

**THE PRIORY IN THE UNITED STATES
OF AMERICA OF THE MOST
VENERABLE ORDER OF THE HOSPITAL
OF ST. JOHN OF JERUSALEM
DECEMBER 31, 2020**

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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 statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Priory's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarfino and Rhoades LLP

July 21, 2021

**THE PRIORY IN THE UNITED STATES OF AMERICA
OF THE MOST VENERABLE ORDER OF
THE HOSPITAL OF ST. JOHN OF JERUSALEM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(with summarized totals for 2019)**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents (Notes 1 and 4):		
Checking and savings	\$ 230,875	\$ 302,079
Cash account managed by investment broker	<u>20,694</u>	<u>362,415</u>
Total cash and cash equivalents	\$ 251,569	\$ 664,494
Contributions receivable (Note 1)	113,586	146,260
Prepaid expenses	18,010	16,103
Investments (Notes 1 and 5)	3,973,076	2,743,915
Property and equipment (Notes 1 and 6)	37,637	36,555
Security deposit	<u>18,942</u>	<u>18,942</u>
TOTAL ASSETS	<u>\$ 4,412,820</u>	<u>\$ 3,626,269</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 19,928	\$ 77,723
Deferred revenue (Note 1)	-	100,324
Loan payable (Notes 7 and 16)	71,811	-
Deferred lease liability (Note 14)	<u>81,834</u>	<u>37,805</u>
TOTAL LIABILITIES	<u>\$ 173,573</u>	<u>\$ 215,852</u>
COMMITMENTS AND CONTINGENCY (Note 14)		
NET ASSETS (Notes 1, 8 and 9):		
Without donor restrictions	\$ 2,663,186	\$ 2,268,698
With donor restrictions	<u>1,576,061</u>	<u>1,141,719</u>
TOTAL NET ASSETS	<u>\$ 4,239,247</u>	<u>\$ 3,410,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,412,820</u>	<u>\$ 3,626,269</u>

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

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**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized totals for 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, SUPPORT AND GAINS (Notes 1, 5, 10 and 11):				
Contributions, net	\$ 2,574,188	\$ 624,094	\$ 3,198,282	\$ 2,430,452
Annual investiture income, net	0	-	-	373,638
Regional fundraising events, net	88,828	-	88,828	149,053
Decorations and memorabilia, net	(14,673)	-	(14,673)	18,062
Government grant	0	-	-	187,814
Donated legal services	-	-	-	1,942
Loss on disposal of property and equipment	(15,818)	-	(15,818)	-
Investment income and gains	336,163	173,878	510,041	599,981
Net assets released from restrictions	363,630	(363,630)	-	-
TOTAL REVENUE, SUPPORT AND GAINS	<u>\$ 3,332,318</u>	<u>\$ 434,342</u>	<u>\$ 3,766,660</u>	<u>\$ 3,760,942</u>
EXPENSES:				
St John Eye Hospital Group expenses	\$ 371,775	\$ -	\$ 371,775	
Membership Management and Worldwide Order expenses	584,632	-	584,632	
SUBTOTAL EXPENSES	<u>\$ 956,407</u>	<u>\$ -</u>	<u>\$ 956,407</u>	<u>\$ 1,051,191</u>
Charitable gifts, contributions and grants (Note 12)	1,981,424	-	1,981,424	2,279,676
TOTAL EXPENSES	<u>\$ 2,937,831</u>	<u>\$ -</u>	<u>\$ 2,937,831</u>	<u>\$ 3,330,867</u>
CHANGES IN NET ASSETS	<u>\$ 394,488</u>	<u>\$ 434,342</u>	<u>\$ 828,830</u>	<u>\$ 430,075</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,268,698</u>	<u>1,141,719</u>	<u>3,410,417</u>	<u>2,980,342</u>
NET ASSETS, END OF YEAR	<u>\$ 2,663,186</u>	<u>\$ 1,576,061</u>	<u>\$ 4,239,247</u>	<u>\$ 3,410,417</u>

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

**THE PRIORY IN THE UNITED STATES OF AMERICA OF
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**
(with summarized totals for 2019)

