

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

FINANCIAL STATEMENTS

DECEMBER 31, 2025



ASSURANCE, TAX & ADVISORY SERVICES

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 17



INDEPENDENT AUDITOR'S 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

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 (the Priory), which comprise the statement of financial position as of December 31, 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Priory as of December 31, 2025, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Priory 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 the 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's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 GAAS, 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'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'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's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PBMares, LLP

Fairfax, Virginia
May 21, 2026

FINANCIAL STATEMENTS

**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, 2025**

ASSETS	
Cash and Cash Equivalents	
Checking and savings	\$ 743,864
Cash account managed by investment broker	322,160
	<hr/>
Total cash and cash equivalents	1,066,024
	<hr/>
Contributions Receivable	805,679
Prepaid Expenses	42,426
Investments	9,500,598
Right of Use Assets - Operating	235,820
Right of Use Assets - Finance	12,421
Property and Equipment, net	10,475
Security Deposit	18,942
	<hr/>
Total assets	\$ 11,692,385
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and accrued expenses	\$ 1,310,066
Deferred revenue	27,575
Operating lease liability, net	271,659
Finance lease liability, net	13,002
	<hr/>
Total liabilities	1,622,302
	<hr/>
Net Assets	
Without donor restrictions	3,773,383
With donor restrictions	6,296,700
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Total net assets	10,070,083
	<hr/>
Total liabilities and net assets	\$ 11,692,385
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**THE PRIORY IN THE UNITED STATES OF AMERICA OF THE MOST VENERABLE
ORDER OF THE HOSPITAL OF ST JOHN OF JERUSALEM**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2025, with Comparative Totals for 2024

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Support and Revenue				
Contributions	\$ 2,633,359	\$ 1,019,198	\$ 3,652,557	\$ 4,848,802
Annual investiture income	844,316	-	844,316	969,987
Net investment return	677,352	845,126	1,522,478	1,195,765
Regional programs	162,184	-	162,184	134,142
Pilgrimage program	194,223	-	194,223	139,951
Decorations and memorabilia	44,008	-	44,008	76,092
Net assets released from restriction	1,189,854	(1,189,854)	-	-
Total support and revenue	5,745,296	674,470	6,419,766	7,364,739
Expenses				
Program services:				
Eye Hospital support	3,418,826	-	3,418,826	3,811,376
Other program services	1,133,318	-	1,133,318	1,278,152
Total program services	4,552,144	-	4,552,144	5,089,528
Supporting Services				
Management and general	395,074	-	395,074	417,267
Fundraising	228,678	-	228,678	254,764
Total support services	623,752	-	623,752	672,031
Total expenses	5,175,896	-	5,175,896	5,761,559
Change in net assets	569,400	674,470	1,243,870	1,603,180
Net assets, beginning of year	3,203,983	5,622,230	8,826,213	7,223,033
Net assets, end of year	\$ 3,773,383	\$ 6,296,700	\$ 10,070,083	\$ 8,826,213

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

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2025, with Comparative Totals for 2024

	Program Services		Supporting Service		2025 Total	2024 Total
	Eye Hospital Support	Other Program Services	Management and General	Fundraising		
Charitable Gifts and Contributions	\$ 3,200,931	\$ 150,503	\$ -	\$ -	\$ 3,351,434	\$ 3,764,386
Salaries and Benefits	119,839	216,493	100,471	22,455	459,258	501,841
Investiture Expense	-	281,486	-	176,800	458,286	634,220
Professional Fees	7,735	46,208	165,455	1,999	221,397	228,479
Rent	42,751	77,231	35,842	8,011	163,835	154,423
Pilgrimage Expense	-	128,588	-	-	128,588	77,682
Travel and Entertainment	24,463	45,436	22,565	15,083	107,547	94,742
Regional Programs	-	82,208	-	-	82,208	65,646
Decorations and Memorabilia	-	50,797	-	-	50,797	73,961
Office Expense	7,914	17,207	14,963	1,483	41,567	43,900
Governance and Leadership	-	965	32,483	-	33,448	24,766
Printing and Publication	4,834	14,654	4,954	906	25,348	47,201
Postage and Shipping	4,012	10,076	3,479	752	18,319	16,897
Depreciation and Amortization Expense	3,027	5,469	2,538	567	11,601	14,767
Telephone and Internet	2,571	4,644	2,155	482	9,852	9,263
Insurance Expense	-	-	9,541	-	9,541	5,985
Equipment Rental Expense	749	1,353	628	140	2,870	3,400
Total expenses	\$ 3,418,826	\$ 1,133,318	\$ 395,074	\$ 228,678	\$ 5,175,896	\$ 5,761,559
Total expenses, comparative totals for 2024	\$ 3,811,376	\$ 1,278,152	\$ 417,267	\$ 254,764	\$ 5,761,559	

