

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

**INDEPENDENT AUDITOR'S REPORT
AND
COMBINED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024



HANSEN HUNTER & CO. P.C.

Certified Public Accountants

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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 statement of financial position as of September 30, 2025, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star as of September 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The combined financial statements of Grand Chapter of California, Order of the Eastern Star and Endowment Fund of the Grand Chapter of California, Order of the Eastern Star as of September 30, 2024 were audited by other auditors whose report dated January 31, 2025 expressed an unmodified opinion on those statements.



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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 accounting principles generally accepted in the United States of America, 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 generally accepted auditing standards 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 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 generally accepted auditing standards, 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.



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- 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.

Hansen Hunter + Co. P.C.

February 27, 2026

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

COMBINED STATEMENTS OF FINANCIAL POSITION

		September 30,	
		2025	2024
ASSETS			
Cash and cash equivalents	\$	952,263	\$ 910,075
Accounts receivable		420	301
Beneficial interest in perpetual trusts receivable		2,471,347	-
Investments		32,099,825	32,568,612
Due from affiliates		64,642	-
Prepaid expenses		28,264	28,254
Total current assets		35,616,761	33,507,242
Other assets		38,121	38,121
Right-of-use asset - operating		108,818	141,242
Cash and cash equivalents, restricted		199,045	107,678
Beneficial interest in perpetual trusts		1,559,906	2,362,905
Total assets	\$	37,522,651	\$ 36,157,188
LIABILITIES AND NET ASSETS			
Accounts payable	\$	15,855	\$ 7,921
Accrued payroll liabilities		28,876	27,770
Accrued expenses		34,778	24,193
Session deposits		18,461	25,419
Lease liability - operating, current		13,134	16,607
Total current liabilities		111,104	101,910
Lease liability - operating, long-term		98,253	126,515
Total liabilities		209,357	228,425
Net assets			
Without donor restrictions		1,056,045	1,083,141
With donor restrictions		36,257,249	34,845,622
Total net assets		37,313,294	35,928,763
Total liabilities and net assets	\$	37,522,651	\$ 36,157,188

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

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND
ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA, ORDER OF
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**COMBINED STATEMENT OF ACTIVITIES
For the year ended September 30, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions:			
Bequests	\$ -	\$ 1,767,994	\$ 1,767,994
Donations	19,682	13,823	33,505
Life sponsors	-	19,650	19,650
Residents' assets	-	3,000	3,000
Members' dues	423,484	31,538	455,022
Convention revenue	100,072	-	100,072
Investment income, net	44,617	2,207,442	2,252,059
Sales of supplies	34,560	-	34,560
Administration fees	143,937	-	143,937
Miscellaneous	14,965	1,552	16,517
	<u>781,317</u>	<u>4,044,999</u>	<u>4,826,316</u>
Net assets released from restrictions			
Programs	23,872	(23,872)	-
Grants to Eastern Star Homes of California	<u>2,609,500</u>	<u>(2,609,500)</u>	<u>-</u>
Total support and revenue	<u>3,414,689</u>	<u>1,411,627</u>	<u>4,826,316</u>
Expenses			
Program services:			
Member assistance	471,075	-	471,075
Grants to Eastern Star Homes of California	2,609,500	-	2,609,500
Support services:			
Management and general	<u>361,210</u>	<u>-</u>	<u>361,210</u>
Total expenses	<u>3,441,785</u>	<u>-</u>	<u>3,441,785</u>
Change in net assets	(27,096)	1,411,627	1,384,531
Net assets, beginning of year	<u>1,083,141</u>	<u>34,845,622</u>	<u>35,928,763</u>
Net assets, end of year	<u>\$ 1,056,045</u>	<u>\$ 36,257,249</u>	<u>\$ 37,313,294</u>

