

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

**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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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.

Opinion

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, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above 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, 2021, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem 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.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem'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.

Report on Summarized Comparative Information

We have previously audited The Priory in the United States of America of the Most Venerable Order of the Hospital of St. John of Jerusalem's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statement in our report dated July 21, 2021. In our opinion, the summarized comparative information presented as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 30, 2022

**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, 2021
(with summarized totals for 2020)**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents:		
Checking and savings	\$ 396,188	\$ 230,875
Cash account managed by investment broker	<u>117,781</u>	<u>20,694</u>
Total cash and cash equivalents	\$ 513,969	\$ 251,569
Contributions receivable	89,216	113,586
Prepaid expenses	13,068	18,010
Investments	5,032,641	3,973,076
Property and equipment	38,563	37,637
Security deposit	<u>18,942</u>	<u>18,942</u>
TOTAL ASSETS	<u>\$ 5,706,399</u>	<u>\$ 4,412,820</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 31,471	\$ 19,928
Deferred revenue	56,481	-
Loan payable	-	71,811
Deferred lease liability	<u>80,453</u>	<u>81,834</u>
TOTAL LIABILITIES	<u>\$ 168,405</u>	<u>\$ 173,573</u>
NET ASSETS:		
Without donor restrictions	\$ 3,228,944	\$ 2,663,186
With donor restrictions	<u>2,309,050</u>	<u>1,576,061</u>
TOTAL NET ASSETS	<u>\$ 5,537,994</u>	<u>\$ 4,239,247</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,706,399</u>	<u>\$ 4,412,820</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 ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(with summarized totals for 2020)**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, SUPPORT AND GAINS:				
Contributions	\$ 2,437,474	\$ 895,780	\$ 3,333,254	
Annual investiture income	919,570	-	919,570	
Less: direct benefits to donors	(306,468)	-	(306,468)	
Investment income and gains	458,998	205,923	664,921	
Regional fundraising events, net	82,188	-	82,188	
PPP loan forgiveness	71,811	-	71,811	
Decorations and memorabilia, net	(9,536)	-	(9,536)	
Net assets released from restrictions	368,714	(368,714)	-	
TOTAL REVENUE, SUPPORT AND GAINS	\$ 4,022,751	\$ 732,989	\$ 4,755,740	\$ 3,766,660
EXPENSES:				
Program services:				
Eye Health Support	\$ 2,614,463	\$ -	\$ 2,614,463	
Other program services	426,468	-	426,468	
Total program services	\$ 3,040,931	\$ -	\$ 3,040,931	
Supporting services:				
Management and general	296,792	-	296,792	
Fundraising	119,270	-	119,270	
TOTAL EXPENSES	\$ 3,456,993	\$ -	\$ 3,456,993	\$ 2,937,831
CHANGES IN NET ASSETS	\$ 565,758	\$ 732,989	\$ 1,298,747	\$ 828,829
NET ASSETS, BEGINNING OF YEAR	2,663,186	1,576,061	4,239,247	3,410,418
NET ASSETS, END OF YEAR	\$ 3,228,944	\$ 2,309,050	\$ 5,537,994	\$ 4,239,247

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, 2021**
(with summarized totals for 2020)

	2021						2020	
	Program Services		Supporting Services				Total	Total
	Eye Health Support	Other Program Services	Management and General	Fundraising	Direct Benefits to Donors			
Charitable gifts, contributions and grants	\$ 2,420,000	\$ 106,648	\$ -	\$ -	\$ -	\$ 2,526,648	\$ 1,981,424	
Investiture expense	-	5,578	-	50,199	306,468	362,245	1,625	
Salaries and benefits	106,622	148,047	73,209	15,864	-	343,742	473,067	
Professional fees	10,343	14,361	161,457	41,540	-	227,701	199,451	
Rent	48,562	67,429	33,343	7,225	-	156,559	153,725	
Decorations and memorabilia	-	65,093	-	-	-	65,093	38,644	
Office expense	10,584	23,859	7,267	1,711	-	43,421	60,698	
Regional fundraising events expense	-	-	-	-	35,499	35,499	6,831	
Printing and publication	2,942	22,183	2,020	439	-	27,584	9,550	
Travel	4,003	16,414	2,748	596	-	23,761	9,644	
Postage and shipping	2,271	9,263	1,560	338	-	13,432	6,832	
Depreciation and amortization expense	3,375	4,687	2,318	501	-	10,881	8,658	
Equipment rental expense	3,049	4,234	2,094	453	-	9,830	9,786	
Telephone and internet	2,712	3,765	1,862	404	-	8,743	11,552	
Insurance expense	-	-	8,282	-	-	8,282	8,163	
Board and committee meetings	-	-	632	-	-	632	3,456	
Fundraising expense	-	-	-	-	-	-	200	
TOTAL EXPENSES	\$ 2,614,463	\$ 491,561	\$ 296,792	\$ 119,270	\$ 341,967	\$ 3,864,053	\$ 2,983,306	
Less, Direct benefits to donors	-	-	-	-	(341,967)	(341,967)	(6,831)	
Less, Decorations and memorabilia	-	(65,093)	-	-	-	(65,093)	(38,644)	
TOTAL EXPENSES PER STATEMENTS OF ACTIVITIES	\$ 2,614,463	\$ 426,468	\$ 296,792	\$ 119,270	\$ -	\$ 3,456,993	\$ 2,937,831	

