

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, 2023 and 2022



**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, 2023 and 2022

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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 not-for-profit Organization and affiliate), which comprise the combined statements of financial position as of September 30, 2023 and 2022, 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, 2023 and 2022, 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 of America (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 that 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

Wipfli LLP

Irvine, California
March 4, 2024

**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,</i>	2023	2022
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 871,563	\$ 925,462
Accounts receivable	82,630	236,564
Investments	28,688,357	27,356,890
Due from affiliate	10,319	-
Prepaid expenses and other assets	99,525	95,564
Total current assets	29,752,394	28,614,480
Property and equipment, net	-	40
Right-of-use asset - operating lease	158,536	-
Cash and cash equivalents, restricted	141,875	197,003
Beneficial interest in perpetual trusts	2,095,926	2,027,882
Total assets	\$ 32,148,731	\$ 30,839,405
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 31,303	\$ 33,680
Accrued payroll and benefits	27,002	18,495
Due to affiliates	-	34,185
Deferred revenue	4,570	2,755
Current portion of lease liability - operating lease	16,361	-
Total current liabilities	79,236	89,115
Lease liability - operating lease	143,122	-
Total liabilities	222,358	89,115
Net assets:		
Without donor restrictions	1,038,626	985,976
With donor restrictions	30,887,747	29,764,314
Total net assets	31,926,373	30,750,290
Total liabilities and net assets	\$ 32,148,731	\$ 30,839,405

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, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Bequests	\$ -	\$ 133,732	\$ 133,732
Donations	609	2,923	3,532
Contributed nonfinancial assets	28,939	28,939	57,878
Life sponsors	-	9,960	9,960
Residents' assets	-	110,962	110,962
Members' dues	418,729	35,820	454,549
Convention revenue	107,763	-	107,763
Investment income, net	32,174	2,722,975	2,755,149
Sales of supplies	52,686	-	52,686
Administration fees	112,065	-	112,065
Miscellaneous	13,095	284	13,379
Subtotal	766,060	3,045,595	3,811,655
Net assets released from restrictions:			
Programs	67,162	(67,162)	-
Grants to Eastern Star Homes of California	1,855,000	(1,855,000)	-
Total support and revenue	2,688,222	1,123,433	3,811,655
Expenses:			
Program services:			
Member services	407,925	-	407,925
Grants to Eastern Star Homes of California	1,855,000	-	1,855,000
Support services:			
Management and general	372,647	-	372,647
Total expenses	2,635,572	-	2,635,572
Change in net assets	52,650	1,123,433	1,176,083
Net assets, beginning of year	985,976	29,764,314	30,750,290
Net assets, end of year	\$ 1,038,626	\$ 30,887,747	\$ 31,926,373

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, 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 income	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	2,663,408	(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 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, 2023</i>					
Grants to Eastern Star Homes of California	\$ -	\$ 1,855,000	\$ 1,855,000	\$ -	\$ 1,855,000
Cost of sales	37,230	-	37,230	-	37,230
Allowances	-	-	-	44,050	44,050
Schools and training	1,872	-	1,872	-	1,872
Convention	118,971	-	118,971	-	118,971
Depreciation	22	-	22	18	40
Insurance	51,564	-	51,564	43,925	95,489
Equipment rental and maintenance	11,953	-	11,953	10,182	22,135
Office supplies	4,488	-	4,488	3,823	8,311
Rent	9,216	-	9,216	7,851	17,067
Other office expenses	2,400	-	2,400	2,044	4,444
Telephone	2,782	-	2,782	2,369	5,151
Utilities	1,442	-	1,442	1,229	2,671
Contract services	25,017	-	25,017	21,310	46,327
Licenses and other taxes	1,706	-	1,706	1,454	3,160
Salaries and wages	119,240	-	119,240	101,575	220,815
Payroll taxes	9,546	-	9,546	8,132	17,678
Employee benefits	5,382	-	5,382	4,585	9,967
Other employee related expenses	5,094	-	5,094	4,339	9,433
Professional fees	-	-	-	115,761	115,761
Total expenses	\$ 407,925	\$ 1,855,000	\$ 2,262,925	\$ 372,647	\$ 2,635,572