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

STATEMENT OF CASH FLOWS
Year Ended December 31, 2025

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Cash Flows from Operating Activities	
Cash received from contributors, grants, registrants and members	\$ 5,436,441
Cash paid to charitable organizations, employees and suppliers	(5,333,645)
Interest and dividends received	154,461
	<hr/>
Net cash provided by operating activities	257,257
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Cash Flows from Investing Activities	
Purchase of property and equipment	(7,367)
Purchase of investments	(1,651,133)
Proceeds from sales of investments	1,400,002
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Net cash used in investing activities	(258,498)
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Cash Flows from Financing Activities	
Principal finance lease payments	(4,708)
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Net cash used in financing activities	(4,708)
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Net change in cash and cash equivalents	(5,949)
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Cash and cash equivalents, January 1, 2025	1,071,973
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Cash and cash equivalents, December 31, 2025	\$ 1,066,024
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Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities	
Changes in net assets	\$ 1,243,870
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Reduction in the carrying amount of right-of-use-assets	145,591
Depreciation and amortization	6,792
Net investment return	(1,516,423)
Interest on lease liabilities	4,809
Changes in assets and liabilities:	
Decrease in contributions receivable	445,128
Increase in prepaid expenses	(14,836)
Increase in accounts payable and accrued expenses	171,604
Decrease in deferred revenue	(66,475)
Decrease in operating lease liability	(162,803)
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Net cash provided by operating activities	\$ 257,257
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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

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. The Priory uses the term Chapter as an equivalent to the governing board of directors.

Basis of accounting: The accompanying financial statements of the Priory have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which is an 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 Chapter-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.

Support and 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 and underwriting support collected in advance for future events.

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 statement of activities.

Annual investiture and pilgrimage 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, 2025.

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

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

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 statement 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.

Leases: The Priory accounts for leases in accordance with FASB ASU 2016-02, *Leases* (Topic 842). The Organization made the accounting policy election to exclude short-term leases (leases with a term of 12 months or less and which do not include a purchase option that the Priory is reasonably certain to exercise) from the statements of financial position presentation. The Priory does not separate lease components for real estate leases.

At contract inception, the Priory determines if a contract is or contains a lease and whether it is an operating lease or a finance lease. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Priory obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Priory also considers whether its service arrangements include the right to control the use of an asset.

For leases that have a lease term greater than one year, the Priory initially recognizes operating lease liabilities and right-of-use (ROU) assets at the lease commencement date, which is the date that the lessor makes an underlying asset available for use by the Priory. ROU assets represent the Priory's right to use an underlying asset for the lease term and lease liabilities represent the present value of the Priory obligation to make lease payments, primarily escalating fixed payments, over the lease term. The discount rate used to determine the present value of the lease payments is generally the rate implicit in the lease agreement. If the discount rate implicit in the lease agreement is not readily determinable, the Priory uses its incremental borrowing rate.

The incremental borrowing rate for the lease term is determined by adjusting the Priory's unsecured borrowing rate for a similar term to approximate a collateralized borrowing rate. The Priory's lease terms for each of its leases represents the noncancelable period for which the Priory has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease, if the Priory is reasonably certain to exercise that option; (ii) periods covered by an option to terminate the lease if the Priory is reasonably certain not to exercise that option; and (iii) periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor. The Priory recognizes lease expense on a straight-line basis over the lease term.

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

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

Property and equipment (continued): Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of any index or other periodic market-rate adjustments to base rent are recorded in variable lease expenses in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be 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.

The Priory has adopted the provisions of accounting for uncertainty in income tax positions as required by *Income Taxes (Topic 740)* of the FASB Accounting Standards Codification (ASC); however, management does not believe it is exposed to any such positions as defined in this guidance, nor do they expect this to change significantly over the next 12 months.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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 fundraising activities: The costs of supporting the Priory's principal functions have been summarized on a functional basis in the statement of activities and detailed by natural expense type in the statement 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 U.S. 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.

