



Senior Living Community
for the
Eastern Star in California

RECEIVED
FEB 03 2014

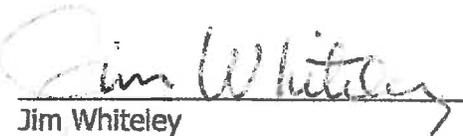
CONTINUING CARE
CONTRACTS BRANCH

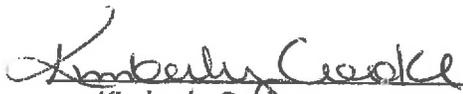
January 31, 2014

Department of Social Services – Continuing Care Contracts Branch
744 P Street
MS 10-90
Sacramento, CA 95814

Certification Statement

- I certify that, the annual report and any amendments thereto are correct to the best of my knowledge.
- I certify that each continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.
- Per California Health and Safety Code 1790 (a) (3), the California Eastern Star Homes of California is required to disclose any funds accumulated for identified projects for purposes and any funds maintained or designated for specific contingencies. The Homes does not have any such funds identified for any project or purposes other than the operations of the Home. The Endowment Fund of the Grand Chapter of California, Order of the Eastern Star is designated for the accumulation of funds to support the Home operations. The fact is disclosed in the notes of the financial statements of both the Home and Grand Chapter footnotes 5 and 11, respectively.


Jim Whiteley
President; Board of Trustees,
Eastern Star Homes of California, Inc.


Kimberly Cooke
Executive Director
Senior Living Community for the Eastern Star


Erin Wilson
Administrator
Senior Living Community for the Eastern Star

**DIRECTORS AND OFFICERS LIABILITY POLICY
DECLARATIONS**



Corporate Office
945 E. Paces Ferry Rd.
Suite 1800
Atlanta, GA 30326

R E C E I V E D
FEB 03 2014

COMPANY SYMBOL | POLICY PREFIX & NUMBER | RENEWAL OF
N | HP653516 | NHP648042

• THIS IS A CLAIMS MADE POLICY. PLEASE READ CAREFULLY. •

CONTINUING CARE
CONTRACTS BRANCH

THIS POLICY IS ISSUED BY: RSUI Indemnity Company (hereinafter referred to as the Insurer)

ITEM 1. INSURED'S NAME AND MAILING ADDRESS

PRODUCER'S NAME AND ADDRESS

EASTERN STAR HOMES OF CALIFORNIA, INC.
16850 EAST BASTANCHURY ROAD
YORBA LINDA, CA 92886

IN CONSIDERATION OF THE PAYMENT OF THE PREMIUM, IN RELIANCE UPON THE STATEMENTS HEREIN OR ATTACHED HERETO, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, THE INSURER AGREES TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

ITEM 2. POLICY PERIOD:

FROM 9/1/2013 TO 9/1/2014 12:01 AM Standard Time at the Insured's address as stated herein

ITEM 3. LIMIT OF LIABILITY:

\$ 3,000,000 Aggregate Limit of Liability each policy period

ITEM 4. RETENTION:

\$ 0 Insuring Agreement A
\$ 25,000 Insuring Agreement B
\$ 25,000 Insuring Agreement C
\$ 25,000 Employment Practices Claim

ITEM 5. PREMIUM:

\$ 14,870.00

ITEM 6. POLICY FORM AND ENDORSEMENTS MADE A PART OF THIS POLICY AT THE TIME OF ISSUE:

SEE RSG 200007 0204 - SUPPLEMENTAL DECLARATIONS - SCHEDULE OF ENDORSEMENTS; RSG 211003 0609 - DIRECTORS AND OFFICERS LIABILITY POLICY - NOT FOR PROFIT ORGANIZATION - 2009

THESE DECLARATIONS TOGETHER WITH THE COMPLETED, SIGNED AND DATED APPLICATION, POLICY FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

Countersigned: _____

September 20, 2013

DATE

AUTHORIZED REPRESENTATIVE

**DIRECTORS AND OFFICERS LIABILITY POLICY
SUPPLEMENTAL DECLARATIONS**



POLICY NUMBER: NHP653516

SCHEDULE OF ENDORSEMENTS

TITLE	FORM NUMBER
Disclosure Pursuant to Terrorism Risk Insurance Act	RSG 204123 0108
California Changes - Cancellation and Nonrenewal	RSG 203005 0611
Cap on Losses From Certified Acts of Terrorism	RSG 204081 0108
Coverage Extension - Healthcare Organization	RSG 204095 0210
Coverage Extension - HIPAA	RSG 204137 0609
Defense Expense in Addition to the Limit of Liability	RSG 214039 0911
Exclusion - Amended Bodily Injury and Property Damage	RSG 216014 0609
Exclusion - Bankruptcy - Insolvency	RSG 206049 0204
Exclusion - Malpractice	RSG 206066 0210
Exclusion - Prior and or Pending Litigation Backdated	RSG 206071 0204
Exclusion - Sexual Abuse with EPL Carve back	RSG 206086 1205
Exclusion - Specific Entities and Individuals	RSG 206077 1205
Exclusion - Specific Litigation	RSG 206078 0204
Sublimit - Defense Expenses - Wage and Hour Claims	RSG 204153 0609
Third Party Liability Coverage	RSG 204119 1011