**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, 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 Statements of Cash Flows**

<i>Years Ended September 30,</i>	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,176,083	\$ (6,123,221)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	40	1,003
Contribution of beneficial interest in perpetual trusts	-	(794,240)
Change in value of beneficial interest in perpetual trusts	(126,174)	249,410
Contributions restricted for endowment fund	(13,448)	(12,023)
Realized and unrealized (gains) losses on investments	(2,080,172)	5,630,070
Noncash lease expense	17,067	-
Changes in operating assets and liabilities		
Accounts receivable	153,934	(164,362)
Prepaid expenses and other assets	(3,961)	(1,970)
Accounts payable	(2,377)	4,170
Accrued payroll and benefits	8,507	2,737
Due to/from affiliates	(44,504)	(29,202)
Deferred revenue	1,815	(12,978)
Lease liability - operating lease	(16,120)	-
Net cash from operating activities	(929,310)	(1,250,606)
Cash flows from investing activities:		
Proceeds from sale of investments	34,144,011	1,394,250
Purchase of investments, including reinvested dividends	(33,255,069)	(693,097)
Net cash from investing activities	888,942	701,153
Cash flows from financing activities:		
Contributions restricted for Endowment Fund	13,448	12,023
Net cash from financing activities	13,448	12,023
Net change in cash and cash equivalents and restricted cash and cash equivalents	(26,920)	(537,430)
Cash and cash equivalents and restricted cash and cash equivalents, Beginning of year	1,133,568	1,670,998
Cash and cash equivalents and restricted cash and cash equivalents, End of year	\$ 1,106,648	\$ 1,133,568

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 (the "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* (the "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 nonprofit 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 nonprofit 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 result that would have been obtained had the allowance method been followed. Receivables totaled \$72,202 as of October 1, 2021.

Investments

Investments 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. 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, 2023 and 2022.

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, 2023 and 2022, 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, 2023 and 2022, the fair value of donated services of \$57,878 and \$9,142, 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, 2023 and 2022, 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 54% program services and 46% management and general for the year ended September 30, 2023, and 55% program services and 45% management and general for the year ended September 30, 2022.

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 nonprofit 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, 2023 and 2022.

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.

ASC 842 Lease Accounting

The Organization is a lessee in an operating lease. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Company has elected to use undiscounted cash flows, as it is not materially different from using a risk-free rate in accordance with GAAP.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

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)

ASC 842 Lease Accounting (Continued)

The Organization made an accounting policy election to separate the lease and non-lease components to determine the lease payment.

Future Accounting Pronouncements

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.

Adoption of Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the statements of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted this guidance for the year ended September 30, 2023, with modified retrospective application to October 1, 2022, through a cumulative effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of September 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, the Organization recognized the following ROU asset and lease liability as of October 1, 2022:

Right of use asset - operating lease	\$175,602
Lease liability - operating lease	\$175,602

This standard did not have a material impact on the Organization's net assets or cash flows from operations and had an immaterial impact on the Organization's operating results. The most significant impact was the recognition of the ROU asset and lease liability for operating leases.

**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)

Subsequent Events

Subsequent events have been evaluated by the Organization through the date of the independent auditor's report, 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, 2023 and 2022, are comprised of the following:

	2023	2022
Cash and cash equivalents	\$ 871,563	\$ 925,462
Accounts receivable	82,630	236,564
Investments	28,688,357	27,356,890
Due from affiliate	10,319	-
Cash and cash equivalents, restricted	141,875	197,003
Total financial assets	29,794,744	28,715,919
Less: Purpose restricted net assets	(15,958,474)	(14,916,593)
Perpetually restricted net assets, net of interest in beneficial trusts	(12,833,347)	(12,819,839)
Totals	\$ (28,791,821)	\$ (27,736,432)
Financial assets available to meet general expenditures over the next 12 months	\$ 1,002,923	\$ 979,487

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.

