

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
Years Ended September 30, 2022 and 2021

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
of the Grand Chapter of California, Order of the Eastern Star**
Years Ended September 30, 2022 and 2021

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Independent Auditor's Report

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

Opinion

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 statements of financial position as of September 30, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying 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, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star's ability to continue as a going concern within one year after the date the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Wipfli LLP

Irvine, California
March 6, 2023

**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**

<i>As of September 30, 2022 and 2021</i>	2022	2021
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 925,462	\$ 944,918
Accounts receivable	236,564	72,202
Investments, at fair value	27,356,890	33,963,597
Prepaid expenses and other assets	95,564	93,594
Total current assets	28,614,480	35,074,311
Property and equipment, net	40	1,043
Cash and cash equivalents, restricted	197,003	367,507
Beneficial interest in perpetual trusts, at fair value	2,027,882	1,555,038
Total assets	\$ 30,839,405	\$ 36,997,899
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 33,680	\$ 29,517
Accrued payroll and benefits	18,495	17,366
Due to affiliates	34,185	61,772
Deferred revenue	2,755	15,733
Total current liabilities	89,115	124,388
Net assets:		
Without donor restrictions	985,976	994,329
With donor restrictions	29,764,314	35,879,182
Total net assets	30,750,290	36,873,511
Total liabilities and net assets	\$ 30,839,405	\$ 36,997,899

See accompanying notes to 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**

<i>Year Ended September 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Bequests	\$ -	\$ 556,843	\$ 556,843
Donations	1	3,304	3,305
Contributed nonfinancial assets	4,571	4,571	9,142
Life sponsors	-	7,085	7,085
Residents' assets	-	243,940	243,940
Members' dues	400,141	38,140	438,281
Convention revenue	102,721	-	102,721
Investment loss, net	(46,610)	(4,930,061)	(4,976,671)
Sales of supplies	41,851	-	41,851
Administration fees	113,823	-	113,823
Miscellaneous	8,220	-	8,220
Subtotal	624,718	(4,076,178)	(3,451,460)
Net assets released from restrictions:			
Programs	31,690	(31,690)	-
Grants to Eastern Star Homes of California	2,007,000	(2,007,000)	-
Total support and revenue	2,663,406	(6,114,868)	(3,451,460)
Expenses:			
Program services:			
Member services	372,496	-	372,496
Grants to Eastern Star Homes of California	2,007,000	-	2,007,000
Support services:			
Management and general	292,265	-	292,265
Total expenses	2,671,761	-	2,671,761
Change in net assets	(8,353)	(6,114,868)	(6,123,221)
Net assets, beginning of year	994,329	35,879,182	36,873,511
Net assets, end of year	\$ 985,976	\$ 29,764,314	\$ 30,750,290

See accompanying notes to 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 (Continued)**

<i>Year Ended September 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Bequests	\$ -	\$ 384,148	\$ 384,148
Donations	-	1,605	1,605
Contributed nonfinancial assets	20,869	20,869	41,738
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
Subtotal	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

See accompanying notes to 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 Functional Expenses**

	Program Services			Support Services	
	Member Services	Support of Eastern Star Homes of California	Total Program Services	Management and General	Total
<i>Year Ended September 30, 2022</i>					
Grants to Eastern Star Homes of California	\$ -	\$ 2,007,000	\$ 2,007,000	\$ -	\$ 2,007,000
Cost of sales	21,813	-	21,813	-	21,813
Allowances	-	-	-	44,895	44,895
Committee	-	-	-	182	182
Schools and training	973	-	973	-	973
Convention	118,547	-	118,547	-	118,547
Depreciation	552	-	552	451	1,003
Insurance	46,612	-	46,612	38,137	84,749
Equipment rental and maintenance	10,139	-	10,139	8,295	18,434
Office supplies	3,788	-	3,788	3,100	6,888
Rent	8,735	-	8,735	7,146	15,881
Other office expenses	9,562	-	9,562	7,824	17,386
Telephone	1,975	-	1,975	1,616	3,591
Utilities	1,229	-	1,229	1,005	2,234
Contract services	35,512	-	35,512	29,055	64,567
Licenses and other taxes	1,314	-	1,314	1,075	2,389
Salaries and wages	86,072	-	86,072	70,422	156,494
Payroll taxes	7,253	-	7,253	5,934	13,187
Employee benefits	14,491	-	14,491	11,857	26,348
Other employee related expenses	3,929	-	3,929	3,214	7,143
Professional fees	-	-	-	58,057	58,057
Total expenses	\$ 372,496	\$ 2,007,000	\$ 2,379,496	\$ 292,265	\$ 2,671,761