COMMERCIAL GENERAL LIABILITY
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2013

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

CLASSIFICATIONS

CLASSIFICATION	CODE NO.	PREMIUM BASIS	EXPOSURE
DWELLINGS-ONE FAMILY (LESSORS RISK ONLY)	63010	U	1
SEXUAL MISCONDUCT LIABILITY	49990	C	
EMPLOYEE BENEFITS	49993	C	30

PREMIUM BASIS: A-AREA C-TOTAL COST M-ADMISSIONS
P-PAYROLL S-GROSS SALES U-UNITS OR EACH

ENDORSEMENT SCHEDULES

FORM GCG0405/0409
CRISIS MANAGEMENT COVERAGE

SCHEDULE

\$ 300,000 CRISIS EVENT AGGREGATE LIMIT
\$ 2,500 INDIVIDUAL COUNSELING EXPENSES EACH PERSON LIMIT
\$ 50,000 MEDICAL EXPENSES EACH PERSON LIMIT
\$ 200,000 INDIVIDUAL EXPENSES AGGREGATE LIMIT
\$ 100,000 ORGANIZATIONAL EXPENSES AGGREGATE LIMIT

FORM GCG2820/0409
LOST WAGES COVERAGE

SCHEDULE

\$ 5,000 LOST WAGES LIMIT

CONTINUED ON THE NEXT PAGE

COMMERCIAL GENERAL LIABILITY
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2013

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

ENDORSEMENT SCHEDULES

FORM GCG7310/0409
EMPLOYEE BENEFITS LIABILITY ENDORSEMENT

SCHEDULE

\$ 1,000,000 EACH EMPLOYEE LIMIT
\$ 3,000,000 AGGREGATE LIMIT
\$ 1,000 DEDUCTIBLE

FORM GCG7410/0409
SEXUAL MISCONDUCT LIABILITY COVERAGE

SCHEDULE

\$ 1,000,000 EACH CLAIM LIMIT
\$ 3,000,000 AGGREGATE LIMIT
\$ 10,000 MEDICAL EXPENSE LIMIT

FORM GCG7510/0409
PROFESSIONAL LIABILITY COVERAGE

SCHEDULE

\$ 1,000,000 EACH CLAIM LIMIT
\$ 3,000,000 AGGREGATE LIMIT

FORM PMAN502
AMENDED DEFINITION OF DAMAGES

THIS DOCUMENT IS AN ENDORSEMENT THAT CHANGES THE POLICY.
PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE
FOLLOWING:

CONTINUED ON THE NEXT PAGE

08/17/2013

ORIGINAL COPY

PCG 75 00 04 09

COMMERCIAL GENERAL LIABILITY
COVERAGE PART DECLARATIONS PAGE

POLICY EFFECTIVE 10/01/2013

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

ENDORSEMENT SCHEDULES

FORM PMAN502
AMENDED DEFINITION OF DAMAGES

COMMERCIAL GENERAL LIABILITY COVERAGE FORM
PROFESSIONAL LIABILITY COVERAGE
EMPLOYEE BENEFITS LIABILITY COVERAGE
COUNSELORS LIABILITY COVERAGE

THE DEFINITION OF "DAMAGES" IS REPLACED BY THE FOLLOWING:
"DAMAGES" MEAN ONLY THOSE TORT DAMAGES ALLOWED BY LAW.

COMMON POLICY DECLARATIONS

NAMED INSURED		POLICY NO. 1266-293	RENEWAL
EASTERN STAR HOMES OF CALIFORNIA		PRODUCER NAME AND ADDRESS	
INCORPORATED DBA SENIOR LIVING		PAUL MUENCH COMPANY	
COMMUNITY FOR THE EASTERN STAR		2107 N BROADWAY STE 205	
16850 BASTANCHURY ROAD		SANTA ANA	CA 92706
YORBA LINDA	CA 92886	04-791 (04) (714)689-0055 ADMIN 00-000	
		WWW.PaulMuench.GuideOne.com	

POLICY PERIOD: FROM 10/01/2013 TO 10/01/2014
 AT 12:01 A.M. STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

 THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

COMMERCIAL PROPERTY COVERAGE PART	\$ 57,722.00
FORMS APPLICABLE:	
SEE COMMON POLICY DECLARATIONS SUPPLEMENT	

COMMERCIAL GENERAL LIABILITY COVERAGE PART	\$ 16,961.00
FORMS APPLICABLE:	
SEE COMMON POLICY DECLARATIONS SUPPLEMENT	

COMMERCIAL CRIME COVERAGE PART	\$ 232.00
FORMS APPLICABLE: CR0001/1090 CR0003/0186	
PCR4610/0396	

COMMERCIAL INLAND MARINE COVERAGE PART	\$ 2,218.00
FORMS APPLICABLE: CL0600/0108 CL162/2.0	
IM100/0684 IM664-2/0684 IM664/0684	
PCM4411/0396 PCM7405/0885 PCM7410/0790	

MECHANICAL, ELECTRICAL AND PRESSURE EQUIPMENT COVERAGE PART	\$.00
COVERAGE INCLUDED IN PROPERTY - SEE FORM PCP7357	

 FORMS APPLICABLE TO MORE THAN ONE COVERAGE PART:
 SEE COMMON POLICY DECLARATIONS SUPPLEMENT

TOTAL PREMIUM OF \$77,133.00.

