

California Eastern Star Foundation

Financial Statements

Years Ended September 30, 2023 and 2022



California Eastern Star Foundation

Years Ended September 30, 2023 and 2022

Table of Contents

Independent Auditor's Report.....	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4-5
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-19

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of California Eastern Star Foundation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of California Eastern Star Foundation as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Wipfli LLP

Irvine, California
November 19, 2024

California Eastern Star Foundation

Statements of Financial Position

<i>As of September 30,</i>	2023	2022
<u>Assets</u>		
Cash	\$ 281,773	\$ 155,839
Due from affiliate	-	5,832
Investments	10,855,053	9,836,085
Total assets	\$ 11,136,826	\$ 9,997,756
<u>Liabilities and Net Assets</u>		
Due to affiliate	\$ 3,119	\$ -
Deferred revenue	1,125	1,050
Grants payable	82,608	63,462
Total liabilities	86,852	64,512
Net assets		
Without donor restrictions	18,116	15,659
With donor restrictions	11,031,858	9,917,585
Total net assets	11,049,974	9,933,244
Total liabilities and net assets	\$ 11,136,826	\$ 9,997,756

See accompanying notes to financial statements.

California Eastern Star Foundation

Statement of Activities

<i>Year ended September 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions			
Donations	\$ 835	\$ 389,948	\$ 390,783
Contributed nonfinancial assets	-	17,395	17,395
Member dues	-	5,550	5,550
Investment income, net	6,398	1,017,185	1,023,583
	7,233	1,430,078	1,437,311
Net assets released from restrictions	315,805	(315,805)	-
Total support and revenue	323,038	1,114,273	1,437,311
Expenses			
Program services			
Member assistance	130,799	-	130,799
Humanitarian assistance	123,285	-	123,285
Support services			
Management and general	55,058	-	55,058
Fundraising	11,439	-	11,439
Total expenses	320,581	-	320,581
Change in net assets	2,457	1,114,273	1,116,730
Net assets, beginning of year	15,659	9,917,585	9,933,244
Net assets, end of year	\$ 18,116	\$ 11,031,858	\$ 11,049,974

See accompanying notes to financial statements.

California Eastern Star Foundation

Statement of Activities

<i>Year ended September 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions			
Donations	\$ 620	\$ 159,478	\$ 160,098
Contributed nonfinancial assets	-	9,974	9,974
Member dues	-	5,832	5,832
Investment income, net	(3,049)	(1,772,183)	(1,775,232)
	(2,429)	(1,596,899)	(1,599,328)
Net assets released from restrictions	242,189	(242,189)	-
Total support and revenue	239,760	(1,839,088)	(1,599,328)
Expenses			
Program services			
Member assistance	101,426	-	101,426
Humanitarian assistance	108,939	-	108,939
Support services			
Management and general	39,397	-	39,397
Fundraising	100	-	100
Total expenses	249,862	-	249,862
Change in net assets	(10,102)	(1,839,088)	(1,849,190)
Net assets, beginning of year	25,761	11,756,673	11,782,434
Net assets, end of year	\$ 15,659	\$ 9,917,585	\$ 9,933,244

See accompanying notes to financial statements.

California Eastern Star Foundation

Statements of Functional Expenses

<i>Year ended September 30, 2023</i>	Program Services			Support Services		
	Member Assistance	Humanitarian Assistance	Total Program Services	Management and General	Fundraising	Total
Administration fees	\$ 4,756	\$ 250	\$ 5,006	\$ 20,028	\$ -	\$ 25,034
Assistance to members	74,843	543	75,386	-	-	75,386
Fundraising	-	-	-	-	11,439	11,439
Professional and consulting	-	-	-	34,345	-	34,345
Grants, awards, and donations	51,200	122,492	173,692	-	-	173,692
Office expenses	-	-	-	685	-	685
Total expenses	\$ 130,799	\$ 123,285	\$ 254,084	\$ 55,058	\$ 11,439	\$ 320,581

