note 10 regarding assets restricted in perpetuity for the Endowment Fund.

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NOTE 4 PROPERTY AND EQUIPMENT

At September 30, 2021 and 2020, property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 51,637	\$ 51,637
Computer equipment and software	<u>63,630</u>	<u>63,630</u>
	115,267	115,267
 Less: accumulated depreciation	 <u>(114,224)</u>	 <u>(112,959)</u>
	<u>\$ 1,043</u>	<u>\$ 2,308</u>

Depreciation expense for the years ended September 30, 2021 and 2020, was \$1,265 and \$3,246, respectively.

NOTE 5 INVESTMENTS

At September 30, 2021 and 2020, investments consist of the following:

	<u>2021</u>	<u>2020</u>
Bond mutual funds	\$ 1,964,593	\$ 1,726,424
Money market mutual funds	-	802,699
Exchange traded funds	31,640,431	27,293,586
Deposit accounts	<u>358,573</u>	<u>121,732</u>
	<u>\$ 33,963,597</u>	<u>\$ 29,944,441</u>

Investment income for the years ended September 30, 2021 and 2020, was as follows:

Interest and dividends	\$ 567,202	\$ 703,728
Realized and unrealized gains	5,154,425	563,599
Investment fees	<u>(42,437)</u>	<u>(37,323)</u>
	<u>\$ 5,679,190</u>	<u>\$ 1,230,004</u>

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

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NOTE 5 INVESTMENTS (CONTINUED)

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:

- i. Cash or cash equivalents,
- ii. Money market funds or accounts,
- iii. 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,
- iv. 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,
- v. 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
- vi. 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:

- i. Cash or cash equivalents,
- ii. Money market funds or accounts,
- iii. 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,
- iv. 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,
- v. 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,
- vi. 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,
- vii. Mortgage-Backed Securities,
- viii. Commercial Paper that is at least investment grade,
- ix. Banker's Acceptances,
- x. Investment companies or investment trusts that invest in the above referenced financial instruments, or
- xi. 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 INVESTMENTS (CONTINUED)

- 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 Depositary 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.

NOTE 6 FAIR VALUE MEASUREMENTS

The Organization 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 asset 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.

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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of investments measured on a recurring basis at September 30, 2021, are as follows:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Bond mutual funds	\$ 1,964,593	\$ -	\$ -	\$ 1,964,593
Exchange traded funds	31,640,431	-	-	31,640,431
Deposit accounts	358,573	-	-	358,573
Beneficial interests in perpetual trusts	<u>-</u>	<u>-</u>	<u>1,555,038</u>	<u>1,555,038</u>
Totals	\$ <u>33,963,597</u>	\$ <u>-</u>	\$ <u>1,555,038</u>	\$ <u>35,518,635</u>

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>
Bond mutual funds	\$ 1,726,424	\$ -	\$ -	\$ 1,726,424
Money market mutual funds	802,699	-	-	802,699
Exchange traded funds	27,293,586	-	-	27,293,586
Deposit accounts	121,732	-	-	121,732
Beneficial interests in perpetual trusts	<u>-</u>	<u>-</u>	<u>1,345,329</u>	<u>1,345,329</u>
Totals	\$ <u>29,944,441</u>	\$ <u>-</u>	\$ <u>1,345,329</u>	\$ <u>31,289,770</u>

Valuations of mutual funds and exchange traded funds are based on quoted prices for transactions in active exchange markets involving identical assets. For the years ended September 30, 2021 and 2020, there have been no changes in the valuation methodologies.

Fair value for the contributions receivable from beneficial interests in perpetual trusts are measured using the Endowment's interest in the fair value of the assets held in the trusts as reported by the trustees as of September 30, 2021 and 2020. The Endowment considers the measurement of its beneficial interests in the trusts to be Level III measurements within the fair value hierarchy because even though the measurement is based on the unadjusted fair values of the trusts' assets reported by the trustee, the Endowment will never have the ability to direct the trustees to redeem them.

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 Organization 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 7 BENEFICIAL INTEREST IN TRUSTS

Split Interest

Endowment is a 25% income beneficiary of the perpetual Simona Bruml Trust. A noncurrent asset for the beneficial interest in the trust has been recognized at fair value, based on quoted market prices, which totals \$706,859 and \$607,595 at September 30, 2021 and 2020, respectively.

Endowment is a 2% income beneficiary of the perpetual Fred and Lucille Hirsch Foundation, an irrevocable charitable trust. Thirteen income beneficiaries are to be distributed a percentage share of the net income of the trust annually. A noncurrent asset for the beneficial interest in the trust has been recognized at fair value, based on quoted market prices, which totals \$53,647 and \$47,978 at September 30, 2021 and 2020, respectively.

Endowment is a 33% income beneficiary of the perpetual Cecilia E. Murphey Fund. Three income beneficiaries are to be distributed a proportionate share of the net income of the trust annually. A noncurrent asset for the beneficial interest in the trust has been recognized at fair value, based on quoted market prices, which totals \$634,750 and \$548,379 at September 30, 2021 and 2020, respectively.