COUNTERSIGNED 08/17/2013 BY _____
 (DATE) (AUTHORIZED REPRESENTATIVE)

GuideOne Insurance
 1111 ASHWORTH ROAD
 WEST DES MOINES, IOWA 50265-3538
 (515)267-5000

GuideOne Mutual
 Insurance Company

COMMON POLICY DECLARATIONS
SUPPLEMENT

POLICY EFFECTIVE 10/01/2013

POLICY NO. 1266-293

NAMED INSURED EASTERN STAR HOMES OF CALIFORNIA

COVERAGE PART FORM SCHEDULE

COMMERCIAL PROPERTY COVERAGE PART

FORMS APPLICABLE: CP0030/0607 CP0299/0607

GCP0407/0409 GCP0445/0409 GCP2702/0409

PCP4310/0396 PCP4314/0409 PCP5311/0409

PCP7352/1098 PCP7357/0409 PMAN323X

COMMERCIAL GENERAL LIABILITY COVERAGE PART /

FORMS APPLICABLE: CG0068/0509 CG2147/1207

CG2167/1204 CG2170/0108 CG2176/0108

CG3234/0105 GCG0405/0409 GCG2820/0409

GCG7310/0409 GCG7410/0409 GCG7510/0409

PCG5510/0409 PMAN502

FORMS APPLICABLE TO MORE THAN ONE COVERAGE PART:

GIL4205/0409 GIL4220/0409 GN70025/0108

IL0003/0908 IL0021/0908 IL0102/0505

IL0270/0908 IL0415/0498 IL0952/0308

PIL7209/0190

CRIME AND FIDELITY COVERAGE PART DECLARATIONS (COMMERCIAL ENTITIES)

The Crime And Fidelity Coverage Part (Commercial Entities) consists of this Declarations Form and the Commercial Crime Coverage Form.

Coverage Is Written:

- Primary
 Excess
 Coindemnity
 Concurrent

Employee Benefit Plan(s) Included As Insureds:
 ANY EMPLOYEE BENEFIT PLAN ESTABLISHED SOLELY FOR PERSONNEL OF ENTITIES INSURED UNDER THIS POLICY

Insuring Agreements	Limit Of Insurance Per Occurrence	Deductible Amount Per Occurrence
1. Employee Theft	\$10,000	\$500
2. Forgery Or Alteration	\$10,000	\$500
3. Inside The Premises - Theft Of Money And Securities	Not Covered	
4. Inside The Premises - Robbery Or Safe Burglary Of Other Property	Not Covered	
5. Outside The Premises	Not Covered	
6. Computer Fraud	Not Covered	
7. Funds Transfer Fraud	Not Covered	
8. Money Orders And Counterfeit Money	Not Covered	

If "Not Covered" is inserted above opposite any specified Insuring Agreement, such Insuring Agreement and any other reference thereto in this policy is deleted.

If Added By Endorsement:		
Insuring Agreement(s)	Limit Of Insurance Per Occurrence	Deductible Amount Per Occurrence

Endorsements Forming Part Of This Coverage Part When Issued:
 See Schedule of Forms and Endorsements

Independent Auditor's Report

RECEIVED
FEB 03 2014

CONTINUING CARE
CONTRACTS BRANCH

To the Finance Committee
Grand Chapter of California, Order of the Eastern Star
To the Board of Trustees
Eastern Star Homes of California

We have audited the accompanying continuing care reserve report (the "Reports") of the Grand Chapter of California, Order of the Eastern Star (the "Grand Chapter") and Eastern Star Homes of California (the "Home") as of September 30, 2013.

Management's Responsibility for the Report

Management is responsible for the preparation and fair presentation of these Reports in accordance with the report preparation provision of California Health and Safety Code Section 1792; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Reports that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Reports 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 Reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Reports. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Reports 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 Reports.

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 Reports of the Grand Chapter and the Home present fairly, in all material respects, the liquid reserve requirements of the Grand Chapter and the Home as of September 30, 2013 in conformity with the report preparation provision of California Health and Safety Code Section 1792 referred to above.

Basis of Accounting

The Reports were prepared by the Grand Chapter and the Home on the basis of the report preparation provision of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of California Health and Safety Code Section 1792 referred to above. Our opinion is not modified with respect to that matter.

