THE PRIORY IN THE UNITED STATES
OF AMERICA OF THE MOST
VENERABLE ORDER OF THE HOSPITAL
OF ST. JOHN OF JERUSALEM
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Chapter Members
The Priory in the United States of America of the
Most Venerable Order of the Hospital of St. John of Jerusalem
Washington, D.C.

We have audited the accompanying financial statements of The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sarfino and Rhoades LLP

November 12, 2020

THE PRIORY IN THE UNITED STATES OF AMERICA
OF THE MOST VENERABLE ORDER OF
THE HOSPITAL OF ST. JOHN OF JERUSALEM

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31, 2019	DECEMBER 31, 2018
ASSETS		
Cash and cash equivalents (Notes 1 and 4):		
Checking and savings	$ 302,079	$ 328,485
Cash account managed by investment broker	362,415	174,752
Total cash and cash equivalents	$ 664,494	$ 503,237
Contributions receivable (Note 1)	146,260	159,014
Prepaid expenses	16,103	6,014
Investments (Notes 1, 5 and 6)	2,743,915	2,327,824
Property and equipment (Notes 1 and 7)	36,555	34,239
Security deposit	18,942	18,942
TOTAL ASSETS	$ 3,626,269	$ 3,049,270
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 77,723	$ 16,942
Deferred revenue (Note 1)	100,324	20,500
Deferred lease liability (Note 13)	37,805	31,486
TOTAL LIABILITIES	$ 215,852	$ 68,928
COMMITMENTS AND CONTINGENCY (Note 13)		
NET ASSETS (Notes 1, 9 and 10):		
Without donor restrictions:		
Undesignated	$ 697,257	$ 809,506
Board-designated endowment fund	1,571,441	1,205,914
Total without donor restrictions	$ 2,268,698	$ 2,015,420
With donor restrictions	1,141,719	964,922
TOTAL NET ASSETS	$ 3,410,417	$ 2,980,342
TOTAL LIABILITIES AND NET ASSETS	$ 3,626,269	$ 3,049,270

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

THE PRIORY IN THE UNITED STATES OF AMERICA OF
THE MOST VENERABLE ORDER OF
THE HOSPITAL OF ST. JOHN OF JERUSALEM

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED DECEMBER 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS (Notes 1, 5, 8 and 11):						
Contributions	$ 1,899,327	$ 531,125	$ 2,430,452	$ 1,793,908	$ 343,075	$ 2,136,983
Annual investiture income (including in-kind contributions of $0 and $2,542 in 2019 and 2018)	475,710	-	475,710	565,443	-	565,443
Less: direct benefits to donors	(102,072)	-	(102,072)	(150,076)	-	(150,076)
Regional fundraising events (including in-kind contributions of $17,876 and $4,706 in 2019 and 2018)	243,660	-	243,660	279,660	-	279,660
Less: direct benefits to donors	(94,607)	-	(94,607)	(56,854)	-	(56,854)
Government grant	187,814	-	187,814	712,186	-	712,186
Decorations and memorabilia	63,938	-	63,938	57,166	-	57,166
Less: Decorations and memorabilia expenses	(45,876)	-	(45,876)	(66,364)	-	(66,364)
Donated legal services	1,942	-	1,942	5,092	-	5,092
Pilgrimage program	-	-	-	67,570	-	67,570
Grand Council sponsorships (including in-kind of $2,400)	-	-	-	71,900	-	71,900
Investment income (loss) and other	449,466	150,515	599,981	(163,980)	(57,000)	(220,980)
Net assets released from restrictions	504,843	(504,843)	-	364,170	(364,170)	-
TOTAL REVENUE, SUPPORT AND GAINS	$ 3,584,145	$ 176,797	$ 3,760,942	$ 3,479,821	$ (78,095)	$ 3,401,726
EXPENSES:						
Program service	$ 2,806,919	$ -	$ 2,806,919	$ 2,793,523	$ -	$ 2,793,523
Supporting services:						
Management and general	454,106	-	454,106	522,493	-	522,493
Fundraising	69,842	-	69,842	104,030	-	104,030
TOTAL EXPENSES	$ 3,330,867	$ -	$ 3,330,867	$ 3,420,046	$ -	$ 3,420,046
CHANGES IN NET ASSETS	$ 253,278	$ 176,797	$ 430,075	$ 59,775	$ (78,095)	$ (18,320)
NET ASSETS, BEGINNING OF YEAR	2,015,420	964,922	2,980,342	1,955,645	1,043,017	2,998,662
NET ASSETS, END OF YEAR	$ 2,268,698	$ 1,141,719	$ 3,410,417	$ 2,015,420	$ 964,922	$ 2,980,342