	St John Eye Hospital Group	Membership Management & Worldwide Order	Direct Benefits to Donors	<u>2020</u> Total	<u>2019</u> Total
Salaries and benefits	\$ 214,442	\$ 258,625	\$ -	\$ 473,067	\$ 420,763
Professional fees	43,844	155,607	-	199,451	148,443
Rent	69,684	84,041	-	153,725	150,801
Office expense	24,165	36,533	-	60,698	82,388
Decorations and memorabilia	-	38,644	-	38,644	45,876
Telephone and internet	5,237	6,315	-	11,552	7,228
Equipment rental expense	4,436	5,350	-	9,786	9,277
Travel	1,693	7,951	-	9,644	70,218
Printing and publication	2,937	6,613	-	9,550	23,464
Depreciation and amortization expense	3,925	4,733	-	8,658	11,184
Insurance expense	-	8,163	-	8,163	10,036
Postage and shipping	1,212	5,620	-	6,832	17,080
Regional fundraising events expense	-	-	6,831	6,831	94,607
Board and committee meetings	-	3,456	-	3,456	10,147
Investiture expense	-	1,625	-	1,625	189,234
Fundraising expense	200	-	-	200	3,000
Subtotals	<u>\$ 371,775</u>	<u>\$ 623,276</u>	<u>\$ 6,831</u>	<u>\$ 1,001,882</u>	<u>\$ 1,293,746</u>
Less, Direct Benefits to Donors	-	-	(6,831)	(6,831)	(196,679)
Less, Decorations and memorabilia	-	(38,644)	-	(38,644)	(45,876)
TOTAL EXPENSES	<u>\$ 371,775</u>	<u>\$ 584,632</u>	<u>\$ -</u>	<u>\$ 956,407</u>	<u>\$ 1,051,191</u>
Charitable gifts, contributions and grants (Note 12)				<u>1,981,424</u>	<u>2,279,676</u>
TOTAL EXPENSES PER STATEMENT OF ACTIVITIES				<u>\$ 2,937,831</u>	<u>\$ 3,330,867</u>

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

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with summarized totals for 2019)**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors, grants, registrants and members	\$ 2,871,863	\$ 3,159,458
Cash paid to employees and suppliers	(2,983,487)	(3,308,267)
Interest and dividends received	62,588	66,373
Income taxes paid	<u>-</u>	<u>(281)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (49,036)</u>	<u>\$ (82,717)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ 197,138	\$ 612,478
Purchases of investments	(607,279)	(355,004)
Purchases of property and equipment	<u>(25,559)</u>	<u>(13,500)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ (435,700)</u>	<u>\$ 243,974</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowing	<u>\$ 71,811</u>	<u>\$ -</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ (412,925)</u>	<u>\$ 161,257</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>664,494</u>	<u>503,237</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 251,569</u></u>	<u><u>\$ 664,494</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Changes in net assets	\$ 828,830	\$ 430,075
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	8,658	11,184
Loss on disposal of property and equipment	15,818	-
Net realized and unrealized gains on investments	(447,148)	(533,111)
Donated marketable securities recorded as contributions	(371,871)	(140,454)
Changes in assets and liabilities:		
Decrease in contributions receivable	32,674	12,754
Increase in prepaid expenses	(1,907)	(10,089)
Increase (decrease) in accounts payable and accrued expenses	(57,795)	60,781
Increase (decrease) in deferred revenue	(100,324)	79,824
Increase in deferred lease liability	<u>44,029</u>	<u>6,319</u>
NET CASH USED IN OPERATING ACTIVITIES:	<u><u>\$ (49,036)</u></u>	<u><u>\$ (82,717)</u></u>

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, religion, or ability to pay in accordance with the second great principle of the Order, *Pro Utilitate Hominum*. The Priory has three principal functions: to support and cultivate the Priory membership, to support the worldwide Order of St John headquartered in London, and finally, to support the St John of Jerusalem Eye Hospital Group headquartered in Jerusalem.

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.

Expenses reported as St John Eye Hospital Group represent the Priory’s fundraising efforts. Expenses reported as Membership Management & Worldwide Order represent the Priory’s costs to maintain and cultivate the membership, to carry out the organization’s management and administrative operations, and maintain its affiliation with the worldwide Order of St. John. Charitable gifts, contributions and grants represent direct aid to others, principally the St John Eye Hospital.

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

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

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.

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, 2020 and 2019.

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 and, 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 and gains.

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.

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

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.