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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(with summarized totals for 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors, grants, registrants and members	\$ 4,082,361	\$ 2,871,863
Cash paid to charitable grantee, employees and suppliers	(3,686,700)	(2,983,487)
Interest and dividends received	<u>75,308</u>	<u>62,588</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 470,969</u>	<u>\$ (49,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	\$ 1,075,119	\$ 197,138
Purchases of investments	(1,271,881)	(607,279)
Purchases of property and equipment	<u>(11,807)</u>	<u>(25,559)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (208,569)</u>	<u>\$ (435,700)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowing	<u>\$ -</u>	<u>\$ 71,811</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ 262,400</u>	<u>\$ (412,925)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>\$ 251,569</u>	<u>\$ 664,494</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 513,969</u>	<u>\$ 251,569</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,298,747	\$ 828,829
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	10,881	8,658
Loss on disposal of property and equipment	-	15,818
PPP loan forgiveness	(71,811)	-
Net realized and unrealized gains on investments	(589,613)	(447,148)
Donated marketable securities recorded as contributions	(273,190)	(371,870)
Changes in assets and liabilities:		
Decrease in contributions receivable	24,370	32,674
Decrease (increase) in prepaid expenses	4,942	(1,907)
Increase (decrease) in accounts payable and accrued expenses	11,543	(57,795)
Increase (decrease) in deferred revenue	56,481	(100,324)
Increase (decrease) in deferred lease liability	<u>(1,381)</u>	<u>44,029</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 470,969</u>	<u>\$ (49,036)</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, 2021

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.

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 registrations collected in advance for future pilgrimage.

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.

Annual investiture income is recognized in the period the event occurs.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021 and 2020.

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.

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.

**THE PRIORY IN THE UNITED STATES OF AMERICA OF THE
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

Methods Used for Allocation of Expenses from Management and General Activities -
 The costs of supporting the Priory's 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.

Note 2. 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 513,969	\$ 251,569
Contributions receivable	89,216	113,586
Investments	<u>5,032,641</u>	<u>3,973,076</u>
Total financial assets	\$5,635,826	\$4,338,231
Less, amounts not available for general expenditures within one year:		
Investments restricted for endowments in perpetuity	(891,864)	(782,069)
Restrictions for purpose	(1,213,311)	(666,134)
Restrictions for time	(203,875)	(127,858)
Board-designated reserves	<u>(2,349,045)</u>	<u>(1,829,308)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 977,731</u>	<u>\$ 932,862</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 2. Liquidity and Availability - (Continued)

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 3. 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, 2021, the Priory has \$145,242 in excess of FDIC coverage limits.

Note 4. Investments and Fair Value Measurements

Investments consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Exchange-traded funds	\$ 5,032,641	\$ 3,714,791
Limited partnership interest	-	216,988
Equity mutual funds	-	41,297
Totals	\$ 5,032,641	\$ 3,973,076

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Note 4. Investments and Fair Value Measurements - (Continued)

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 75,308	\$ 62,588
Net unrealized gains	620,238	449,109
Net realized losses	<u>(30,625)</u>	<u>(1,656)</u>
Totals	<u>\$ 664,921</u>	<u>\$ 510,041</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 4. Investments and Fair Value Measurements - (Continued)

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

Exchange-traded funds and equity mutual funds - 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, 2021, the Priory's investments in exchange-traded funds, totaling \$5,032,641, were measured using Level 1 inputs. 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 5. Property and Equipment - Components of property and equipment include the following as of December 31:

	<u>2021</u>	<u>2020</u>
Website	\$ 53,589	\$ 44,357
Computer hardware and software	29,374	26,799
Office furniture, fixtures and leasehold improvements	<u>3,500</u>	<u>3,500</u>
Subtotals	\$ 86,463	\$ 74,656
Less, accumulated depreciation and amortization	<u>47,900</u>	<u>37,019</u>
Totals	<u><u>\$ 38,563</u></u>	<u><u>\$ 37,637</u></u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 totaled \$10,881 and \$8,658, respectively.