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

THE PRIORY IN THE UNITED STATES OF AMERICA OF THE MOST VENERABLE ORDER OF THE HOSPITAL OF ST. JOHN OF JERUSALEM

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

	2019					2018				
		Supporting Services					Supporting Services			
	Program Service	Management and General	Fundraising	Direct Benefits to Donors	Total	Program Service	Management and General	Fundraising	Direct Benefits to Donors	Total
Charitable gifts, contributions and grants (Note 11)	$ 2,279,676	$ -	$ -	$ -	$ 2,279,676	$ 2,246,153	$ -	$ -	$ -	$ 2,246,153
Salaries and benefits	233,241	148,970	38,552	-	420,763	202,523	121,331	52,448	-	376,302
Investiture expense	189,234	-	-	-	189,234	221,629	-	-	-	221,629
Rent	83,593	53,391	13,817	-	150,801	64,579	38,689	16,724	-	119,992
Professional fees (Note 9)	12,018	134,438	1,987	-	148,443	4,502	112,129	5,666	-	122,297
Regional fundraising events expense	-	-	-	94,607	94,607	-	-	-	56,854	56,854
Office expense	45,669	29,170	7,549	-	82,388	64,705	35,784	15,468	-	115,957
Travel	20,162	50,056	-	-	70,218	22,983	35,170	65	-	58,218
Decorations and memorabilia	28,517	17,359	-	-	45,876	39,481	26,883	-	-	66,364
Printing and publication	17,798	4,501	1,165	-	23,464	33,333	10,305	4,454	-	48,092
Postage and shipping	11,073	4,772	1,235	-	17,080	15,772	4,158	1,797	-	21,727
Depreciation and amortization expense	6,199	3,960	1,025	-	11,184	6,954	4,166	1,801	-	12,921
Board and committee meetings	-	10,147	-	-	10,147	-	17,311	-	-	17,311
Insurance expense	1,178	8,858	-	-	10,036	346	6,821	-	-	7,167
Equipment rental expense	5,143	3,284	850	-	9,277	4,625	2,771	1,198	-	8,594
Telephone and internet	4,007	2,559	662	-	7,228	3,961	2,364	1,044	-	7,369
Fundraising expense	-	-	3,000	-	3,000	-	-	3,365	-	3,365
Grand Council meeting	-	-	-	-	-	-	131,494	-	-	131,494
Pilgrimage expense	-	-	-	-	-	51,534	-	-	-	51,534
TOTAL EXPENSES	$ 2,937,508	$ 471,465	$ 69,842	$ 94,607	$ 3,573,422	$ 2,983,080	$ 549,376	$ 104,030	$ 56,854	$ 3,693,340
Less, Direct Benefits to Donors	(102,072)	-	-	(94,607)	(196,679)	(150,076)	-	-	(56,854)	(206,930)
Less, Decorations and memorabilia	(28,517)	(17,359)	-	-	(45,876)	(39,481)	(26,883)	-	-	(66,364)
TOTAL EXPENSES PER STATEMENTS OF ACTIVITIES	$ 2,806,919	$ 454,106	$ 69,842	$ -	$ 3,330,867	$ 2,793,523	$ 522,493	$ 104,030	$ -	$ 3,420,046