Report on Audited Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Grand Chapter and the Home as of and for the years ended September 30, 2013 and 2012, and our reports thereon dated January 30, 2014, expressed an unmodified opinion on the Home financial statements and a qualified opinion on the Grand Chapter financial statements since the Home financial statements are not consolidated into the Grand Chapter financial statements as required by accounting principles generally accepted in the United States of America.

Restriction on Use

This report is intended solely for the information of the Finance Committee, Board of Trustees and management of the Grand Chapter and the Home and the California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

CohnReznick LLP

Los Angeles, California
January 30, 2014

**Grand Chapter of California,
Order of the Eastern Star**

**Financial Statements
and Independent Auditor's Report**

September 30, 2013 and 2012

Grand Chapter of California, Order of the Eastern Star

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Independent Auditor's Report

To the Finance Committee
Grand Chapter of California, Order of the Eastern Star

We have audited the accompanying financial statements of Grand Chapter of California, Order of the Eastern Star (a California nonprofit corporation), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's 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 auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note 12 to the financial statements, Grand Chapter of California, Order of the Eastern Star does not consolidate the financial statements of Eastern Star Homes of California. In our opinion, as a result of Grand Chapter of California, Order of the Eastern Star's economic interest in, and control over, Eastern Star Homes of California, accounting principles generally accepted in the United States of America require that Grand Chapter of California, Order of the Eastern Star consolidate the financial statements of Eastern Star Homes of California. If the financial statements of Eastern Star Homes of California were consolidated with those of Grand Chapter of California, Order of the Eastern Star, total assets would have increased by \$7,958,965 and \$8,451,349, total liabilities would have increased by \$15,665,220 and \$15,358,230, and change in net assets would have decreased by \$799,374 and \$3,586,377 as of and for the years ended September 30, 2013 and 2012, respectively.

Qualified Opinion

In our opinion, except for the effects of not consolidating Eastern Star Homes of California, as discussed in the *Basis for Qualified Opinion* paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Grand Chapter of California, Order of the Eastern Star as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Los Angeles, California
January 30, 2014

Grand Chapter of California, Order of the Eastern Star

Statements of Financial Position

September 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 2,117,774	\$ 3,904,584
Due from affiliated organizations:		
California Eastern Star Foundation	-	13,595
Eastern Star Homes of California	-	18,090
Investments	30,406,124	28,950,768
Prepaid expenses and supplies	101,324	201,809
Other assets	79,257	81,320
Property and equipment, net of accumulated depreciation and amortization	<u>34,036</u>	<u>11,926</u>
Total assets	<u>\$ 32,738,515</u>	<u>\$ 33,182,092</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 80,821	\$ 104,873
Deferred revenue	25,860	21,190
Due to affiliated organizations:		
California Eastern Star Foundation	500	-
Eastern Star Homes of California	<u>19,235</u>	<u>-</u>
Total liabilities	<u>126,416</u>	<u>126,063</u>
Commitments and contingencies		
Net assets:		
Unrestricted	687,445	579,409
Temporarily restricted	7,789,720	9,110,459
Permanently restricted	<u>24,134,934</u>	<u>23,366,161</u>
Total net assets	<u>32,612,099</u>	<u>33,056,029</u>
Total liabilities and net assets	<u>\$ 32,738,515</u>	<u>\$ 33,182,092</u>

See Notes to Financial Statements.

Grand Chapter of California, Order of the Eastern Star

**Statement of Activities
Year Ended September 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions:				
Bequests	\$ -	\$ 422,742	\$ -	\$ 422,742
Donations	167,725	89,882	-	257,607
Life sponsors	-	-	7,600	7,600
Residents' assets	-	-	761,173	761,173
Members' dues	323,800	-	-	323,800
Convention revenue	48,636	-	-	48,636
Investment income	421	616,453	-	616,874
Sales of supplies	55,851	-	-	55,851
Administration fees	359,444	-	-	359,444
Miscellaneous	59,969	-	-	59,969
Subtotal - support and revenue	<u>1,015,846</u>	<u>1,129,077</u>	<u>768,773</u>	<u>2,913,696</u>
Net assets released from restrictions for:				
Programs	99,816	(99,816)	-	-
Support of Eastern Star Homes of California	<u>2,350,000</u>	<u>(2,350,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,465,662</u>	<u>(1,320,739)</u>	<u>768,773</u>	<u>2,913,696</u>
Expenses:				
Program services:				
Member services	653,781	-	-	653,781
Support of Eastern Star Homes of California	2,350,000	-	-	2,350,000
Support services:				
Management and general	328,533	-	-	328,533
Fundraising	25,312	-	-	25,312
Total expenses	<u>3,357,626</u>	<u>-</u>	<u>-</u>	<u>3,357,626</u>
Change in net assets	108,036	(1,320,739)	768,773	(443,930)
Net assets, beginning of year	<u>579,409</u>	<u>9,110,459</u>	<u>23,366,161</u>	<u>33,056,029</u>
Net assets, end of year	<u>\$ 687,445</u>	<u>\$ 7,789,720</u>	<u>\$ 24,134,934</u>	<u>\$ 32,612,099</u>

See Notes to Financial Statements.