Subsequent events: The Priory has evaluated subsequent events through May 21, 2026, the date on which the financial statements were available to be issued.

**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

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 at December 31, 2025:

Financial Assets at Year-End	
Cash and cash equivalents	\$ 1,066,024
Contributions receivable	805,679
Investments	<u>9,500,598</u>
Total financial assets	<u>11,372,301</u>
Less, amounts not available for general expenditures within one year	
Investments restricted for endowments in perpetuity	(126,834)
Restrictions for purpose	(5,432,192)
Restrictions for time	(737,674)
Chapter-designated reserves	<u>(2,936,573)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,139,028</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 Chapter designated-endowment. Income from donor-restricted endowments is restricted for specific purposes, and therefore, is not available for general expenditures. The Chapter 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). The Priory believes it is not exposed to a significant risk on its cash accounts. At December 31, 2025, the Priory has \$816,024 in excess of FDIC coverage limits, including \$264,727 in a brokerage government money market fund.

**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

Note 4. Investments and Fair Value Measurements

Investments consisted of the following as of December 31, 2025:

Equity Mutual Funds	<u>\$ 9,500,598</u>
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Investment income and gains consisted of the following for the year ended December 31, 2025:

Interest and Dividends	\$ 160,500
Net Unrealized Gains	1,338,843
Net Realized Gains	<u>23,135</u>
Net investment return	<u>\$ 1,522,478</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 asset's 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 methodology used for assets measured at fair value:

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.

As of December 31, 2025, the Priory's investments in equity mutual funds, totaling \$9,500,598 were measured using Level 1 inputs.

**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

Note 5. Property and Equipment

Components of property and equipment include the following as of December 31, 2025:

Website	\$ 53,589
Computer Hardware and Software	33,682
Office Furniture and Leasehold Improvements	3,500
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	90,771
Less Accumulated Depreciation and Amortization	80,296
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Total	\$ 10,475
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Note 6. Endowment and Quasi-Endowment Funds

The Priory's endowment consists of donor-restricted funds held in perpetuity. As required by U.S. GAAP, 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. The chapter-designated are quasi-endowment funds, where the Chapter Members have placed a designation on these assets whereas the funds are intended to function in a similar manner to a donor-restricted endowment.

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.

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 Chapter-designated quasi-endowment funds of the Priory. Earnings on the principal may be utilized by the Priory in line with the recommendations of the donor.

**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

Note 6. Endowment and Quasi-Endowment Funds (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Priory to retain as a fund of perpetual duration, which was \$126,834 at December 31, 2025. At December 31, 2025, there were no deficiencies in the individual endowment funds.

Changes in endowment and quasi-endowment net assets for the year ended December 31, 2025, are as follows:

	Chapter- Designated (Quasi- Endowment)	With Donor Restrictions in Perpetuity
Endowment Net Assets, January 1, 2025	\$ 2,478,067	\$ 126,834
Additions	-	-
Allocated investment gains	458,506	-
Expenditures	-	-
Endowment Net Assets, December 31, 2025	<u>\$ 2,936,573</u>	<u>\$ 126,834</u>

Note 7. Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31, 2025:

Subject to Expenditure for Specific Purpose	
San Francisco Endowment Fund	\$ 1,668,835
New York-Greenwich Endowment Fund	1,336,564
Palm Beach Endowment Fund	982,960
St. Louis Endowment Fund	68,641
Southwest Endowment Fund	143,114
Dallas Surgeon Fellows Fund	533,658
Muristan Stubing Thomas Fund	255,758
Palm Beach Nurse and Doctor Initiative	258,892
Restricted Member Donations	183,770
Total	<u>5,432,192</u>
Subject to the Passage of Time	
Pledges receivable - restricted for purpose	737,674
Total	<u>737,674</u>
In Perpetuity for Endowments	
Drexel Family Fund Endowment	126,834
Total	<u>126,834</u>
Total net assets with donor restrictions	<u>\$ 6,296,700</u>

**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

Note 7. Net Assets (Continued)

Net assets without donor restrictions are as follows at December 31, 2025:

Chapter-designated	\$ 2,936,573
Un-designated	836,810
Total net assets without donor restrictions	<u><u>\$ 3,773,383</u></u>

The Priory has adopted investment policies for its Chapter-designated 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. In 2023, the Priory adjusted the spending rate to be based on the balances over a 48-month period, effective for 2024.