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

THE PRIORY IN THE UNITED STATES OF AMERICA OF THE MOST VENERABLE ORDER OF THE HOSPITAL OF ST. JOHN OF JERUSALEM

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors, grants, registrants and members	$ 3,159,458	$ 3,449,777
Cash paid to employees and suppliers	(3,308,267)	(3,734,570)
Interest and dividends received	66,373	56,037
Income taxes paid	(281)	(2,410)
NET CASH USED IN OPERATING ACTIVITIES	$ (82,717)	$ (231,166)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	$ 612,478	$ 198,147
Purchases of investments	(355,004)	(51,180)
Purchases of property and equipment	(13,500)	(1,813)
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ 243,974	$ 145,154
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ 161,257	$ (86,012)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	503,237	589,249
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 664,494	$ 503,237
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Changes in net assets	$ 430,075	$ (18,320)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,184	12,921
Net realized and unrealized (gains) losses on investments	(533,111)	277,133
Donated marketable securities recorded as contributions	(140,454)	(193,592)
Changes in assets and liabilities:		
Decrease (increase) in contributions receivable	12,754	(14,869)
Decrease (increase) in prepaid expenses	(10,089)	6,847
Increase (decrease) in accounts payable and accrued expenses	60,781	(251,228)
Increase (decrease) in deferred revenue	79,824	(30,948)
Increase (decrease) in deferred lease liability	6,319	(19,110)
NET CASH USED IN OPERATING ACTIVITIES:	$ (82,717)	$ (231,166)

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

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization - The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem (the "Priory") is a chivalric, charitable order incorporated in 1957. It was established to encourage the spiritual and moral strengthening of mankind in accordance with the first great principle of the Order, *Pro Fide*, and to promote the relief of sickness and suffering without discrimination of race, gender, class, or creed in accordance with the second great principle of the Order, *Pro Utilitate Hominum*. The Priory's principal program service is to support the St John of Jerusalem Eye Hospital Group headquartered in Jerusalem, as well as the Order of St John headquartered in London.

Basis of Accounting - The accompanying financial statements of the Priory have been prepared using the accrual basis of accounting.

Basis of Presentation - The Priory reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are comprised of funds which are restricted by donors for particular purposes, the passage of time, or in perpetuity. All other net assets, including board-designated or appropriated amounts, are reported as part of net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition - Contributions are recognized as support at the earlier of when they are received or when the Priory receives an unconditional promise from the donor to contribute a specific amount. Contributions received with restrictions are recognized as contributions without donor restriction if restrictions are satisfied in the same year.

Revenue from cost-reimbursable grants is recognized when funds are disbursed to the sub-recipient. Deferred revenue represents event registrations collected in advance for future periods.

Contributions of donated non-cash assets and donated securities are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donation, are recorded as revenue and expense at their estimated fair values in the period received. Such amounts are reflected as revenue and expenses in the accompanying statements of activities.

Investiture income is recognized in the period the event occurs.

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

Cash and Cash Equivalents - For the purposes of the statements of cash flows, the Priory considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Contributions Receivable - Unconditional promises to give are uncollateralized and recognized as revenue in the period the promises are received. Based on management's assessment of the payment history with donors having outstanding balances and current relationships with them, they have concluded that realization losses, if any, on balances outstanding at year-end would be immaterial. Therefore there was no allowance for doubtful accounts as of December 31, 2019 and 2018.

Investments - Investments are stated at fair value at the statement of financial position date and are subject to change thereafter due to market conditions. Securities are recorded at cost on the dates of purchase or, if donated at fair value, on the date of the gift. The change between fair value and the cost of investments is reflected in the statements of activities as investment income.

Property and Equipment - Property and equipment are stated at cost if purchased or at estimated fair value on the date of contribution if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. The Priory capitalizes assets whose costs or donated value are in excess of $2,500.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the statement of activities. Maintenance and repairs are expensed in the period incurred.

Income Tax Status - The Priory is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Priory's tax-exempt purpose are subject to taxation as unrelated business income.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and these differences could have a material impact on the financial statements.

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

Methods Used for Allocation of Expenses from Management and General Activities - The costs of providing program and supporting activities have been summarized on a functional basis in the Statements of Activities and detailed by natural expense type in the Statements of Functional Expenses.