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

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND
ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA, ORDER OF
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**COMBINED STATEMENT OF ACTIVITIES
For the year ended September 30, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions:			
Bequests	\$ -	\$ 474,232	\$ 474,232
Donations	65	10,462	10,527
Life sponsors	-	3,660	3,660
Residents' assets	-	23,934	23,934
Members' dues	399,605	-	399,605
Convention revenue	108,581	-	108,581
Investment income, net	85,409	5,888,954	5,974,363
Sales of supplies	40,469	-	40,469
Administration fees	122,626	-	122,626
Miscellaneous	5,342	-	5,342
	<u>762,097</u>	<u>6,401,242</u>	<u>7,163,339</u>
 Net assets released from restrictions			
Programs	70,367	(70,367)	-
Grants to Eastern Star Homes of California	<u>2,373,000</u>	<u>(2,373,000)</u>	<u>-</u>
 Total support and revenue	<u>3,205,464</u>	<u>3,957,875</u>	<u>7,163,339</u>
 Expenses			
Program services:			
Member assistance	418,067	-	418,067
Grants to Eastern Star Homes of California	2,373,000	-	2,373,000
Support services:			
Management and general	<u>369,882</u>	<u>-</u>	<u>369,882</u>
 Total expenses	<u>3,160,949</u>	<u>-</u>	<u>3,160,949</u>
 Change in net assets	44,515	3,957,875	4,002,390
 Net assets, beginning of year	<u>1,038,626</u>	<u>30,887,747</u>	<u>31,926,373</u>
 Net assets, end of year	<u>\$ 1,083,141</u>	<u>\$ 34,845,622</u>	<u>\$ 35,928,763</u>

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

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND
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COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2025

	Member Assistance	Support of Easter Star Homes of California	Total Program Services	Management and General	Total
Grants to Eastern Star Homes of California	\$ -	\$ 2,609,500	\$ 2,609,500	\$ -	\$ 2,609,500
Cost of sales - supplies	24,144	-	24,144	-	24,144
Allowance	-	-	-	44,050	44,050
Schools and training	19,521	-	19,521	-	19,521
Convention	110,684	-	110,684	-	110,684
Insurance	54,499	-	54,499	46,425	100,924
Equipment rental and maintenance	7,778	-	7,778	6,626	14,404
Office supplies	6,868	-	6,868	5,850	12,718
Rent	9,342	-	9,342	7,959	17,301
Other office expenses	2,972	-	2,972	2,531	5,503
Telephone	1,867	-	1,867	1,591	3,458
Utilities	1,260	-	1,260	1,073	2,333
Contract services	4,877	-	4,877	4,155	9,032
Licenses and other taxes	940	-	940	801	1,741
Salaries and wages	185,331	-	185,331	157,875	343,206
Payroll taxes	15,009	-	15,009	12,785	27,794
Employee benefits	15,149	-	15,149	12,904	28,053
Other employee related expenses	10,834	-	10,834	9,229	20,063
Professional fees	-	-	-	47,356	47,356
Total expenses	\$ 471,075	\$ 2,609,500	\$ 3,080,575	\$ 361,210	\$ 3,441,785

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

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COMBINED STATEMENT OF FUNCTIONAL EXPENSES

	For the Year Ended September 30, 2024				
	Member Assistance	Support of Easter Star Homes of California	Total Program Services	Management and General	Total
Grants to Eastern Star Homes of California	\$ -	\$ 2,373,000	\$ 2,373,000	\$ -	\$ 2,373,000
Cost of sales - supplies	32,661	-	32,661	-	32,661
Allowance	-	-	-	44,050	44,050
Schools and training	29,630	-	29,630	-	29,630
Convention	116,006	-	116,006	-	116,006
Insurance	45,415	-	45,415	53,314	98,729
Equipment rental and maintenance	8,880	-	8,880	10,424	19,304
Office supplies	4,269	-	4,269	5,012	9,281
Rent	7,955	-	7,955	9,339	17,294
Other office expenses	1,526	-	1,526	1,792	3,318
Telephone	1,639	-	1,639	1,924	3,563
Utilities	1,185	-	1,185	1,391	2,576
Contract services	8,002	-	8,002	9,394	17,396
Licenses and other taxes	1,274	-	1,274	1,496	2,770
Salaries and wages	131,316	-	131,316	154,153	285,469
Payroll taxes	11,548	-	11,548	13,557	25,105
Employee benefits	7,769	-	7,769	9,120	16,889
Other employee related expenses	8,992	-	8,992	10,556	19,548
Professional fees	-	-	-	44,360	44,360
	-	-	-	44,360	44,360
Total expenses	\$ 418,067	\$ 2,373,000	\$ 2,791,067	\$ 369,882	\$ 3,160,949