Endowment is a 33% income beneficiary of the perpetual Alfred Joseph Strei Trust. Three income beneficiaries are to be distributed a proportionate share of the net income of the trust annually. A noncurrent asset for the beneficial interest in the trust has been recognized at fair value, based on quoted market prices, which totals \$159,782 and \$141,377 at September 30, 2021 and 2020, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

Administrative Services

During the years ended September 30, 2021 and 2020, the Grand Chapter provided administrative services to its affiliates, from which it earned revenue as follows:

	<u>2021</u>	<u>2020</u>
Eastern Star Homes of California	\$ 97,744	\$ 80,261
California Eastern Star Foundation	18,188	21,570
	<u>\$ 115,932</u>	<u>\$ 101,831</u>

At September 30, 2021, \$55,650 and \$6,122 was due to Homes and Foundation, respectively, that was included in due to affiliates on the combined statements of financial position. At September 30, 2020, there were no amounts due to or from affiliates.

Operating Leases

The Grand Chapter leases office spaces from the Homes as disclosed in Note 12. For the years ended September 30, 2021 and 2020, the Grand Chapter incurred \$15,647 and \$15,415, respectively, of rent expense on the leases.

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NOTE 8 RELATED PARTY TRANSACTIONS (CONTINUED)

Other Transactions

The Grand Chapter acts as an agent and collects certain dues from members of the Grand Chapter which are remitted to the Homes and Foundation.

NOTE 9 NET ASSETS

Net assets are comprised of the following at September 30, 2021:

	<u>With Donor Restrictions</u>			<u>Totals</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	
Without donor restrictions	\$ 994,329	\$ -	\$ -	\$ 994,329
Endowment Fund – Support of the Homes	-	21,515,168	-	21,515,168
Other	-	1,170	-	1,170
Endowment Fund	-	-	14,362,844	14,362,844
Totals	<u>\$ 994,329</u>	<u>\$ 21,516,338</u>	<u>\$ 14,362,844</u>	<u>\$ 36,873,511</u>

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

	<u>With Donor Restrictions</u>			<u>Totals</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	
Without donor restrictions	\$ 992,085	\$ -	\$ -	\$ 992,085
Endowment Fund – Support of the Homes	-	17,217,997	-	17,217,997
Other	-	1,170	-	1,170
Endowment Fund	-	-	14,143,766	14,143,766
Totals	<u>\$ 992,085</u>	<u>\$ 17,219,167</u>	<u>\$ 14,143,766</u>	<u>\$ 32,355,018</u>

NOTE 10 ENDOWMENT FUND

The Organization's endowment includes donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

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NOTE 10 ENDOWMENT FUND (CONTINUED)

The Organization 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 Organization classifies as net assets with donor restrictions that are perpetual in nature: (a) the original value of gifts donated to the endowment that is perpetual in nature, (b) the original value of subsequent gifts to the endowment that is perpetual in nature and (c) accumulations to the endowment that is perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor restrictions with time or purpose restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization 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 Organization 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 Organization and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Grand Chapter's Finance Committee has the sole discretion as to the investment and reinvestment of the assets of the fund based on the guidelines described in Note 5.

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 Organization 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 Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Endowment net asset composition by type of fund as of September 30, 2021:

	Specific Purpose Restriction	Perpetual Restriction	Totals
Donor-restricted Endowment funds	<u>\$ 21,515,168</u>	<u>\$ 14,362,844</u>	<u>\$ 35,878,012</u>

Endowment net asset composition by type of fund as of September 30, 2020:

	Specific Purpose Restriction	Perpetual Restriction	Totals
Donor-restricted Endowment funds	<u>\$ 17,217,997</u>	<u>\$ 14,143,766</u>	<u>\$ 31,361,763</u>

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NOTE 10 ENDOWMENT FUND (CONTINUED)

Designations of net assets. Under the Constitution and Laws of the Grand Chapter, there is a more restrictive designation of assets than provided under UPMIFA. All assets are restricted except for the income on those assets. However, the Constitution and Laws allows some of the non-donor restricted portion of the Endowment Fund to be released to fund deficits of the Homes approved by Grand Chapter. For the years ended September 30, 2021 and 2020, the amount available for release was \$16,559,725 and \$16,230,599, respectively.