Expenses directly attributable to specific functional areas are reported as expenses of those functional areas. A portion of the management and general costs that benefit multiple functional areas have been allocated across program and supporting services and are allocated on a basis that is consistently applied. Salaries are charged to functional areas based upon quarterly analyses of estimated time and effort incurred by employees. Expenses that are not directly attributable to a functional area have been allocated based on the percentages of time and effort. Accordingly, a portion of the following expenses have been allocated: employee benefits, rent, office expenses, printing, postage, depreciation, equipment rental, and telephone and internet services.

Note 2. **Change in Accounting Principle** - The Priory adopted the Financial Accounting Standards Board's Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. A transaction that is considered an exchange transaction is accounted for under the applicable revenue recognition standards. The Priory adopted this ASU prospectively for agreements that were not completed as of December 31, 2018 and for those entered into after December 31, 2018. Accordingly, only the portion of revenue that had not been recognized as of December 31, 2018 was subject to the guidance in ASU 2018-08.

Note 3. **Liquidity and Availability** - Financial assets available for general expenditure within one year of the statement of financial position date are comprised of the following:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 664,494	$ 503,237
Contributions receivable	146,260	159,014
Investments	2,743,915	2,327,824
Total financial assets	$3,554,669	$2,990,075
Less, amounts not available for general expenditures within one year:		
Investments restricted for endowments in perpetuity	(503,029)	(326,834)
Restrictions for purpose	(467,235)	(459,174)
Restrictions for time	(171,455)	(178,914)
Board-designated reserves	(1,571,441)	(1,205,914)
Financial assets available to meet cash needs for general expenditures within one year	$ 841,509	$ 819,239

The Priory is supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Priory must maintain sufficient resources to meet those responsibilities to its donors. As part of the Priory's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Priory's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes, and therefore, is not available for general expenditures. The board-designated fund established by the governing body is available to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 4. **Concentration of Credit Risk** - Financial instruments, which potentially subject the Priory to concentrations of credit risk, include deposits with commercial banks and investment brokers. The Priory's cash management policies generally limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Balances in these accounts may exceed the FDIC coverage limit at times throughout the year. The Priory believes it is not exposed to a significant risk on its cash accounts. At December 31, 2019, the Priory had cash in excess of FDIC coverage limits of $156,913.

Note 5. **Investments** - Investments consisted of the following as of December 31:

	2019	2018
Exchange-traded funds	$ 2,741,517	$ 2,324,209
Equities	2,398	2,433
Equity mutual funds	-	1,182
Totals	$ 2,743,915	$ 2,327,824

The amount of investments restricted by donors for long-term purposes was $303,029 and $126,834 at December 31, 2019 and 2018, respectively.

Investment income and other consisted of the following for the years ended December 31:

	2019	2018
Interest and dividends	$ 66,373	$ 56,037
Net realized gains (losses)	142,013	(436)
Net unrealized gains (losses)	391,595	(276,581)
Totals	$ 599,981	$ (220,980)

Note 6. **Fair Value Measurements** - Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

Note 6. **Fair Value Measurements** - (Continued)

The three levels of the fair value hierarchy are described as follows: level 1 inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Priory has the ability to access; level 2 inputs to valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or by other means; level 3 inputs to valuation methodology are unobservable and significant to the fair value measurement.

The assets 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Mutual funds, exchange-traded funds and equities - Securities which are traded on a national securities exchange are valued at the closing price reported on the last business day of the year.

The following table sets forth by level, within the fair value hierarchy, the Priory's assets measured at fair value on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3
Exchange-traded funds	$ 2,741,517	$ -	$ -
Equities	2,398	-	-
Totals	$ 2,743,915	$ -	$ -

The following table sets forth by level, within the fair value hierarchy, the Priory's assets measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3
Exchange-traded funds	$ 2,324,209	$ -	$ -
Equities	2,433	-	-
Equity mutual funds	1,182	-	-
Totals	$ 2,327,824	$ -	$ -

Note 7. **Property and Equipment** - Components of property and equipment include the following as of December 31:

	2019	2018
Office furniture, fixtures and leasehold improvements	$ 38,745	$ 38,745
Computer hardware and software	24,149	26,852
Website	38,743	25,243
Subtotals	$ 101,637	$ 90,840
Less, accumulated depreciation and amortization	65,082	56,601
Totals	$ 36,555	$ 34,239

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 totaled $11,184 and $12,921, respectively.