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

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND
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COMBINED STATEMENTS OF CASH FLOWS

	Years Ended September 30	
	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 1,384,531	\$ 4,002,390
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Change in value of beneficial interest in perpetual trusts	(1,668,348)	(302,241)
Contributions restricted for endowment fund	(123,331)	(8,218)
Unrealized investment (gains) losses	171,765	(4,815,121)
Amortization on right-of-use asset, operating	32,424	17,294
Changes in operating assets and liabilities:		
Accounts receivable	(119)	82,329
Due from affiliates	(64,642)	10,319
Prepaid expenses	(10)	25,833
Other assets	-	7,317
Accounts payable	7,934	811
Accrued payroll liabilities	1,106	768
Accrued expenses	10,585	-
Session deposits	(6,958)	20,849
Lease liability, operating	(31,735)	(16,361)
Net cash provided by (used in) operating activities	(286,798)	(974,031)
Cash flows from investing activities		
Proceeds from sale of investments	3,901,581	5,457,979
Purchase of investments	(2,184,980)	(4,451,148)
Net cash provided by (used in) investing activities	1,716,601	1,006,831

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

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COMBINED STATEMENTS OF CASH FLOWS
(Continued)

	Years Ended September 30	
	2025	2024
Cash flows from financing activities		
Contributions restricted for Endowment Fund	\$ 123,331	\$ 8,218
Net cash provided by (used in) financing activities	123,331	8,218
Net change in cash, cash equivalents, and restricted cash and cash equivalents	1,553,134	41,018
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	1,147,666	1,106,648
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$ 2,700,800	\$ 1,147,666

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents reported within the combined statements of financial position that sum to the same such amounts shown in the combined statements of cash flows:

	September 30,	
	2025	2024
Cash and cash equivalents	\$ 952,263	\$ 910,075
Cash and cash equivalents, restricted	199,045	107,678
Cash and cash equivalents within investments, restricted	1,549,492	129,913
	\$ 2,700,800	\$ 1,147,666

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

**GRAND CHAPTER OF CALIFORNIA, ORDER OF THE EASTERN STAR AND
ENDOWMENT FUND OF THE GRAND CHAPTER OF CALIFORNIA, ORDER OF
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**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2025 and 2024**

NOTE 1 – Nature of Business

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

Basis of presentation and principles of combination

The combined financial statements of the Grand Chapter and Endowment Fund (collectively, the "Organization"), which are under common control, have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). 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.

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 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2025 and 2024
(Continued)**

NOTE 2 – Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

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

Accounts receivable

Receivables are stated at net realizable amounts. Management has elected to record credit losses using the direct write-off method. GAAP requires that the allowance method be used to reflect expected credit losses. 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 for credit loss method been followed. Receivables totaled \$82,630 as of September 30, 2023.

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, change 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.

Prepaid expenses

Prepaid expenses primarily consist of payments made to vendors that will benefit periods beyond the reporting year. Prepaid expenses include items such as maintenance costs, supplies, insurance premiums, and other fees.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2025 and 2024
(Continued)**

NOTE 2 – Summary of Significant Accounting Policies (continued)

Property and equipment

Acquisitions of property and equipment in excess of \$5,000 and with an estimated useful life of more than one year are capitalized at cost. Donated property is recorded at its estimated fair value at the date of receipt. Currently, there are no donor or legal restrictions on the proceeds from the disposition of donated property. The cost of normal maintenance, repairs, and minor replacements are charged to expense when incurred. Major replacements or betterments of property are capitalized. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the combined statements of activities. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Furniture, fixtures and equipment	5-10 years
Computer equipment and software	3-5 years

The Organization evaluates whether events and circumstances have occurred that indicate the carrying values of long-lived assets have been impaired. In the event that the Organization determines that impairment has occurred, a write-down to estimated fair value would be recorded. Measurement is based on those assets' estimated fair values as compared to the carrying value. No events have occurred to date that would indicate impairment in value as of September 30, 2025 and 2024.