<i>Year ended September 30, 2022</i>	Program Services			Support Services		
	Member Assistance	Humanitarian Assistance	Total Program Services	Management and General	Fundraising	Total
Administration fees	\$ 2,802	\$ 147	\$ 2,949	\$ 11,796	\$ -	\$ 14,745
Assistance to members	33,474	1,589	35,063	-	-	35,063
Fundraising	-	-	-	-	100	100
Professional and consulting	-	-	-	26,430	-	26,430
Grants, awards, and donations	65,150	107,203	172,353	-	-	172,353
Office expenses	-	-	-	1,171	-	1,171
Total expenses	\$ 101,426	\$ 108,939	\$ 210,365	\$ 39,397	\$ 100	\$ 249,862

See accompanying notes to financial statements.

California Eastern Star Foundation

Statements of Cash Flows

<i>Years ended September 30,</i>	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,116,730	\$ (1,849,190)
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gains on investments	(772,718)	2,006,051
Changes in operating assets and liabilities		
Due from affiliate	5,832	290
Due to affiliate	3,119	(1,600)
Deferred revenue	75	1,050
Grants payable	19,146	(35,332)
Net cash from operating activities	372,184	121,269
Cash flows from investing activities		
Proceeds from sale of investments	12,145,176	99,657
Purchase of investments	(12,411,588)	(245,746)
Net cash from investing activities	(266,412)	(146,089)
Net change in cash and restricted cash and cash equivalents	105,772	(24,820)
Cash and restricted cash and cash equivalents, beginning of year	194,769	219,589
Cash and restricted cash and cash equivalents, end of year	\$ 300,541	\$ 194,769

See accompanying notes to financial statements.

California Eastern Star Foundation

Notes to Financial Statements

Note 1: Description of Operations

California Eastern Star Foundation (the "Foundation") is a California nonprofit corporation organized to receive gifts, bequests, and contributions for the furtherance of educational, charitable, and scientific purposes. The Foundation was organized in 1996 at the direction of the members of the Grand Chapter of California, Order of the Eastern Star ("Grand Chapter"), and operated in accordance with the Grand Chapter Constitution and Laws.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

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

Financial Statement Presentation of Net Assets

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

California Eastern Star Foundation

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions

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

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

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

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 Foundation receives a significant amount of donated services from unpaid volunteers. For the years ended September 30, 2023 and 2022, no donated services from volunteers have been recognized in the statements of activities because the criteria for recognition was not satisfied.

Contributions of donated services that create or enhance nonfinancial 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, 2023 and 2022, the fair value of donated services of \$17,395 and \$9,974, respectively, were presented as contributed nonfinancial assets in the statements of activities and as professional and consulting expense on the statements of functional expenses.

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

California Eastern Star Foundation

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

The Foundation has two funds for program services which are designated for assisting either members or other humanitarian efforts. The costs of providing program and support services (management and general, and fundraising) have been summarized on a functional basis. Accordingly, certain costs have been allocated among program services and support services benefited. The Foundation's Board of Trustees (Board) approves the expense allocation methodology which was based primarily on the invested balances of each fund during the years ended September 30, 2023 and 2022, respectively.

The expenses that are allocated include:

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

Income Taxes

The Foundation is a nonprofit Foundation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the Revenue Taxation Code of California and is a publicly supported Foundation as described in Section 509(a) of the IRC.

The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Foundation is not subject to unrelated business income tax and, therefore, has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the Internal Revenue Service. The Foundation has no unrecognized tax liabilities or benefits recorded or unrecorded at September 30, 2023 and 2022.

Grant Expenditures

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

California Eastern Star Foundation

Notes to Financial Statements

Note 2: Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Adoption of Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 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 statements 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 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 No. 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. The Foundation has adopted ASU No. 2016-02 and the implementation of this standard did not have a material impact on the financial statements and related disclosures.

Future Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statements of activities will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard 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 Foundations' financial statements and related disclosures.