**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 4: Property and Equipment

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

	2023	2022
Furniture, fixtures, and equipment	\$ 28,548	\$ 33,053
Computer equipment and software	2,416	5,014
Total property and equipment	30,964	38,067
Less: Accumulated depreciation	(30,964)	(38,027)
Total property and equipment, net	\$ -	\$ 40

Depreciation expense for the years ended September 30, 2023 and 2022, was \$40 and \$1,003, respectively.

Note 5: Investments

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

	2023	2022
Bond mutual funds	\$ 11,411,069	\$ 1,843,143
Equity mutual funds	12,671,188	-
Money market mutual funds	67,540	-
Exchange-traded funds	4,512,890	25,502,644
Interest-bearing deposit accounts	25,670	11,103
Total investments	\$ 28,688,357	\$ 27,356,890

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

	2023	2022
Interest and dividends	\$ 712,280	\$ 695,945
Realized and unrealized gains (losses)	2,080,171	(5,630,070)
Investment fees	(37,302)	(42,546)
Total investment income (loss), net	\$ 2,755,149	\$ (4,976,671)

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
of the Grand Chapter of California, Order of the Eastern Star
Notes to Combined Financial Statements**

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

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
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Notes to Combined Financial Statements**

Note 6: Fair Value Measurements (Continued)

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

	Level I	Level II	Level III	Total
Bond mutual funds	\$ 11,411,069	\$ -	\$ -	\$ 11,411,069
Equity mutual funds	12,671,188	-	-	12,671,188
Money market mutual funds	67,540	-	-	67,540
Exchange-traded funds	4,512,890	-	-	4,512,890
Interest-bearing deposit accounts	25,670	-	-	25,670
Beneficial interests in perpetual trusts	-	-	2,095,926	2,095,926
Totals	\$ 28,688,357	\$ -	\$ 2,095,926	\$ 30,784,283

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

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, 2023 and 2022, 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, 2023 and 2022. 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
of the Grand Chapter of California, Order of the Eastern Star
Notes to Combined Financial Statements**

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 \$589,951 and \$563,220 at September 30, 2023 and 2022, 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 \$42,598 and \$42,192 at September 30, 2023 and 2022, 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 \$526,308 and \$503,520 at September 30, 2023 and 2022, 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 \$129,059 and \$124,710 at September 30, 2023 and 2022, 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 \$808,010 and \$794,240 at September 30, 2023 and 2022, respectively. 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, 2023 and 2022, the Grand Chapter provided administrative services to its affiliates, from which it earned revenue as follows:

	2023	2022
Eastern Star Homes of California	\$ 72,323	\$ 91,160
California Eastern Star Foundation	24,119	15,660
Totals	\$ 96,442	\$ 106,820

**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 8: Related-Party Transactions (Continued)

At September 30, 2023, \$7,165 and \$3,154 was due from Homes and Foundation, respectively, that was included in due from affiliates on the combined statements of financial position. 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.

Operating Leases

The Grand Chapter leases office space from the Homes as disclosed in Note 12. For the years ended September 30, 2023 and 2022, the Grand Chapter incurred \$17,067 and \$15,881, 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, 2023:

	Without Donor Restrictions	With Donor Restrictions		Totals
		Restricted for Specific Purpose	Perpetually Restricted	
Without donor restrictions	\$ 1,038,626	\$ -	\$ -	\$ 1,038,626
Endowment fund - support of the Homes	-	15,957,304	-	15,957,304
Other	-	1,170	70	1,240
Endowment fund	-	-	14,929,203	14,929,203
Totals	\$ 1,038,626	\$ 15,958,474	\$ 14,929,273	\$ 31,926,373

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

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.