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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2025 and 2024
(Continued)**

NOTE 2 – Summary of Significant Accounting Policies (continued)

Contributions (continued)

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 combined 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 support and revenue with donor restrictions on the combined statements of activities. Gifts of land, buildings, and equipment are recorded as support and revenue 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 support and revenue with donor restrictions. 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, 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-financial 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, 2025 and 2024, 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, 2025 and 2024, there were no donated services.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
September 30, 2025 and 2024
(Continued)**

NOTE 2 – Summary of Significant Accounting Policies (continued)

Residents' assets

Revenue from residents' assets represents contributions to the Endowment Fund by asset transfer residents upon admission into the Homes. The recognition of this revenue is considered to be a contribution, which is restricted for the costs of services rendered by the Homes. The services to be rendered are consistent with the Homes' mission of providing housing to members of the Order of the Eastern Star and the purpose of the Endowment Fund is to support the Homes. Upon completion of a 90-day right-of-return period, residents' assets are recognized as 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 considered contributions to the affiliate organizations. The portion of the membership dues that is due to the Organization is recognized in the period in which it is received. The Organization's membership period is from July through June and dues are collected by September.

Convention revenue

The Organization hosts an annual membership meeting called "the Annual Session of Grand Chapter" (Annual Session), which is held at a chosen site each year, 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.

Sale 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.

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NOTE 2 – Summary of Significant Accounting Policies (continued)

Administration fees

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

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, 2025 and 2024, 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)
- Schools and training (for members only)
- Convention
- Professional fees

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NOTE 2 – Summary of Significant Accounting Policies (continued)

Functional allocation of expenses (continued)

All the remaining categories are allocated by the number of Grand Chapter employees' hours worked for administrative services for the Organization and for other related organizations (e.g. Eastern Star Homes of California, California Eastern Star Foundation, General Grand Chapter, and 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, 2025, and 46% program services and 54% management and general for the year ended September 30, 2024.

Financial instruments

The Organization's financial instruments consist of accounts receivable, due from affiliates, accounts payable, accrued payroll liabilities, accrued expenses, session deposits and lease liability - operating. It is management's opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

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 IRC and Section 23701(d) of the Revenue Taxation Code of California and is a 509(a)(3) supporting organization as described in the IRC.

Each entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the entities are not subject to unrelated business income tax and, therefore, have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The entities have no tax liabilities or benefits at September 30, 2025 and 2024.

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NOTE 2 – Summary of Significant Accounting Policies (continued)

Leases

The Organization is a lessee in an operating lease with a related party. The Organization evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease obligations are measured at the present value of the future lease payments using a discount rate, which is generally the risk-free rate unless the implicit rate is readily determinable. The future lease payments used to measure the lease obligation include both fixed and variable payments that depend on a rate or index, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised. Regarding variable payments that depend on a rate or index, the lease obligation is measured using the applicable rate or index as of lease commencement and is only re-measured under certain circumstances, such as a change in the lease term. Lease incentives serve to reduce the amount of future lease payments included in the measurement of the lease obligation. The Organization made an accounting policy election to separate the lease and non-lease components to determine the lease payment. For all leases, the ROU asset is initially derived from the measurement of the lease obligation and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to impairment testing.

The lease term is determined based on the date the Organization acquires control of the leased premises/assets through the end of the lease term. Optional renewal periods are not initially included in the lease term unless they are deemed to be reasonably certain of being exercised at lease commencement.

Operating lease expense is recognized on a straight-line basis over the lease term, which is included within rent expense in the combined statement of activities.

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 Organization 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.