Methods Used for Allocation of Expenses from Management and General Activities - The costs of supporting our principal functions have been summarized on a functional basis in the statements of activities and detailed by natural expense type in the statements of functional expenses. The principal functions of the Priory are to raise funds for the St John of Jerusalem Eye Hospital Group headquartered in Jerusalem, and to support and cultivate the Membership of the US Priory and the worldwide Order of St John headquartered in London.

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 these areas. 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 (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires entities to recognize revenue when control of the promised goods or services is transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services. The Priory adopted the Standard on January 1, 2020 using the modified retrospective approach. The adoption did not materially affect changes in net assets or financial position.

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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:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 251,569	\$ 664,494
Contributions receivable	113,586	146,260
Investments	<u>3,973,076</u>	<u>2,743,915</u>
Total financial assets	\$4,338,231	\$3,554,669
Less, amounts not available for general expenditures within one year:		
Investments restricted for endowments in perpetuity	(782,069)	(503,029)
Restrictions for purpose	(666,134)	(467,235)
Restrictions for time	(127,858)	(171,455)
Board-designated reserves	<u>(1,829,308)</u>	<u>(1,571,441)</u>
Financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 932,862</u>	<u>\$ 841,509</u>

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, 2020, the Priory did not have cash in excess of FDIC coverage limits.

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Note 5. Investments and Fair Value Measurements

Investments consisted of the following as of December 31:

	2020	2019
Exchange-traded funds	\$ 3,714,791	\$ 2,741,517
Limited partnership interest	216,988	\$ -
Equity mutual funds	41,297	-
Equities	-	2,398
Totals	<u>\$ 3,973,076</u>	<u>\$ 2,743,915</u>

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

	2020	2019
Interest and dividends	\$ 62,588	\$ 66,373
Net unrealized gains	449,109	391,595
Net realized gains (losses)	(1,656)	142,013
Totals	<u>\$ 510,041</u>	<u>\$ 599,981</u>

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).

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.

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Note 5. Investments and Fair Value Measurements - (Continued)

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.

Limited partnership interest – The limited partnership interest was valued at the closing price of underlying assets held in the limited partnership on the last day of the year, which consisted of equities in public company stock.

As of December 31, 2020, the Priory's investments in exchange-traded funds and equity mutual funds, totaling \$3,756,088, were measured using Level 1 inputs. The limited partnership interest of \$216,988 was measured using Level 2 inputs.

Note 6. Property and Equipment - Components of property and equipment include the following as of December 31:

	2020	2019
Website	\$ 44,357	\$ 38,743
Computer hardware and software	26,799	24,149
Office furniture, fixtures and leasehold improvements	3,500	38,745
Subtotals	\$ 74,656	\$ 101,637
Less, accumulated depreciation and amortization	37,019	65,082
Totals	<u>\$ 37,637</u>	<u>\$ 36,555</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 totaled \$8,658 and \$11,184, respectively.

Note 7. Long-term debt - The Priory borrowed \$71,811 under a loan agreement on November 7, 2020. The loan had a one percent interest rate and was to mature in two years from the date of the loan. The loan was forgiven by the financial institution on April 16, 2021.

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Note 8. **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. Included in the Priory's unrestricted net assets is a board-designated endowment fund. The balance of this fund was \$1,829,308 and \$1,571,441 as of December 31, 2020 and 2019, respectively.

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.

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Note 8. Endowments - (Continued)

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.

Changes in endowment net assets for the year ended December 31, 2020, are as follows:

	<u>Board- Designated</u>	<u>With Donor Restrictions for Purpose</u>	<u>With Donor Restrictions in Perpetuity</u>
Endowment net assets, beginning of year	\$ 1,571,441	\$ 123,087	\$ 503,029
Additions	-	-	231,161
Allocated investment income and gains	257,867	73,502	47,879
Expenditures	-	(4,000)	-
Endowment net assets, end of year	<u>\$ 1,829,308</u>	<u>\$ 192,589</u>	<u>\$ 782,069</u>