Grand Chapter of California, Order of the Eastern Star

**Statement of Activities
Year Ended September 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions:				
Bequests	\$ -	\$ 1,099,873	\$ -	\$ 1,099,873
Donations	125	186,983	-	187,108
Life sponsors	-	-	11,730	11,730
Residents' assets	-	-	358,013	358,013
Members' dues	348,961	-	-	348,961
Convention revenue	73,271	-	-	73,271
Investment income	658	2,524,511	-	2,525,169
Sales of supplies	54,638	-	-	54,638
Administration fees	423,884	-	-	423,884
Miscellaneous	3,216	-	-	3,216
Subtotal - support and revenue	<u>904,753</u>	<u>3,811,367</u>	<u>369,743</u>	<u>5,085,863</u>
Net assets released from restrictions for:				
Programs	262,256	(262,256)	-	-
Support of Eastern Star Homes of California	<u>2,525,000</u>	<u>(2,525,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,692,009</u>	<u>1,024,111</u>	<u>369,743</u>	<u>5,085,863</u>
Expenses:				
Program services:				
Member services	780,997	-	-	780,997
Support of Eastern Star Homes of California	2,525,000	-	-	2,525,000
Support services:				
Management and general	234,680	-	-	234,680
Total expenses	<u>3,540,677</u>	<u>-</u>	<u>-</u>	<u>3,540,677</u>
Change in net assets	151,332	1,024,111	369,743	1,545,186
Net assets, beginning of year	<u>428,077</u>	<u>8,086,348</u>	<u>22,996,418</u>	<u>31,510,843</u>
Net assets, end of year	<u>\$ 579,409</u>	<u>\$ 9,110,459</u>	<u>\$ 23,366,161</u>	<u>\$ 33,056,029</u>

See Notes to Financial Statements.

Grand Chapter of California, Order of the Eastern Star

Statement of Functional Expenses

Year Ended September 30, 2013

	Program Services			Support Services			
	Member Services	Star Homes of California	Total Program Services	Management and General	Fundraising	Total Support Services	Total
California	\$ -	\$ 2,350,000	\$ 2,350,000	\$ -	\$ -	\$ -	\$ 2,350,000
	69,851	-	69,851	-	-	-	69,851
	-	-	-	44,050	-	44,050	44,050
	-	-	-	15,963	-	15,963	15,963
	18,310	-	18,310	18,310	-	18,310	36,620
	63,637	-	63,637	-	17,949	17,949	81,586
	7,472	-	7,472	1,868	-	1,868	9,340
	70,857	-	70,857	30,367	-	30,367	101,224
	17,327	-	17,327	4,332	-	4,332	21,659
	8,716	-	8,716	2,490	1,245	3,735	12,451
	26,925	-	26,925	7,693	3,846	11,539	38,464
	21,397	-	21,397	5,705	1,426	7,131	28,528
	3,144	-	3,144	898	449	1,347	4,491
	2,778	-	2,778	794	397	1,191	3,969
	-	-	-	34,160	-	34,160	34,160
	2,420	-	2,420	605	-	605	3,025
	271,404	-	271,404	67,851	-	67,851	339,255
	22,933	-	22,933	5,733	-	5,733	28,666
	33,655	-	33,655	8,414	-	8,414	42,069
	12,655	-	12,655	3,164	-	3,164	15,819
	-	-	-	76,061	-	76,061	76,061
	300	-	300	75	-	75	375
	<u>\$ 653,781</u>	<u>\$ 2,350,000</u>	<u>\$ 3,003,781</u>	<u>\$ 328,533</u>	<u>\$ 25,312</u>	<u>\$ 353,845</u>	<u>\$ 3,357,626</u>

ts.

Grand Chapter of California, Order of the Eastern Star

Statement of Functional Expenses
Year Ended September 30, 2012

	Program Services			Support Services	Total
	Member Services	Star Homes of California	Total Program Services	Management and General	
California	\$ -	\$ 2,525,000	\$ 2,525,000	\$ -	\$ 2,525,000
	92,132	-	92,132	-	92,132
	-	-	-	44,050	44,050
	10,811	-	10,811	-	10,811
	15,917	-	15,917	15,917	31,834
	72,648	-	72,648	-	72,648
	7,987	-	7,987	1,997	9,984
	91,876	-	91,876	22,969	114,845
	12,888	-	12,888	3,222	16,110
	7,419	-	7,419	1,855	9,274
	30,599	-	30,599	7,650	38,249
	5,579	-	5,579	1,394	6,973
	3,051	-	3,051	763	3,814
	4,252	-	4,252	1,063	5,315
	-	-	-	1,169	1,169
	21,938	-	21,938	5,485	27,423
	333,630	-	333,630	87,350	420,980
	26,610	-	26,610	6,954	33,564
	32,686	-	32,686	8,172	40,858
	4,920	-	4,920	1,230	6,150
	-	-	-	21,926	21,926
	6,054	-	6,054	1,514	7,568
	<u>\$ 780,997</u>	<u>\$ 2,525,000</u>	<u>\$ 3,305,997</u>	<u>\$ 234,680</u>	<u>\$ 3,540,677</u>

ts.