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NOTE 3 – Liquidity and Availability

Financial assets available for general expenditure, as well as reductions for donor-imposed restrictions and board-approved expenditures, within one year of the combined statements of financial position as of September 30, 2025 and September 30, 2024, were comprised of the following:

	2025	2024
Cash and cash equivalents	\$ 952,263	\$ 910,075
Accounts receivable	420	301
Investments	32,099,825	32,568,612
Due from affiliate	64,642	-
Cash and cash equivalents, restricted	199,045	107,678
Total financial assets	33,316,195	33,586,666
Less: Purpose restricted net assets	(19,260,611)	(19,640,662)
Perpetually restricted net assets, net of interest in beneficial trusts	(12,965,385)	(12,842,055)
Total deductions	(32,225,996)	(32,482,717)
Financial assets available to meet general expenditure over the next twelve months	\$ 1,090,199	\$ 1,103,949

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

NOTE 4 – Property and Equipment

At September 30, 2025 and 2024, property and equipment consisted of the following:

	2025	2024
Furniture, fixtures and equipment	\$ 28,548	\$ 28,548
Computer equipment and software	2,416	2,416
Less: accumulated depreciation	(30,964)	(30,964)
Property and equipment, net	\$ -	\$ -

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NOTE 4 – Property and Equipment (continued)

There was no depreciation expense for the years ended September 30, 2025 and 2024. The Grand Chapter fixed assets were fully depreciated during the year ending September 30, 2023.

NOTE 5 – Investments

The Organization'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 assets, exclusive of tangible property and revolving funds, as provided in guidelines established by the Organization'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.

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,

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NOTE 5 – Investments (continued)

- 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.

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NOTE 5 – Investments (continued)

At September 30, 2025 and 2024, investments consisted of the following:

	2025	2024
Interest-bearing deposit accounts	\$ 1,549,492	\$ 129,913
Mutual funds	4,078,942	-
Exchange traded funds	1,035,414	5,659,499
Bond mutual funds	-	14,142,082
Equity mutual funds	4,022,874	12,637,118
U.S. government bonds and notes	4,545,119	-
Corporate bonds	1,930,161	-
Common & foreign stock	13,678,253	-
Alternative investments	1,200,000	-
Other	59,570	-
Investments	\$ 32,099,825	\$ 32,568,612

At September 30, 2025 and 2024, investment income consisted of the following:

	2025	2024
Interest and dividends	\$ 1,184,151	\$ 997,655
Realized and unrealized gains	1,117,219	5,016,615
Investment fees	(49,311)	(39,907)
Investment income, net	\$ 2,252,059	\$ 5,974,363

NOTE 6 – Fair Value Measurements

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

- Level 1 – 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 1 inputs.

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NOTE 6 – Fair Value of Financial Instruments (continued)

- Level 2 – Observable inputs other than Level 1 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 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 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 as of September 30, 2025 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2025</u>				
<u>Assets:</u>				
Investments				
Cash and cash equivalents	\$ 1,549,492	\$ 1,549,492	\$ -	-
Mutual funds	4,078,942	4,078,942	-	-
Exchange traded funds	1,035,414	1,035,414	-	-
Equity mutual funds	4,022,874	4,022,874	-	-
U.S. government bonds and notes	4,545,119	4,545,119	-	-
Corporate bonds	1,930,161	-	1,930,161	-
Common & foreign stock	13,678,253	13,678,253	-	-
Alternative investments	1,200,000	-	-	1,200,000
Other	59,570	59,570	-	-
Beneficial interest in perpetual trusts	4,031,253	-	-	4,031,253
Total assets	\$ 36,131,078	\$ 28,969,664	\$ 1,930,161	\$ 5,231,253

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NOTE 6 – Fair Value of Financial Instruments (continued)

Fair values of investments measured on a recurring basis as of September 30, 2024 are as follows:

Fair Value	Fair Value Measurements at Reporting Date Using:		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2024</u>			
<u>Assets:</u>			
Investments			
Cash and cash equivalents	\$ 129,913	\$ 129,913	\$ -
Bond mutual funds	14,142,082	14,142,082	-
Exchange traded funds	5,659,499	5,659,499	-
Equity mutual funds	12,637,118	12,637,118	-
Beneficial interest in perpetual trusts	2,362,905	-	2,362,905
Total assets	\$ 34,931,517	\$ 32,568,612	\$ -

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents are generally valued at cost plus accrued interest which approximates fair value. Money market mutual funds are valued at the daily net asset value (NAV), which typically remains at a stable \$1 per share.