Subsequent Events

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

California Eastern Star Foundation

Notes to Financial Statements

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 statements of financial position as of September 30, 2023 and 2022, comprised the following:

	2023	2022
Cash	\$ 281,773	\$ 155,839
Due from affiliate	-	5,832
Investments	10,855,053	9,836,085
Total financial assets	11,136,826	9,997,756
Less: Purpose restricted net assets	(9,960,953)	(8,859,728)
Perpetually restricted net assets	(1,070,905)	(1,057,857)
Total net assets with donor restrictions	(11,031,858)	(9,917,585)
Financial assets available to meet general expenditures over the next twelve months	\$ 104,968	\$ 80,171

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

Note 4: Investments

At September 30, 2023 and 2022, investments consisted of the following:

	2023	2022
Interest-bearing deposit accounts	\$ 18,768	\$ 38,930
Mutual funds	4,396,285	675,028
Exchange traded funds	1,685,994	9,122,127
Equity mutual funds	4,754,006	-
Total investments	\$ 10,855,053	\$ 9,836,085

California Eastern Star Foundation

Notes to Financial Statements

Note 4: Investments (Continued)

Investment income (loss) for the years ended September 30, 2023 and 2022 was as follows:

	2023	2022
Interest and dividends	\$ 264,612	\$ 245,740
Realized and unrealized gains (losses)	772,718	(2,006,051)
Investment expenses	(13,747)	(14,921)
Total investment income (loss), net	\$ 1,023,583	\$ (1,775,232)

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

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

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

- 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.

California Eastern Star Foundation

Notes to Financial Statements

Note 4: Investments (Continued)

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.

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.

California Eastern Star Foundation

Notes to Financial Statements

Note 5: Fair Value Measurements

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

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

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

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

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

Fair values of investments measured on a recurring basis at September 30, 2023, are as follows:

	Fair Value of Assets as of September 30, 2023			
	Level I	Level II	Level III	Total
Interest-bearing deposit accounts	\$ 18,768	\$ -	\$ -	\$ 18,768
Mutual funds	4,396,285	-	-	4,396,285
Exchange traded funds	1,685,994	-	-	1,685,994
Equity mutual funds	4,754,006	-	-	4,754,006
Total	\$ 10,855,053	\$ -	\$ -	\$ 10,855,053

Fair values of investments measured on a recurring basis at September 31, 2022, are as follows:

	Fair Value of Assets as of September 30, 2022			
	Level I	Level II	Level III	Total
Interest-bearing deposit accounts	\$ 38,930	\$ -	\$ -	\$ 38,930
Mutual Funds	675,028	-	-	675,028
Exchange traded funds	9,122,127	-	-	9,122,127
Total	\$ 9,836,085	\$ -	\$ -	\$ 9,836,085

California Eastern Star Foundation

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

Valuations of mutual funds and exchange traded funds are obtained from real-time quotes for transactions in active exchange markets involving identical assets. For the years ended September 30, 2023 and 2022, there have been no changes in the valuation methodologies.

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

Note 6: Related-Party Transactions

The Foundation incurred expenses for administrative services of \$25,034 and \$14,745 from the Grand Chapter for the years ended September 30, 2023 and 2022, respectively. The outstanding balance of unpaid administrative fees due to Grand Chapter was \$3,119 at September 30, 2023. At September 30 2022, \$5,832 was due from Grand Chapter.