**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 (Continued)**

	Program Services			Support Services	
	Member Services	Support of Eastern Star Homes of California	Total Program Services	Management and General	Total
<i>Year Ended September 30, 2021</i>					
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	\$ 373,500	\$ 1,605,000	\$ 1,978,500	\$ 217,315	\$ 2,195,815

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 Cash Flows

<i>Years Ended September 30, 2022 and 2021</i>	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (6,123,221)	\$ 4,518,493
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,003	1,265
Contribution of beneficial interest in perpetual trusts	(794,240)	-
Change in value of beneficial interest in perpetual trusts	249,410	(263,583)
Contributions restricted for endowment fund	(12,023)	(9,369)
Realized and unrealized (gains) losses on investments	5,630,070	(5,154,425)
Changes in operating assets and liabilities		
Accounts receivable	(164,362)	(60,801)
Prepaid expenses and supplies	(1,970)	34,640
Accounts payable	4,170	(4,286)
Accrued payroll and benefits	2,737	6,582
Due to affiliates	(29,202)	61,772
Deferred revenue	(12,978)	13,988
Net cash from operating activities	(1,250,606)	(855,724)
Cash flows from investing activities:		
Proceeds from sale of investments	1,394,250	4,399,928
Purchase of investments, including reinvested dividends	(693,097)	(3,776,643)
Net cash from investing activities	701,153	623,285
Cash flows from financing activities:		
Contributions restricted for Endowment Fund	12,023	9,369
Net cash from financing activities	12,023	9,369
Net change in cash and cash equivalents and restricted cash and cash equivalents	(537,430)	(223,070)
Cash and cash equivalents and restricted cash and cash equivalents,		
Beginning of year	1,670,998	1,894,068
Cash and cash equivalents and restricted cash and cash equivalents,		
End of year	\$ 1,133,568	\$ 1,670,998

See accompanying notes to 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

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 Internal Revenue Service (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 (GAAP).

Combined Financial Statement Presentation of Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor 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 (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.

**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 2: Summary of Significant Accounting Policies (Continued)

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. 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. Receivables totaled \$11,401 as of October 1, 2020.

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 three to five years.

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, 2022 and 2021.

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 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

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.

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.

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 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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. 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, 2022 and 2021, no donated services from volunteers have been recognized in the combined statements of activities because the criteria for recognition was not satisfied.

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. For the years ended September 30, 2022 and 2021, the fair value of donated services of \$9,142 and \$41,738, respectively, were presented as contributed nonfinancial assets in the combined statements of activities and as professional fees on the combined statements of functional expenses.

All donated services and assets were utilized by the Organization's support services. There were no donor imposed restrictions associated with the donated services. Donated services are valued at the standard hourly rates charged for those services.

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 for 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.

**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 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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, and 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 Organization 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.

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.

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 2: Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021, is described below.

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)
- Committees
- 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 55% program services and 45% management and general for the year ended September 30, 2022, and 73% program services and 27% management and general for the year ended September 30, 2021.

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.

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 2: Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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 IRS. The Grand Chapter and the Endowment Fund have no unrecognized tax liabilities or benefits recorded or unrecorded at September 30, 2022 and 2021.

Use of Estimates

The preparation of the combined financial statements in conformity with 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.

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.

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.

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
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Note 2: Summary of Significant Accounting Policies (Continued)

Adoption of Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The amendments in this update will require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after June 15, 2021, applied on a retrospective basis. Early adoption is permitted. The guidance in this ASU was adopted and applied on a retrospective basis by the Organization for the year ended September 30, 2022. The \$41,738 previously reported on the combined statement of activities as donations is now called contributed nonfinancial assets. There was no change to reported net assets, or change in net assets for either period presented.

Subsequent Events

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

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, 2022 and 2021, are comprised of the following:

	2022	2021
Cash and cash equivalents	\$ 925,462	\$ 944,918
Accounts receivable	236,564	72,202
Investments	27,356,890	33,963,597
Cash and cash equivalents, restricted	197,003	367,507
Total financial assets	28,715,919	35,348,224
Less: Purpose restricted net assets	(14,916,593)	(21,516,338)
Perpetually restricted net assets, net of interest in beneficial trusts	(12,819,839)	(12,807,806)
Totals	\$ (27,736,432)	\$ (34,324,144)
Financial assets available to meet general expenditures over the next 12 months	\$ 979,487	\$ 1,024,080

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
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Note 3: Liquidity and Availability (Continued)

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.