Mutual funds are valued at the closing price reported on the active market on which the individual securities are traded as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange traded funds and common & foreign stock are valued at the last reported sale price or official closing price on the exchange on which they are primarily traded.

Corporate bonds are valued using prices obtained from third-party pricing services. These services use observable market inputs, including quoted prices for similar securities, benchmark yields, interest rate yield curves, credit spreads, and market corroborated inputs, to develop matrix pricing models that estimate fair value.

U.S. government debt securities are generally traded in active markets and are valued using unadjusted quoted prices for identical securities obtained from nationally recognized exchanges or pricing services.

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NOTE 6 – Fair Value of Financial Instruments (continued)

Alternative investments in private equity funds and certain limited partnership interests are measured at fair value using NAV per share (or its equivalent) as reported by the fund or partnership manager. The underlying investments typically consist of non-public equity and debt securities and other alternative investments that are valued by the respective managers using unobservable inputs, including earnings multiples, discounted cash flow analyses, recent transaction prices, and other assumptions about market participant pricing. The Organization evaluates the reasonableness of the NAV provided by the fund managers by considering the funds' audited financial statements, periodic performance reports, and other information provided by the managers, as well as the Organization's own assessment of market conditions.

Beneficial interest in perpetual trusts are valued 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, 2025 and 2024. The Organization considers the measurement of its beneficial interests in the perpetual 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 Organization will never have the ability to direct the trustees to redeem them.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

For the years ended September 30, 2025 and 2024, there have been no changes in the valuation methodologies and there were no transfers between levels 1, 2, and 3.

NOTE 7 – Beneficial Interest in Trusts

Split Interest

The Endowment Fund is a 25% income beneficiary of the perpetual Simona Bruml Trust. Four 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 \$721,267 and \$683,626 at September 30, 2025 and 2024, respectively.

The Endowment Fund 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 \$50,827 and \$48,595 at September 30, 2025 and 2024, respectively.

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NOTE 7 – Beneficial Interest in Trusts (continued)

The Endowment Fund 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 \$636,251 and \$603,311 at September 30, 2025 and 2024, respectively.

The Endowment Fund 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 \$151,561 and \$144,720 at September 30, 2025 and 2024, respectively.

The Endowment Fund was originally a 10% beneficiary of the Irmgard S. Stephens Living Trust. A noncurrent asset was recognized at September 30, 2024 for the beneficial interest in the trust at fair value, based on quoted market prices, totaling \$882,653. As a result of the passing of a beneficiary in October 2024, the Endowment Fund became a 25% beneficiary of the Trust. Three other beneficiaries are to be distributed a proportionate share of the trust assets on the death of the settlor. In June 2025, Irmgard S. Stephens passed away. As a result, a beneficial interest in perpetual trust receivable has been recognized at fair value, based on quoted market prices, totaling \$2,471,347 at September 30, 2025. Once the final distribution occurs, the amount will be restricted to the Endowment Fund. Subsequent to year end, a \$1,500,000 distribution was received from the trust. The trust has not fully liquidated at the time the combined financial statements were issued, and the Endowment Fund expects to receive an additional distribution for the remainder of the trust, net of any related costs.

NOTE 8 – Related Party Transactions

Administrative Services

During the years ended September 30, 2025 and 2024, the Grand Chapter provided administrative services to its affiliates, from which it earned revenue as follows:

	2025	2024
Eastern Star Homes of California	\$ 108,094	\$ 91,531
California Eastern Star Foundation	34,329	31,095
Other	1,514	-
Administration fees	\$ 143,937	\$ 122,626

At September 31, 2025, \$4,091 and \$8,156 were due from the Foundation and the Homes, respectively, for administrative services.

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NOTE 8 – Related Party Transactions (continued)

Operating Lease

The Grand Chapter leases office space from the Homes as disclosed in Note 12. For the years ended September 30, 2025 and 2024, the Grand Chapter incurred \$17,301 and \$17,294, respectively, of rent expense on the lease.

Other Transactions

At September 30, 2025, \$98,205 was due from the Homes for income collected by the Homes related to the Beneficial Interest in Trust. For the year ended September 31, 2025, this amount was included in due from affiliates on the combined statements of financial position.