Grand Chapter of California, Order of the Eastern Star

Statements of Cash Flows

Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Change in net assets	\$ (443,930)	\$ 1,545,186
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	9,340	9,984
Contributions restricted for endowment fund	(768,773)	(369,743)
Realized and unrealized (gains) losses on investments	148,827	(1,954,856)
Changes in operating assets and liabilities:		
Due from affiliated organizations	31,685	(27,903)
Prepaid expenses and supplies	100,485	(10,160)
Other assets	2,063	83,952
Accounts payable and accrued expenses	(24,052)	(6,651)
Deferred revenue	4,670	(5,335)
Due to affiliated organizations	19,735	(11,783)
Net cash used in operating activities	<u>(919,950)</u>	<u>(747,309)</u>
Investing activities:		
Purchases of property and equipment	(31,450)	(4,088)
Proceeds from sale of investments	15,258,237	2,554,621
Purchase of investments	<u>(16,862,420)</u>	<u>(1,949,758)</u>
Net cash provided by (used in) investing activities	<u>(1,635,633)</u>	<u>600,775</u>
Financing activities:		
Contributions restricted for endowment fund	<u>768,773</u>	<u>369,743</u>
Net increase (decrease) in cash and cash equivalents	(1,786,810)	223,209
Cash and cash equivalents, beginning of year	<u>3,904,584</u>	<u>3,681,375</u>
Cash and cash equivalents, end of year	<u>\$ 2,117,774</u>	<u>\$ 3,904,584</u>

See Notes to Financial Statements.

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

Note 1 – Description of organization

Business

Grand Chapter of California, Order of the Eastern Star (the "Grand Chapter") is a California not-for-profit unincorporated association which promotes and practices charity and fraternalism. The Grand Chapter's endowment fund is used to support the Eastern Star Homes of California (the "Home").

These financial statements do not include the financial position or results of activities of the local chapters throughout the State of California and the Home.

Note 2 – Summary of significant accounting policies

Basis of accounting

The financial statements of the Grand Chapter have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

The Grand Chapter is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Finance Committee.

Temporarily restricted - Net assets whose use by the Grand Chapter are subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Grand Chapter or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Grand Chapter and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

Revenue recognition

Contributions

Contributions received, including unconditional promises to give, are recorded as revenue in the period received at their fair value. Bequests are recorded based on the liquidated value upon legal determination of the Grand Chapter's rights to the assets.

For financial reporting purposes, the Grand Chapter distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions for which donors have imposed restrictions limiting the use of the donated assets are reported as restricted support. When such donor-imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets.

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

Contributions for which donors have not stipulated restrictions are reported as unrestricted support.

Unconditional promises to give, with payments due in future periods, are reported as restricted support. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the Grand Chapter reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promissor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Residents' assets

Residents' assets, upon completion of a 90 day cooling off period, are recognized as permanently restricted contributions on the 91st day after a resident has been admitted to the Home under a Life Care Contract. Revenue is recorded based on the estimated liquidated value of the contributed assets. The recognition of this revenue is considered to be a contribution, as the value of assets contributed on the date of admission is not sufficient to cover the costs of services rendered by the Home, the services to be rendered are consistent with the Home's mission of providing housing to members of the Order of the Eastern Star and the purpose of the Grand Chapter's endowment fund is to support the Home.

Other revenue

All non-contribution revenues are recognized when earned.

Donated goods, facilities and services

Donated noncash assets, such as use of facilities and goods, are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills (which include accounting and legal services), are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. The Grand Chapter receives a significant amount of donated services from unpaid volunteers who assist with the different functions of the Grand Chapter. No donated services have been recognized in the statements of activities because the criteria for recognition is not satisfied.

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and cash equivalents

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

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

Investments

Investments are reported at their fair values in the statements of financial position. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest and dividend earnings, changes in fair value and any gains or losses realized upon liquidation, maturity or sale of investments, net of any investment fees.

Property and equipment

Property and equipment are stated at cost if purchased or fair value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from three to ten years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

Income taxes

The Grand Chapter is a not-for-profit organization exempt from income taxes under Section 501(c)(8) of the Internal Revenue Code. The Grand Chapter obtained a group filing exemption covering the local chapters throughout the State of California during the 1940's, and has included those chapters' funds in its annual exempt organization returns.

The Grand Chapter has no unrecognized tax benefits at September 30, 2013 or 2012. The Grand Chapter's Federal and state income tax returns prior to the 2010 and 2009 fiscal years, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Grand Chapter recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accrued expenses in the statements of financial position.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

Concentrations

Financial instruments, which potentially subject the Grand Chapter to concentrations of credit risk, consist primarily of cash deposits and money market funds at financial institutions. The Grand Chapter maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits.