Note 4: Property and Equipment

At September 30, 2022 and 2021, property and equipment consisted of the following:

	2022	2021
Furniture, fixtures, and equipment	\$ 33,053	\$ 51,637
Computer equipment and software	5,014	63,630
Total property and equipment	38,067	115,267
Less: Accumulated depreciation	(38,027)	(114,224)
Total property and equipment, net	\$ 40	\$ 1,043

Depreciation expense for the years ended September 30, 2022 and 2021, was \$1,003 and \$1,265, respectively.

Note 5: Investments

At September 30, 2022 and 2021, investments consisted of the following:

	2022	2021
Bond mutual funds	\$ 1,843,143	\$ 1,964,593
Exchange-traded funds	25,502,644	31,640,431
Interest-bearing deposit accounts	11,103	358,573
Total investments	\$ 27,356,890	\$ 33,963,597

Investment income (loss) for the years ended September 30, 2022 and 2021, was as follows:

	2022	2021
Interest and dividends	\$ 695,945	\$ 567,202
Realized and unrealized gains (losses)	(5,630,070)	5,154,425
Investment fees	(42,546)	(42,437)
Total investment income (loss), net	\$ (4,976,671)	\$ 5,679,190

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.

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
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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.

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 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 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.

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 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.

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Note 6: Fair Value Measurements (Continued)

Fair values of investments measured on a recurring basis as of September 30, 2022, are as follows:

	Level I	Level II	Level III	Total
Bond mutual funds	\$ 1,843,143	\$ -	\$ -	\$ 1,843,143
Exchange-traded funds	25,502,644	-	-	25,502,644
Interest-bearing deposit accounts	11,103	-	-	11,103
Beneficial interests in perpetual trusts	-	-	2,027,882	2,027,882
Totals	\$ 27,356,890	\$ -	\$ 2,027,882	\$ 29,384,772

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

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

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, 2022 and 2021, 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, 2022 and 2021. 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.

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
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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 \$563,220 and \$706,859 at September 30, 2022 and 2021, 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 \$42,192 and \$53,647 at September 30, 2022 and 2021, 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 \$503,520 and \$634,750 at September 30, 2022 and 2021, 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 \$124,710 and \$159,782 at September 30, 2022 and 2021, respectively.

Endowment is a 10% beneficiary of the Irmgard S. Stephens Living Trust. Four other beneficiaries are to be distributed a proportionate share of the trust assets on the death of the settler. A noncurrent asset for the beneficial interest in the trust has been recognized at fair value, based on quoted market prices, which totals \$794,240 at September 30, 2022. None was recognized in prior year ending September 30, 2021, as the trust was still revocable and amendable, thus the contribution was deemed uncertain. Once the final distribution occurs, the amount will be restricted to the Endowment Fund.

Note 8: Related-Party Transactions

Administrative Services

During the years ended September 30, 2022 and 2021, the Grand Chapter provided administrative services to its affiliates, from which it earned revenue as follows:

	2022	2021
Eastern Star Homes of California	\$ 91,160	\$ 97,744
California Eastern Star Foundation	15,660	18,188
Totals	\$ 106,820	\$ 115,932

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Note 8: Related-Party Transactions (Continued)

At September 30, 2022, \$31,698 and \$2,487 was due to Homes and Foundation, respectively, that was included in due to affiliates on the combined statements of financial position. 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.

Operating Leases

The Grand Chapter leases office space from the Homes as disclosed in Note 11. For the years ended September 30, 2022 and 2021, the Grand Chapter incurred \$15,881 and \$15,647, respectively, of rent expense on the lease.

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, 2022:

	Without Donor Restrictions	With Donor Restrictions		Totals
		Restricted for Specific Purpose	Perpetually Restricted	
Without donor restrictions	\$ 985,976	\$ -	\$ -	\$ 985,976
Endowment fund - support of the Homes	-	14,915,423	-	14,915,423
Other	-	1,170	10	1,180
Endowment fund	-	-	14,847,711	14,847,711
Totals	\$ 985,976	\$ 14,916,593	\$ 14,847,721	\$ 30,750,290

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

	Without Donor Restrictions	With Donor Restrictions		Totals
		Restricted for Specific Purpose	Perpetually Restricted	
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	\$ 994,329	\$ 21,516,338	\$ 14,362,844	\$ 36,873,511

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 10: Endowment Funds

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

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.