Note 8. Revenue Recognition

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

Recognized at a Point in Time	
Pilgrimage program	\$ 194,223
Decorations and memorabilia	44,008
	<u><u>\$ 238,231</u></u>

Deferred revenue was \$94,050 as of January 1, 2025 and \$27,575 as of December 31, 2025.

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 9. Annual Investiture and Other Revenue

The net annual investiture income for the year ended December 31, 2025 was as follows:

Annual Investiture Income	\$ 844,316
Less Expenses	(458,286)
Annual investiture, net	<u><u>\$ 386,030</u></u>

**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

Note 9. Annual Investiture and Other Revenue (Continued)

The net regional programs income for the year ended December 31, 2025 was as follows:

Regional Programs Income	\$ 162,184
Less Expenses	(82,208)
Regional programs, net	<u><u>\$ 79,976</u></u>

Net decorations and memorabilia income for the year ended December 31, 2025 was as follows:

Decorations and Memorabilia Income	\$ 44,008
Less Expenses	(50,797)
Decorations and memorabilia, net	<u><u>\$ (6,789)</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 10. Charitable Gifts and Contributions

Charitable gifts and contributions made consisted of the following for the year ended December 31, 2025:

St John Eye Hospital	\$ 3,200,931
International Order Support	103,154
Various Churches & Organizations	47,349
Total	<u><u>\$ 3,351,434</u></u>

For the year ended December 31, 2025, \$1,281,841 of the donations to St John Eye Hospital was included in accounts payable and accrued expenses.

Note 11. 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 year ended December 31, 2025 was \$24,598. Employees are fully vested in the Plan upon enrollment.

Note 12. Leasing Arrangements

The Priory has an office lease that expires on 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.

On June 28, 2023 the Priory entered into a finance lease agreement, where the Priory leases office equipment, and makes monthly payments of \$442. The lease agreement expires June 2028.

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

Note 12. Leasing Arrangements (Continued)

A lease is defined as a contract that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. On January 1, 2022, the Priory adopted FASB ASU No. 2016-2 *Leases* (Topic 842) and all subsequent ASUs that modified ASC 842. For the Priory, ASC 842 primarily affected the accounting treatment for operating lease agreements in which the Priory is the lessee.

With the adoption of ASC 842, operating and finance lease agreements were required to be recognized on the statement of financial position as a right-of-use (ROU) asset and a corresponding lease liability.

The Priory has elected not to recognize ROU assets and lease liabilities arising from short-term leases, leases with initial terms of twelve months or less, or equipment leases (deemed immaterial) on the statement of financial position.

Leases contain terms and conditions of options to extend or terminate the lease which are recognized as part of the ROU assets and lease liabilities when an economic benefit to exercise the option exists and there is a reasonable probability that the Priory will exercise the option. If these criteria are not met, the options are not included in ROU assets and lease liabilities.

As of December 31, 2025, leases do not contain material residual value guarantees or impose restrictions on the Priory's ability to incur additional financial obligations. As of December 31, 2025, the Priory has not signed for any new leases subsequent to year end as of the date these statements were available for issue.

The components of lease expense for the year ended December 31, 2025 are as follows:

Operating Lease Cost	\$ 145,591
Finance Lease Cost	4,708
Total lease cost	<u>\$ 150,299</u>
Weighted Average Remaining lease Term	1.63 years
Weighted Average Discount Rate	1.66%

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2025:

Operating Cash Flows for Operating Lease	\$ 162,803
Financing Cash Flows for Finance Lease	5,304
Total operating cash flows for leases	<u>\$ 168,107</u>

**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

Note 12. Leasing Arrangements (Continued)

Future minimum lease payments on the operating lease as December 31, 2025 are as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>
2026	\$ 172,605	\$ 5,304
2027	102,602	5,304
2028	-	3,044
Total Future Minimum Lease Payments	<u>275,207</u>	<u>13,652</u>
Less Imputed Interest	<u>(3,548)</u>	<u>(650)</u>
Total lease obligations	<u><u>\$ 271,659</u></u>	<u><u>\$ 13,002</u></u>

Note 13. Commitments and Contingency

The Priory has entered into certain agreements with facilities relating to the Investiture and other meetings. 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.