Note 7: Net Assets

Net assets are comprised of the following at September 30, 2023:

	With Donor Restrictions			
	Without Donor Restrictions	Restricted for Specific Purpose	Perpetually Restricted	Total
Unrestricted	\$ 18,116	\$ -	\$ -	\$ 18,116
Benevolent fund	-	611,887	-	611,887
J. Clifford Lee Memorial Cancer fund	-	7,101,307	-	7,101,307
Marguerite Rennie Memorial fund *	-	1,129,957	615,274	1,745,231
Scholarship fund *	-	506,356	289,631	795,987
Eastern Star Patient Comfort Program fund	-	359,064	-	359,064
Gerald P. Cashion fund *	-	56,233	166,000	222,233
Disaster fund	-	95,877	-	95,877
Nirk fund	-	100,272	-	100,272
Total	\$ 18,116	\$ 9,960,953	\$ 1,070,905	\$ 11,049,974

California Eastern Star Foundation

Notes to Financial Statements

Note 7: Net Assets (Continued)

Net assets are comprised of the following at September 30, 2022:

	With Donor Restrictions				Total
	Without Donor Restrictions	Restricted for		Perpetually Restricted	
		Specific Purpose			
Unrestricted	\$ 15,659	\$ -	\$ -	\$ -	\$ 15,659
Benevolent fund	-	569,810	-	-	569,810
J. Clifford Lee Memorial Cancer fund	-	6,365,060	-	-	6,365,060
Marguerite Rennie Memorial fund *	-	884,076	615,274	-	1,499,350
Scholarship fund *	-	490,631	276,583	-	767,214
Eastern Star Patient Comfort Program fund	-	327,512	-	-	327,512
Gerald P. Cashion fund *	-	38,501	166,000	-	204,501
Disaster fund	-	90,943	-	-	90,943
Nirk fund	-	92,907	-	-	92,907
Worthy Grand Matron projects	-	288	-	-	288
Total	\$ 15,659	\$ 8,859,728	\$ 1,057,857	\$ -	\$ 9,933,244

*See Note 8 for endowment disclosures.

Note 8: Endowments

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

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

California Eastern Star Foundation

Notes to Financial Statements

Note 8: Endowments (Continued)

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

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

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

Endowment net assets with donor restrictions broken out by type of restriction as of September 30, 2023, were as follows:

	Restricted for Specific Purpose	Perpetually Restricted	Total
Endowment funds	\$ 1,692,546	\$ 1,070,905	\$ 2,763,451

Endowment net assets with donor restrictions broken out by type of restriction as of September 30, 2022, were as follows:

	Restricted for Specific Purpose	Perpetually Restricted	Total
Endowment funds	\$ 1,413,208	\$ 1,057,857	\$ 2,471,065

The following table summarizes the activity affecting endowment net assets with donor restrictions for the year ended September 30, 2023:

	Restricted for Specific Purpose	Perpetually Restricted	Total
Endowment net assets, beginning of year	\$ 1,413,208	\$ 1,057,857	\$ 2,471,065
Contributions	128,451	212	128,663
Investment income, net	55,516	3,105	58,621
Net appreciation	175,080	9,731	184,811
Amounts appropriated for expenditure	(79,709)	-	(79,709)
Endowment net assets, end of year	\$ 1,692,546	\$ 1,070,905	\$ 2,763,451

California Eastern Star Foundation

Notes to Financial Statements

Note 8: Endowments (Continued)

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

	Restricted for Specific Purpose	Perpetually Restricted	Total
Endowment net assets, beginning of year	\$ 1,875,843	\$ 1,079,513	\$ 2,955,356
Contributions	40,732	310	41,042
Investment income, net	53,579	2,859	56,438
Net depreciation	(467,645)	(24,819)	(492,464)
Amounts appropriated for expenditure	(89,301)	(6)	(89,307)
Endowment net assets, end of year	\$ 1,413,208	\$ 1,057,857	\$ 2,471,065

Note 9: Risks and Uncertainties

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

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

Note 10: Statements of Cash Flows

The following table provides a reconciliation of cash and restricted cash and cash equivalents reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows for the years ended September 30, 2023 and 2022:

	2023	2022
Unrestricted cash:		
Cash	\$ 281,773	\$ 155,839
Restricted cash and cash equivalents for the endowment fund:		
Deposit accounts included in investments, at fair value	18,768	38,930
Total cash and restricted cash and cash equivalents shown on the statements of cash flows	\$ 300,541	\$ 194,769