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

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

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Note 9. **Net Assets with Donor Restrictions** - Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Dallas Surgeon Fellows Fund	\$ 236,222	\$ 193,564
Magowan/McBean Nursing Scholarship Fund	141,225	121,317
Wintersteen Nursing Fund Endowment	97,464	55,532
Drexel Family Fund Endowment	95,125	67,555
St John Eye Hospital	68,615	4,500
Regional Funds	24,883	18,307
Swenson Memorial Fund	2,600	2,600
Museum Renovation Campaign	-	3,860
Total	<u>\$ 666,134</u>	<u>\$ 467,235</u>
Subject to the passage of time:		
Pledges receivable - Operations	\$ 113,586	\$ 146,260
Other time-restricted contributions	14,272	25,195
Total	<u>\$ 127,858</u>	<u>\$ 171,455</u>
In perpetuity for endowments:		
San Francisco Endowment	\$ 455,235	\$ 176,195
Wintersteen Nursing Fund Endowment	200,000	200,000
Drexel Family Fund Endowment	126,834	126,834
Total	<u>\$ 782,069</u>	<u>\$ 503,029</u>
 Total net assets with donor restrictions	 <u><u>\$ 1,576,061</u></u>	 <u><u>\$ 1,141,719</u></u>

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Note 10. Revenue Recognition

Disaggregation of Revenue

There were no significant contract assets or liabilities for the year ended December 31, 2020.

The following shows the Organization's revenue disaggregated according to the timing of transfer of goods and services:

	2020	2019
Recognized at a point in time	\$ 23,971	\$ 63,938

Performance Obligations

Performance obligations consist only of the delivery of products to customers in connection with sales.

Significant Judgements

There were no significant judgements required in the recognition of revenue recognized at a point in time.

Note 11. Annual Investiture and Other Revenue

The annual investiture income included in contributions for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Annual investiture income	\$ -	\$ 475,710
Less: direct benefits to donors	-	(102,072)
Annual investiture income, net	\$ -	\$ 373,638

The regional fundraising events income for the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Regional fundraising events	\$ 95,659	\$ 225,784
In-kind donations for regional events	-	17,876
Less: direct benefits to donors	(6,831)	(94,607)
Regional fundraising events, net	\$ 88,828	\$ 149,053

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Note 11. Annual Investiture and Other Revenue - (Continued)

Decorations and memorabilia for the years ended December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Decorations and memorabilia	\$ 23,971	\$ 63,938
Less: Decorations and memorabilia expenses	<u>(38,644)</u>	<u>(45,876)</u>
Decorations and memorabilia, net	<u>\$ (14,673)</u>	<u>\$ 18,062</u>

The Priory records certain nonmonetary transactions based upon the fair value of assets and services received. Non-cash contributions for regional events and legal services included in the accompanying financial statements for the year ended December 31, 2019 were \$19,818.

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

	<u>2020</u>	<u>2019</u>
St John Eye Hospital	\$ 1,540,325	\$ 1,573,596
Hospital projects	-	187,814
Nursing scholarship	<u>309,675</u>	<u>346,701</u>
Total Hospital Support	\$ 1,850,000	\$ 2,108,111
International Order Support	98,582	89,241
Various Churches & Organizations	<u>32,842</u>	<u>82,324</u>
Totals	<u>\$ 1,981,424</u>	<u>\$ 2,279,676</u>

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 was 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.

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Note 13. **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 December 31, 2020 and 2019 was \$19,090 and \$17,998, respectively. Employees are fully vested in the Plan upon enrollment.

Note 14. **Commitments and Contingency** - On April 16, 2019, the Priory extended its office lease 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, 2020 and 2019 was \$153,725 and \$150,801, respectively.

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, 2020 and 2019, was \$9,786 and \$9,277, respectively.

Future minimum lease payments are as follows:

December 31,	Office Lease	Equipment	Total
2021	\$ 152,561	\$ 6,212	\$ 158,773
2022	156,376	3,106	159,482
2023	160,281	-	160,281
2024	164,283	-	164,283
2025	168,390	-	168,390
Thereafter	275,206	-	275,206
Total	<u>\$ 1,077,097</u>	<u>\$ 9,318</u>	<u>\$ 1,086,415</u>

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.

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Note 14. Commitments and Contingency - (Continued)

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 15. 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 for the year ended December 31, 2019.

Note 16. Subsequent Events - In preparation of these financial statements, the Priory has evaluated events and transactions for potential recognition or disclosure through July 21, 2021, which is the date the financial statements were available to be issued.

The Priory's outstanding loan with a financial institution was forgiven on April 16, 2021.

On June 25, 2021 the Priory converted a previously donated limited partnership interest into shares of stock valued at \$218,542. The limited partnership interest was donated during 2020 but was non-tradable. On July 1, 2021 the shares of stock were sold and converted to cash.

Note 17. Prior Year Summarized Information - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for 2019, from which the summarized information was derived.