Note 6. Loan Payable - 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 7. **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 available to be spent in accordance with donor instructions in furtherance of the Priory's mission. Included in the Priory's unrestricted net assets is a board-designated endowment fund. The balance of this fund was \$2,349,045 and \$1,829,308 as of December 31, 2021 and 2020, 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 7. 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, 2021, are as follows:

	With Donor Board- Designated	With Donor Restrictions for Purpose	With Donor Restrictions in Perpetuity
Endowment net assets, beginning of year	\$ 1,829,308	\$ 192,589	\$ 782,069
Additions	260,931	-	46,600
Allocated investment income and gains	258,806	66,378	63,195
Expenditures	-	(33,582)	-
Endowment net assets, end of year	<u><u>\$ 2,349,045</u></u>	<u><u>\$ 225,385</u></u>	<u><u>\$ 891,864</u></u>

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

	With Donor Board- Designated	With Donor Restrictions for Purpose	With Donor Restrictions in Perpetuity
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><u>\$ 1,829,308</u></u>	<u><u>\$ 192,589</u></u>	<u><u>\$ 782,069</u></u>

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Note 8. **Net Assets with Donor Restrictions** - Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Restricted Member Donations	\$ 285,614	\$ -
Dallas Surgeon Fellows Fund	267,418	236,222
Magowan/McBean Nursing Scholarship Fund	159,874	141,225
Drexel Family Fund Endowment	119,321	95,125
New York-Greenwich Endowment	115,218	-
Wintersteen Nursing Fund Endowment	106,065	97,464
St John Eye Hospital	104,020	68,615
Muristan Stubing/Thomas Fund	27,098	-
Regional Funds	26,083	24,883
Swenson Memorial Fund	2,600	2,600
Total	<u>\$ 1,213,311</u>	<u>\$ 666,134</u>
Subject to the passage of time:		
Pledges receivable - Operations	\$ 89,216	\$ 113,586
Other time-restricted contributions	114,659	14,272
Total	<u>\$ 203,875</u>	<u>\$ 127,858</u>
In perpetuity for endowments:		
San Francisco Endowment	\$ 565,030	\$ 455,235
Wintersteen Nursing Fund Endowment	200,000	200,000
Drexel Family Fund Endowment	126,834	126,834
Total	<u>\$ 891,864</u>	<u>\$ 782,069</u>
Total net assets with donor restrictions	<u>\$ 2,309,050</u>	<u>\$ 1,576,061</u>

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Note 9. Revenue Recognition

Disaggregation of Revenue

There were no significant contract assets or liabilities for the years ended December 31, 2021 or 2020.

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

	<u>2021</u>	<u>2020</u>
Recognized at a point in time	<u>\$ 55,557</u>	<u>\$ 23,971</u>

Performance Obligations

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

Significant Judgments

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

Note 10. Annual Investiture and Other Revenue

The annual investiture income for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Annual investiture income	\$ 919,570	\$ -
Less: direct benefits to donors	<u>(306,468)</u>	<u>-</u>
Annual investiture income, net	<u>\$ 613,102</u>	<u>\$ -</u>

The regional fundraising events income for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Regional fundraising events	\$ 117,687	\$ 95,659
Less: direct benefits to donors	<u>(35,499)</u>	<u>(6,831)</u>
Regional fundraising events, net	<u>\$ 82,188</u>	<u>\$ 88,828</u>

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Note 10. Annual Investiture and Other Revenue - (Continued)

Decorations and memorabilia for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Decorations and memorabilia	\$ 55,557	\$ 23,971
Less: Decorations and memorabilia expenses	<u>(65,093)</u>	<u>(38,644)</u>
Decorations and memorabilia, net	<u><u>\$ (9,536)</u></u>	<u><u>\$ (14,673)</u></u>

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

	<u>2021</u>	<u>2020</u>
St John Eye Hospital	\$ 2,158,250	\$ 1,540,325
Nursing scholarship	<u>261,750</u>	<u>309,675</u>
Total Hospital Support	<u>\$ 2,420,000</u>	<u>\$ 1,850,000</u>
International Order Support	106,648	98,582
Various Churches & Organizations	<u>-</u>	<u>32,842</u>
Totals	<u><u>\$ 2,526,648</u></u>	<u><u>\$ 1,981,424</u></u>

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 December 31, 2021 and 2020 was \$19,392 and \$19,090, respectively. Employees are fully vested in the Plan upon enrollment.

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Note 13. 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 statement of financial position. Total rent expense for the years ended December 31, 2021 and 2020 was \$156,559 and \$153,725, 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, 2021 and 2020, was \$9,830 and \$9,786, respectively.

Future minimum lease payments are as follows:

Year Ending December 31,	Office Lease	Equipment	Total
2022	\$ 156,376	\$ 3,106	\$ 159,482
2023	160,281	-	160,281
2024	164,283	-	164,283
2025	168,390	-	168,390
2026	172,605	-	172,605
Thereafter	102,601	-	102,601
Total	<u>\$ 924,536</u>	<u>\$ 3,106</u>	<u>\$ 927,642</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.

In previous years the Priory received 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.

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Note 14. Subsequent Events - In preparation of these financial statements, the Priory has evaluated events and transactions for potential recognition or disclosure through November 30, 2022, which is the date the financial statements were available to be issued.

Note 15. 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for 2020, from which the summarized information was derived.