At September 30, 2025, \$45,810 was due to the Homes for per capita contributions collected by the Grand Chapter on behalf of the Homes. For the year ended September 31, 2025, this amount was included in due from affiliates on the combined statements of financial position.

NOTE 9 – Net Assets

Net assets are comprised of the following at September 30, 2025:

	Without Donor Restrictions	Restricted for Specific Purpose	Perpetually Restricted	Total
Without donor restrictions	\$ 1,056,045	\$ -	\$ -	\$ 1,056,045
Endowment fund - support of the Homes	-	19,259,441	-	#####
Other	-	1,170	70	1,240
Endowment fund	-	-	#####	#####
Total	\$ 1,056,045	\$ 19,260,611	\$ 16,996,638	\$ 37,313,294

Net assets are comprised of the following at September 30, 2024:

	Without Donor Restrictions	Restricted for Specific Purpose	Perpetually Restricted	Total
Without donor restrictions	\$ 1,083,141	\$ -	\$ -	\$ 1,083,141
Endowment fund - support of the Homes	-	19,639,492	-	#####
Other	-	1,170	70	1,240
Endowment fund	-	-	#####	#####
Total	\$ 1,083,141	\$ 19,640,662	\$ 15,204,960	\$ 35,928,763

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NOTE 9 – Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amounts of \$2,633,372 and \$2,443,367 during the years ended September 30, 2025 and 2024, respectively.

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, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment 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.

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NOTE 10 – Endowment Funds (continued)

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

Endowment net assets composition by type of restriction as of September 30, 2025 were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment funds	\$ <u>19,259,441</u>	\$ <u>16,996,568</u>	\$ <u>36,256,009</u>

Endowment net assets composition by type of restriction as of September 30, 2024 were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment funds	\$ <u>19,639,492</u>	\$ <u>15,204,890</u>	\$ <u>34,844,382</u>

The following table summarizes the activity affecting endowment net assets for the year ended September 30, 2025:

	<u>Restricted for Specific Purpose</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 19,639,492	\$ 15,204,890	\$ 34,844,382
Contributions	45,879	1,791,678	1,837,557
Investment income, net	2,207,442	-	2,207,442
Releases for support of Eastern Star Homes of California	(2,609,500)	-	(2,609,500)
Releases for other program expenditures	<u>(23,872)</u>	<u>-</u>	<u>(23,872)</u>
Endowment net assets, end of year	\$ <u>19,259,441</u>	\$ <u>16,996,568</u>	\$ <u>36,256,009</u>

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NOTE 10 – Endowments (continued)

The following table summarizes the activity affecting endowment net assets for the year ended September 30, 2024:

	Restricted for Specific Purpose	Perpetually Restricted	Total
Endowment net assets, beginning of year	\$ 15,957,304	\$ 14,929,203	\$ 30,886,507
Contributions	236,601	275,687	512,288
Investment income, net	5,888,954	-	5,888,954
Releases for support of Eastern Star Homes of California	(2,373,000)	-	(2,373,000)
Releases for other program expenditures	<u>(70,367)</u>	<u>-</u>	<u>(70,367)</u>
Endowment net assets, end of year	<u>\$ 19,639,492</u>	<u>\$ 15,204,890</u>	<u>\$ 34,844,382</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, 2025 and 2024, the amount available for release was \$16,941,562 and \$16,938,562, respectively.

Endowment net assets composition under the Organization’s Constitution and Laws by type of fund as of September 30, 2025 is as follows:

	Specific Purpose Restricted	Perpetually Restricted	Perpetually Restricted Under Constitution	Total
	Under UPMIFA	Under UPMIFA	and Laws	
Per UPMIFA	\$ 19,259,441	\$ 16,996,568	\$ -	\$ 36,256,009
Released from Constitution and Laws restrictions	(1,184,602)	-	1,184,602	-
Member application fees/contributions Star Homes of California	(1,133,277)	-	1,133,277	-
Resident asset assignments/contributions	(16,941,562)	-	16,941,562	-
Reclassification	<u>-</u>	<u>(16,996,568)</u>	<u>16,996,568</u>	<u>-</u>
Per Constitution and Laws	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,256,009</u>	<u>\$ 36,256,009</u>