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Note 10: Endowment Funds (Continued)

Endowment net asset composition by type of fund as of September 30, 2022:

	Specific Purpose Restriction	Perpetual Restriction	Totals
Donor restricted Endowment funds	\$ <u>14,915,423</u>	\$ <u>14,847,711</u>	\$ <u>29,763,134</u>

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>

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, 2022 and 2021, the amount available for release was \$16,803,666 and \$16,559,725, respectively.

Endowment net asset composition under the Constitution and Laws by type of fund as of September 30, 2022, is as follows:

	Specific Purpose Restricted Under UPMIFA	Perpetually Restricted Under UPMIFA	Specific Purpose Restricted Under Constitution and Laws	Perpetually Restricted Under Constitution and Laws	Totals
Per UPMIFA	\$ 14,915,423	\$ 14,847,711	\$ -	\$ -	\$ 29,763,134
Released from Constitution and Laws restrictions	2,954,162	-	-	(2,954,162)	-
Member application fees/contributions	(1,065,919)	-	-	1,065,919	-
Resident asset assignments/contributions	(16,803,666)	-	-	16,803,666	-
Reclassification	-	(14,847,711)	-	14,847,711	-
Per Constitution and Laws	\$ -	\$ -	\$ -	\$ 29,763,134	\$ 29,763,134

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Note 10: Endowment Funds (Continued)

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

	Specific Purpose Restricted Under UPMIFA	Perpetually Restricted Under UPMIFA	Specific Purpose Restricted Under Constitution and Laws	Perpetually Restricted Under Constitution and Laws	Totals
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	-	(14,362,844)	-	14,362,844	-
Per Constitution and Laws	\$ -	\$ -	\$ -	\$ 35,878,012	\$ 35,878,012

The following table summarizes the activity affecting endowment net assets for the year ended September 30, 2022:

	Restricted for Specific Purpose	Perpetually Restricted	Totals
Endowment net assets, beginning of year	\$ 21,515,168	\$ 14,362,844	\$ 35,878,012
Contributions	369,006	484,867	853,873
Investment loss, net	(4,930,061)	-	(4,930,061)
Releases for support of Eastern Star Homes of California	(2,007,000)	-	(2,007,000)
Releases for other program expenditures	(31,690)	-	(31,690)
Endowment net assets, end of year	\$ 14,915,423	\$ 14,847,711	\$ 29,763,134

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
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Note 10: Endowment Funds (Continued)

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

	Restricted for Specific Purpose	Perpetually Restricted	Totals
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	(48,824)	-	(48,824)
Endowment net assets, end of year	\$ 21,515,168	\$ 14,362,844	\$ 35,878,012

Note 11: Commitments and Contingencies

Operating Leases

The Grand Chapter leases office space under an operating lease from the Homes that was amended to add an additional 10 years to the term beginning December 1, 2022 and ending November 30, 2032. Future minimum payments under the non-cancelable operating lease is as follows:

2023	\$ 16,120
2024	16,361
2025	16,607
2026	16,856
2027	17,109
Thereafter	92,550
Total	\$ 175,603

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.

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Note 11: Commitments and Contingencies (Continued)

Litigation

The Organization may be subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operation.

Note 12: Risks and Uncertainties

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash deposits 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.

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.

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Note 13: California Chapters

At September 30, 2022 and 2021, the Grand Chapter had 121 and 130 active California chapters, respectively, which have their own boards and are responsible for their own fundraising, revenue and expenses. As of September 30, 2022 and 2021, the unaudited cash and investments, revenue and expenses of these chapters consisted of the following:

	2022	2021
Cash and investments	\$ 23,811,063	\$ 25,727,228
Revenue, including gains and losses on investments	342,674	2,860,071
Expenses	(2,258,839)	(1,053,946)

Note 14: Revenue from Exchange Transactions

The Organization's revenue from exchange transactions for the years ended September 30, 2022 and 2021:

	2022	2021
Convention revenue (recognized over time)	\$ 102,721	\$ -
Sales of supplies (recognized at a point in time)	41,851	9,934
Administration fees (recognized over time)	113,823	124,459
Total revenue from exchange transactions	\$ 258,395	\$ 134,393

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, 2022 and 2021:

	2022	2021
Unrestricted cash and cash equivalents		
Cash and cash equivalents	\$ 925,462	\$ 944,918
Deposit accounts included in investments, at fair value	7,434	5,041
Restricted cash and cash equivalents for the Endowment Fund:		
Cash and cash equivalents, restricted	197,003	367,507
Deposit accounts included in investments, at fair value	3,669	353,532
Total cash and cash equivalents and restricted cash and cash equivalents shown on the combined statements of cash flows	\$ 1,133,568	\$ 1,670,998

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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.