Endowment net asset composition under the Constitution and Laws by type of fund as of September 30, 2021, is as follows:

	<u>Specific Purpose Restricted Under UPMIFA</u>	<u>Perpetually Restricted Under UPMIFA</u>	<u>Specific Purpose Restricted Under Constitution and Laws</u>	<u>Perpetually Restricted Under Constitution and Laws</u>	<u>Totals</u>
Per UPMIFA	\$ 21,515,168	\$14,362,844	\$ -	\$ -	\$35,878,012
Restricted Under Constitution And Laws	(3,927,664)	-	-	3,927,664	-
Member Application Fees/Contributions	(1,027,779)	-	-	1,027,779	-
Resident Asset Assignments/Contributions	(16,559,725)	-	-	16,559,725	-
Reclassification	<u>-</u>	<u>(14,362,844)</u>	<u>-</u>	<u>14,362,844</u>	<u>-</u>
Per Constitution and Laws	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$35,878,012</u>	<u>\$35,878,012</u>

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NOTE 10 ENDOWMENT FUND (CONTINUED)

Endowment net asset composition under the Constitution and Laws by type of fund as of September 30, 2020, is as follows:

	<u>Specific Purpose Restricted Under UPMIFA</u>	<u>Perpetually Restricted Under UPMIFA</u>	<u>Specific Purpose Restricted Under Constitution and Laws</u>	<u>Perpetually Restricted Under Constitution and Laws</u>	<u>Totals</u>
Per UPMIFA	\$ 17,217,997	\$14,143,766	\$ -	\$ -	\$31,361,763
Released From Constitution And Laws Restrictions	239,722	-	-	(239,722)	-
Member Application Fees/Contributions	(987,399)	-	-	987,399	-
Resident Asset Assignments/Contributions	(16,470,320)	-	-	16,470,320	-
Reclassification	<u>-</u>	<u>(14,143,766)</u>	<u>-</u>	<u>14,143,766</u>	<u>-</u>
Per Constitution and Laws	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$31,361,763</u>	<u>\$31,361,763</u>

The following table summarizes the activity affecting endowment net assets for the year ended September 30, 2021:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 17,217,997	\$ 14,143,766	\$ 31,361,763
Contributions	324,640	219,078	543,718
Investment income, net	5,626,355	-	5,626,355
Releases for support of Eastern Star Homes of California	(1,605,000)	-	(1,605,000)
Releases for other program expenditures	<u>(48,824)</u>	<u>-</u>	<u>(48,824)</u>
Endowment net assets, end of year	<u>\$ 21,515,168</u>	<u>\$ 14,362,844</u>	<u>\$ 35,878,012</u>

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NOTE 10 ENDOWMENT FUND (CONTINUED)

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

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 17,311,973	\$ 14,113,847	\$ 31,425,820
Contributions	247,260	29,919	277,179
Investment income, net	1,211,828	-	1,211,828
Releases for support of Eastern Star Homes of California	(1,475,000)	-	(1,475,000)
Releases for other program expenditures	<u>(78,064)</u>	<u>-</u>	<u>(78,064)</u>
Endowment net assets, end of year	<u>\$ 17,217,997</u>	<u>\$ 14,143,766</u>	<u>\$ 31,361,763</u>

NOTE 11 DONATED SERVICES

For the years ended September 30, 2021 and 2020, the fair value of donated services of \$41,738 and \$34,588 were recorded as donations revenue on the combined statement of activities and as professional fees on the combined statement of functional expenses

The Organization receives a significant amount of donated services from unpaid volunteers who assist with the different functions of the Organization. For the years ended September 30, 2021 and 2020, no donated services from volunteers have been recognized in the combined statements of activities because the criteria for recognition was not satisfied.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Grand Chapter leases office space under operating leases from the Homes expiring on September 30, 2022. Future minimum payments under the non-cancelable operating leases are as follows:

Year ending September 30,	
2022	\$ 15,881
	<u>\$ 15,881</u>

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
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NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies

Certain claims may have been filed against the Organization in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Organization's financial position or results of operations.

NOTE 13 RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization (WHO) 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 Organization's financial condition will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition is uncertain.

NOTE 14 CALIFORNIA CHAPTERS

At September 30, 2021 and 2020, the Grand Chapter had 130 and 132 active California chapters, respectively, which have their own boards and are responsible for their own fundraising, revenue and expenses. As of September 30, 2021 and 2020, the unaudited cash and investments, revenue and expenses of these chapters consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and investments	\$ 25,727,228	\$ 23,921,103
Revenue	\$ 2,860,071	\$ 2,116,108
Expenses	\$ (1,053,946)	\$ (1,213,978)

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR
AND ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA,
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NOTES TO COMBINED FINANCIAL STATEMENTS**

NOTE 15 COMBINED STATEMENTS OF CASH FLOWS

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the combined statements of financial position that sum to the total of the same such amounts shown in the combined statements of cash flows for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unrestricted cash and cash equivalents:		
Cash and cash equivalents	\$ 944,918	\$ 830,806
Deposit accounts included in investments, at fair value	5,041	16,736
Restricted cash and cash equivalents for the Endowment Fund:		
Cash and cash equivalents, restricted	367,507	138,831
Money market mutual funds included in investments, at fair value	-	802,699
Deposit accounts included in investments, at fair value	<u>353,532</u>	<u>104,996</u>
Total cash and cash equivalents and restricted cash and cash equivalents shown on the combined statements of cash flows	<u>\$ 1,670,998</u>	<u>\$ 1,894,068</u>

NOTE 16 RECLASSIFICATIONS

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.

NOTE 17 SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Organization through the date of the auditor's report, which was the date the combined financial statements were available to be issued.