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NOTE 10 – Endowments (continued)

Designations of net assets (continued)

Endowment net assets composition under the Organization’s Constitution and Laws by type of fund as of September 30, 2024 is as follows:

	Specific Purpose Restricted	Perpetually Restricted	Perpetually Restricted Under Constitution and Laws	Total
	<u>Under UPMIFA</u>	<u>Under UPMIFA</u>	<u>and Laws</u>	<u>Total</u>
Per UPMIFA	\$ 19,639,492	\$ 15,204,890	\$ -	\$ 34,844,382
Released from Constitution and Laws restrictions	(1,599,191)	-	1,599,191	-
Member application fees/contributions Star Homes of California	(1,101,739)	-	1,101,739	-
Resident asset assignments/contributions Reclassification	(16,938,562)	-	16,938,562	-
	<u>-</u>	<u>(15,204,890)</u>	<u>15,204,890</u>	<u>-</u>
Per Constitution and Laws	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,844,382</u>	<u>\$ 34,844,382</u>

NOTE 11 – Revenue from Exchange Transactions

The Organization’s revenue from exchange transactions was as follows for the years ended September 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Convention revenue (recognized over time)	\$ 100,072	\$ 108,581
Sales of supplies (recognized at a point in time)	34,560	40,469
Administration fees (recognized over time)	<u>143,937</u>	<u>122,626</u>
Total revenue from exchange transactions	<u>\$ 278,569</u>	<u>\$ 271,676</u>

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NOTE 12 – Lease

The Organization leases office space under an operating lease with the Homes that was amended to extend the term an additional 10 years 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. Base rent on the lease was \$1,387 and \$1,367 as of September 30, 2025 and 2024, respectively. Rent increases by 1.5% annually based on the terms of the lease. The Organization’s lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The Organization makes certain assumptions in determining the discount rate. As the lease does not provide an implicit rate, the Organization used a risk-free rate in accordance with the lease policy, based on the information available at lease commencement date and implementation. The discount rate used for the Grand Chapter was 3.53%.

The right-of-use assets as of September 30, 2025, were as follows:

		Operating Lease
Initial measurement of lease	\$	145,336
Accumulated amortization of ROU asset		(36,518)
Right-of-use asset - operating	\$	108,818

Maturities of the lease liability as of September 30, 2025 were as follows:

		Operating leases
2026	\$	16,855
2027		17,109
2028		17,365
2029		17,626
2030		17,890
Thereafter		39,669
Total lease payments		126,514
Less: interest		(15,127)
Total lease obligations		111,387
Less: current portion		(13,134)
Long-term lease obligation	\$	98,253

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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 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, if any, will not have a material effect on the Organization's financial condition or results of operation.

NOTE 14 – Concentrations and Credit Risk

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.

The Organization participates in a bank deposit sweep program that provides access to expanded levels of Federal Deposit Insurance Corporation (FDIC) insurance coverage by sweeping daily cash balances to various program banks, subject to program limits.

NOTE 15 – California Chapters (Unaudited)

At September 30, 2025 and 2024, the Organization had 102 and 109 active California chapters, respectively, which have their own boards and are responsible for their own fundraising, revenue, and expenses.

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NOTE 15 – California Chapters (Unaudited) (continued)

As of September 30, 2025 and 2024, the unaudited cash and investments, revenue, and expenses of these chapters consisted of the following:

	<u>2025</u>	<u>2024</u>
Cash and investments	\$ 28,259,854	\$ 27,153,906
Revenue, including gains and losses on investments	3,141,793	4,387,600
Expenses	(1,400,213)	(1,342,890)

NOTE 16 – Reclassifications

Certain items in the prior period combined financial statements have been reclassified to conform to the current period presentation. These reclassifications had no effect on previously reported net assets or changes in net assets.

NOTE 17 – Subsequent Events

The Organization received a distribution of \$1,500,000 in December 2025 related to the Irmgard S. Stephens Living Trust (See note 7).

Subsequent events have been evaluated by the Organization through February 27, 2026, which is the date the combined financial statements were available to be issued.