Note 8. **In-Kind Contributions** - The Priory records certain nonmonetary transactions based upon the fair value of assets and services received. Non-cash contributions included in the accompanying financial statements for the years ended December 31 were as follows:

	2019	2018
Donations for events and other	$ 17,876	$ 9,648
Donated legal services	1,942	5,092
Totals	$ 19,818	$ 14,740

A number of volunteers have made significant contributions of their time to the Priory. The value of this contributed time is not reflected in the financial statements because it does not meet the criteria for recognition established by U.S. generally accepted accounting principles.

Note 9. **Endowments** - The Priory's endowments consist of both donor-restricted funds and funds designated by the Chapter Members to function as an endowment. As required by U.S. generally accepted accounting principles, donor-restricted endowment funds are classified and reported based on donor-imposed restrictions. Earnings on donor-restricted endowments are used to fund activities of the Priory.

Note 9. **Endowments** - (Continued)

The Priory is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Chapter Members appropriate such amounts for expenditure and any other purpose restrictions have been met. The Chapter Members of the Priory have interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Priory considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Priory has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Priory considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Priory and the donor-restricted endowment fund; (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 Priory; and (7) the investment policies of the Priory.

The Priory has adopted investment policies for its board-designated endowment assets that attempt to provide a stream of funding to its programs under the approval of the Chapter Members. The annual rate of return on the investment portfolio is imputed to the endowment funds using the average rate of return and applying it to the average fund balances. In 2018, the Priory adopted a spending rate of 4.5% based on the balances over a 36-month period, to be adjusted at the discretion of the Chapter Members with the recommendation of the Finance Committee.

According to the donor-restricted endowment fund document, it is expected that the donor-restricted endowment funds are to be maintained in perpetuity and that the funds are to be invested in the same fashion as the board-designated endowment funds of the Priory. Earnings on the principal may be utilized by the Priory in line with the recommendations of the donor.

Note 9. **Endowments** - (Continued)

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

	Board-Designated	With Donor Restrictions for Purpose	With Donor Restrictions in Perpetuity
Endowment net assets, beginning of year	$ 1,205,914	$ 61,837	$ 326,834
Additions	68,526	-	176,195
Allocated investment income	297,001	89,677	-
Expenditures	-	(28,427)	-
Endowment net assets, end of year	$ 1,571,441	$ 123,087	$ 503,029

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

	Board-Designated	With Donor Restrictions for Purpose	With Donor Restrictions in Perpetuity
Endowment net assets, beginning of year	$ 1,310,296	$ 112,172	$ 326,834
Allocated investment loss	(104,382)	(34,335)	-
Expenditures	-	(16,000)	-
Endowment net assets, end of year	$ 1,205,914	$ 61,837	$ 326,834

Note 10. **Net Assets with Donor Restrictions** - Net assets with donor restrictions are restricted for the following purposes at December 31:

	2019	2018
Subject to expenditure for specific purpose:		
Dallas Surgeon Fellows Fund	$ 193,564	$ 156,167
Magowan/McBean Nursing Scholarship Fund	121,317	97,877
Drexel Family Fund Endowment	67,555	33,610
Wintersteen Nursing Fund Endowment	55,532	28,227
Regional Funds	18,307	11,134
St John Eye Hospital	4,500	122,751
Museum Renovation Campaign	3,860	6,808
Swenson Memorial Fund	2,600	2,600
Total	$ 467,235	$ 459,174
Subject to the passage of time:		
Pledges receivable - Operations	$ 146,260	$ 152,564
Other time restricted contributions	25,195	26,350
Total	$ 171,455	$ 178,914
In perpetuity for endowments:		
Wintersteen Nursing Fund Endowment	$ 200,000	$ 200,000
San Francisco Endowment	176,195	-
Drexel Family Fund Endowment	126,834	126,834
Total	$ 503,029	$ 326,834
Total net assets with donor restrictions	$ 1,141,719	$ 964,922