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

The Grand Chapter's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Grand Chapter's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Subsequent events

The Grand Chapter has evaluated the impact of subsequent events through January 30, 2014, which is the date the financial statements were available to be issued.

Note 3 – Property and equipment

At September 30, 2013 and 2012, property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures and equipment	\$ 58,091	\$ 40,093
Computer equipment and software	40,139	49,921
Leasehold improvements	<u>5,218</u>	<u>700</u>
	103,448	90,714
Less accumulated depreciation and amortization	<u>69,412</u>	<u>78,788</u>
	<u>\$ 34,036</u>	<u>\$ 11,926</u>

Grand Chapter of California, Order of the Eastern Star

**Notes to Financial Statements
September 30, 2013 and 2012**

Note 4 – Investments

At September 30, 2013 and 2012, investments consist of the following:

	<u>2013</u>	<u>2012</u>
Mutual funds:		
World allocation bonds	\$ 12,849,936	\$ 11,724,559
Intermediate term bonds	6,199,145	-
Short-term government bonds	4,070,705	-
Inflation protected bonds	1,631,840	-
Commodities	1,171,404	-
Short-term bonds	-	6,643,752
Global fixed income	-	3,535,692
Gold trust	-	1,890,446
Exchange traded funds:		
Large blend	3,073,370	771,782
Gold trust	1,409,724	-
Equities	-	736,307
Fannie Mae bonds	-	1,341,317
Freddie Mac bonds	-	613,341
U.S. Treasury notes	-	1,693,572
	<u>\$ 30,406,124</u>	<u>\$ 28,950,768</u>

Investment income for the years ended September 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 845,455	\$ 679,827
Realized and unrealized gains (losses)	(148,827)	1,954,856
Investment fees	(79,754)	(109,514)
	<u>\$ 616,874</u>	<u>\$ 2,525,169</u>

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

The Grand Chapter's Finance Committee has the sole discretion as to the investment and reinvestment of assets based on the following guidelines established by the Grand Chapter's Constitution and Laws:

- At least fifteen percent (15%) of the funds available must be in:
 - Cash and/or bank accounts.
 - Obligations of the United States or those for the payment of which the faith of the United States is pledged.
 - Obligations of the State of California and its political subdivisions.
 - Such evidence of corporate indebtedness as is rated "A" or better by Standard and Poors Corporation or Moody's Investors Service. Qualified investment funds limited to short-term United States Government Securities, bank certificates of deposit, banker's acceptances commercial paper, repurchase agreements and comparable securities.
 - Savings accounts in investment certificates issued by Federal Chartered Banks insured by the Federal Deposit Insurance Corporation.
- Up to ten percent (10%) may be invested in:
 - Other evidence of indebtedness, which are or will be fully listed and registered on an exchange registered with the Securities and Exchange Commission as a National Securities Exchange.
 - Preferred stocks, which are or will be fully listed and registered on an exchange registered with the Securities and Exchange Commission as a National Securities Exchange.
- Up to seventy-five percent (75%) may be invested in:
 - Common stocks, which must be fully listed and registered on an exchange registered with the Securities and Exchange Commission as a National Securities Exchange.
 - Shares of investment trusts.
 - Mutual funds.

Note 5 - Fair value measurements

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

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair values of investments measured on a recurring basis at September 30, 2013 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
World allocation bonds	\$ 12,849,936	\$ -	\$ -	\$ 12,849,936
Intermediate term bonds	6,199,145	-	-	6,199,145
Short-term government bonds	4,070,705	-	-	4,070,705
Inflation protected bonds	1,631,840	-	-	1,631,840
Commodities	1,171,404	-	-	1,171,404
Exchange traded funds:				
Large blend	3,073,370	-	-	3,073,370
Gold trust	1,409,724	-	-	1,409,724
Totals	\$ 30,406,124	\$ -	\$ -	\$ 30,406,124

Fair values of investments measured on a recurring basis at September 30, 2012 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
World allocation bonds	\$ 11,724,559	\$ -	\$ -	\$ 11,724,559
Short-term bonds	6,643,752	-	-	6,643,752
Global fixed income	3,535,692	-	-	3,535,692
Gold trust	1,890,446	-	-	1,890,446
Equities	736,307	-	-	736,307
Fannie Mae bonds	-	1,341,317	-	1,341,317
Freddie Mac bonds	-	613,341	-	613,341
U.S. Treasury notes	-	1,693,572	-	1,693,572
Exchange traded fund - large blend	771,782	-	-	771,782
Totals	\$ 25,302,538	\$ 3,648,230	\$ -	\$ 28,950,768

Valuations of mutual funds, exchange traded funds and equities are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Fixed income, bond and treasury note investments are valued based on the income approach. For the years ended September 30, 2013 and 2012, there have been no changes in the valuation methodologies.