**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 (Continued)

Endowment net asset composition by type of fund as of September 30, 2023:

	Specific Purpose Restriction	Perpetual Restriction	Totals
Donor restricted Endowment funds	\$ <u>15,957,304</u>	\$ <u>14,929,203</u>	\$ <u>30,886,507</u>

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>

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, 2023 and 2022, the amount available for release was \$16,914,628 and \$16,803,666, respectively.

Endowment net asset composition under the Constitution and Laws by type of fund as of September 30, 2023, 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	\$ 15,957,304	\$ 14,929,203	\$ -	\$ -	\$ 30,886,507
Released from Constitution and Laws restrictions	2,059,063	-	-	(2,059,063)	-
Member application fees/contributions	(1,101,739)	-	-	1,101,739	-
Resident asset assignments/contributions	(16,914,628)	-	-	16,914,628	-
Reclassification	-	(14,929,203)	-	14,929,203	-
Per Constitution and Laws	\$ -	\$ -	\$ -	\$ 30,886,507	\$ 30,886,507

**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 (Continued)

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
Restricted under 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

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

	Restricted for Specific Purpose	Perpetually Restricted	Totals
Endowment net assets, beginning of year	\$ 14,915,423	\$ 14,847,711	\$ 29,763,134
Contributions	241,068	81,492	322,560
Investment income, net	2,722,975	-	2,722,975
Releases for support of Eastern Star Homes of California	(1,855,000)	-	(1,855,000)
Releases for other program expenditures	(67,162)	-	(67,162)
Endowment net assets, end of year	\$ 15,957,304	\$ 14,929,203	\$ 30,886,507

**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 (Continued)

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

Note 11: Revenue from Exchange Transactions

The Organization's revenue from exchange transactions for the years ended September 30, 2023 and 2022:

	2023	2022
Convention revenue (recognized over time)	\$ 107,763	\$ 102,721
Sales of supplies (recognized at a point in time)	52,686	41,851
Administration fees (recognized over time)	112,065	113,823
Total revenue from exchange transactions	\$ 272,514	\$ 258,395

Note 12: Leases

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. At this time, the office lease does not have any option to renew. The exercise of lease renewal options is at the Organization's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

For the years ended September 30, 2023 and 2022, the Grand Chapter incurred \$17,067 and \$15,881, respectively, of rent expense on the lease.

**Grand Chapter of California, Order of the Eastern Star and Endowment Fund
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Notes to Combined Financial Statements**

Note 12: Leases (Continued)

Maturities of lease liabilities are as follows as of September 30, 2023:

Years Ended September 30:

2024	\$	16,361
2025		16,607
2026		16,856
2027		17,109
2028		17,365
Thereafter		75,185
<hr/>		
Total lease payments		159,483
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Total	\$	159,483

Note 13: Commitments and Contingencies

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.

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.

**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 14: 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.

Note 15: California Chapters

At September 30, 2023 and 2022, the Grand Chapter had 115 and 121 active California chapters, respectively, which have their own boards and are responsible for their own fundraising, revenue and expenses. As of September 30, 2023 and 2022, the unaudited cash and investments, revenue and expenses of these chapters consisted of the following:

	2023	2022
Cash and investments	\$ 24,109,196	\$ 23,811,063
Revenue, including gains and losses on investments	1,650,716	342,674
Expenses	(1,352,583)	(2,258,839)

Note 16: 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, 2023 and 2022:

	2023	2022
Unrestricted cash and cash equivalents		
Cash and cash equivalents	\$ 871,563	\$ 925,462
Deposit accounts included in investments, at fair value	3,807	7,434
Restricted cash and cash equivalents for the Endowment Fund:		
Cash and cash equivalents, restricted	141,875	197,003
Money market mutual funds included in investments, at fair value	67,540	-
Deposit accounts included in investments, at fair value	21,863	3,669
Total cash and cash equivalents and restricted cash and cash equivalents shown on the combined statements of cash flows	\$ 1,106,648	\$ 1,133,568