Note 11. **Charitable Gifts, Contributions and Grants Payable** - Charitable gifts and contributions made consisted of the following for the years ended December 31:

	2019	2018
St John Eye Hospital	$ 1,573,596	$ 1,312,341
Hospital projects	187,814	712,186
Nursing scholarship	346,701	83,115
Total Hospital Support	$ 2,108,111	$ 2,107,642
International Order Support	89,241	92,185
Various Churches & Organizations	82,324	46,326
Totals	$ 2,279,676	$ 2,246,153

Note 11. **Charitable Gifts, Contributions and Grants Payable** - (Continued)

In March 2017, the Priory was awarded a grant of $900,000 from the Office of American Schools and Hospitals Abroad (ASHA), a department of the United States Agency for International Development (USAID). The grant is for the purchase of specific equipment for the St John Eye Hospital in Jerusalem for the period March 2017 through March 2019. During 2019 and 2018, the Priory received $187,814 and $712,186, respectively, from ASHA for this grant, and disbursed $187,814 and $712,186, respectively, to the sub-recipient, St John Eye Hospital.

Note 12. **Retirement Plan** - The Priory maintains a tax deferred annuity plan (the Plan) under Section 403(b) of the Internal Revenue Code for all of its eligible employees. The Priory may contribute a discretionary amount based on a percentage of eligible full-time employees' gross wages. Employees may elect to make voluntary pre-tax contributions under a salary reduction agreement. The Priory's contribution to the Plan for the years ended 2019 and 2018 was $17,998 and $8,403, respectively. Employees are fully vested in the Plan upon enrollment.

Note 13. **Commitments and Contingency** - On March 29, 2013, the Priory entered into a seven-year lease agreement for office space, expiring April 30, 2020, with an option to renew for an additional five years. On April 16, 2019, the lease was extended through July 31, 2027. The lease includes provisions to pay a proportionate share of the increase in building taxes and operating costs. The lease agreement includes a provision for the abatement of a portion of the rent as well as an allowance for leasehold improvements. The rent abatement and leasehold improvement allowance resulted in a deferred lease liability reported on the statements of financial position. Total rent expense for the years ended December 31, 2019 and 2018 was $150,801 and $119,992, respectively.

During 2014, the Priory entered into non-cancellable operating lease agreements for office equipment which expired in 2018. Monthly payments under these leases ranged from $292 to $330. During 2018, the Priory entered into a non-cancellable operating lease agreement for office equipment expiring in 2022. Monthly payments under the lease are $518. Total rent expense for equipment leases for the years ended December 31, 2019 and 2018, was $9,277 and $8,594, respectively.

Note 13. **Commitments and Contingency** - (Continued)

Future minimum lease payments are as follows:

December 31,	Office Lease	Equipment	Total
2020	$ 144,664	$ 6,212	$ 150,876
2021	152,556	6,212	158,768
2022	156,372	3,106	159,478
2023	160,280	-	160,280
2024	164,280	-	164,280
Thereafter	577,388	-	577,388
Total	$ 1,355,540	$ 15,530	$ 1,371,070

The Priory has also entered into certain agreements with facilities relating to the Investiture and annual meeting. Such agreements generally contain provisions which obligate the Priory to book a minimum number of room nights and to spend certain minimums for food and beverages. Should these minimums not be achieved, the agreements obligate the Priory to pay certain amounts.

The Priory receives federal grant funding, which is subject to financial and compliance audits by federal agencies. As such, a liability could be determined for any differences in chargeable costs that may result from such an audit. Management does not anticipate any adjustments as a result of such an audit.

Note 14. **Related Party Transactions** - The Priory received donated legal service from a law firm where one of its former Chapter Members was employed. The value of pro-bono legal services from this firm totaled $1,942 and $2,826 for the years ended December 31, 2019 and 2018, respectively.

Note 15. **Subsequent Events** - In preparation of these financial statements, the Priory has evaluated events and transactions for potential recognition or disclosure through November 12, 2020, which is the date the financial statements were available to be issued.

The Priory's 2020 financial activities have been affected by the COVID-19 pandemic, though the ultimate extent of the effect and the length of the pandemic are not known.