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Grand Chapter believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 6 - Related party transactions

The Grand Chapter received \$218,382 and \$241,486 from the Home and \$141,062 and \$182,671 from California Eastern Star Foundation (the "Foundation") for administrative services for the years ended September 30, 2013 and 2012, respectively. The Grand Chapter also leases office space from the Home (see Note 9). For the years ended September 30, 2013 and 2012, the Grand Chapter incurred \$38,464 and \$38,249, respectively, of rental expense from the Home. At September 30, 2013, \$500 is due to the Foundation, and at September 30, 2012, \$13,595 is due from the Foundation. At September 30, 2013, \$19,235 is due to the Home, and at September 30, 2012, \$18,090 is due from the Home.

Note 7 - Net assets

Net assets are comprised of the following at September 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Unrestricted	\$ 687,445	\$ -	\$ -	\$ 687,445
Subsequent programs	-	85,608	-	85,608
Endowment - support of the Home	-	7,704,112	-	7,704,112
Endowment fund	-	-	24,134,934	24,134,934
Totals	\$ 687,445	\$ 7,789,720	\$ 24,134,934	\$32,612,099

Net assets are comprised of the following at September 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Unrestricted	\$ 579,409	\$ -	\$ -	\$ 579,409
Subsequent programs	-	148,712	-	148,712
Endowment - support of the Home	-	8,961,747	-	8,961,747
Endowment fund	-	-	23,366,161	23,366,161
Totals	\$ 579,409	\$ 9,110,459	\$ 23,366,161	\$33,056,029

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

Note 8 – Endowments

The Grand Chapter's endowment include donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Grand Chapter has interpreted the State of California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Grand Chapter classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Grand Chapter in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Grand Chapter considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Grand Chapter and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Grand Chapter and (7) the Grand Chapter's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Grand Chapter's Finance Committee has the sole discretion as to the investment and reinvestment of the assets of the fund based on the guidelines described in Note 4.

The primary investment objective of these accounts is capital preservation. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

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

Grand Chapter of California, Order of the Eastern Star

**Notes to Financial Statements
September 30, 2013 and 2012**

Endowment net asset composition by type of fund as of September 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 7,704,112	\$ 24,134,934	\$ 31,839,046

Endowment net asset composition by type of fund as of September 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 8,961,747	\$ 23,366,161	\$ 32,327,908

The following table summarizes the activity affecting endowment net assets for the year ended September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ -	\$ 8,961,747	\$ 23,366,161	\$ 32,327,908
Contributions	-	495,159	768,773	1,263,932
Investment income	-	764,263	-	764,263
Net depreciation	-	(148,827)	-	(148,827)
Appropriated for support of Eastern Star Homes of California	-	(2,350,000)	-	(2,350,000)
Other amounts appropriated for expenditure	-	(18,230)	-	(18,230)
Endowment net assets, end of year	\$ -	\$ 7,704,112	\$ 24,134,934	\$ 31,839,046

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

The following table summarizes the activity affecting endowment net assets for the year ended September 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ -	\$ 7,737,639	\$ 22,996,418	\$30,734,057
Contributions	-	1,286,856	369,743	1,656,599
Investment income	-	568,415	-	568,415
Net appreciation	-	1,954,856	-	1,954,856
Appropriated for support of Eastern Star Homes of California	-	(2,525,000)	-	(2,525,000)
Other amounts appropriated for expenditure	-	(61,019)	-	(61,019)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 8,961,747</u>	<u>\$ 23,366,161</u>	<u>\$32,327,908</u>

As of September 30, 2013 and 2012, there were no deficiencies of donor-restricted endowment funds.

Note 9 – Commitments and contingencies

Operating lease

The Grand Chapter leases office space under an operating lease from the Home expiring in June 2014. For the year ended September 30, 2014, the minimum lease payments due under the non-cancelable operating lease is \$31,455.

Contingencies

Certain claims have been filed against the Grand Chapter in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Grand Chapter's financial position or results of operations.

Note 10 – Employee benefit plan

The Grand Chapter maintains a Savings Incentive Match Plan for Employees Individual Retirement Account ("SIMPLE IRA") plan covering substantially all employees. The Grand Chapter contributes 2% of employees' salaries, up to allowable limits, and for the years ended September 30, 2013 and 2012, contributions totaled \$6,701 and \$8,758, respectively.

Grand Chapter of California, Order of the Eastern Star

Notes to Financial Statements September 30, 2013 and 2012

Note 11 – California chapters

At September 30, 2013 and 2012, the Grand Chapter had 170 and 174 active California chapters, respectively, which are responsible for their own fundraising, revenues and expenses. Each individual California chapter's financial statements are not consolidated into the Grand Chapter's financial statements. As of September 30, 2013 and 2012, the unaudited cash and investments, revenues and expenses of these chapters consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash and investments	\$ 20,229,126	\$19,527,040
Revenues	1,833,600	2,184,839
Expenses	1,293,759	1,305,993

Note 12 – Nonconsolidated affiliate

The accompanying financial statements of the Grand Chapter do not include the financial statements of the Home. As a result of the Grand Chapter's economic interest in the Home, via the endowment fund, and the Grand Chapter's ability to elect individuals to the Home's Board of Trustees, in accordance with accounting principles generally accepted in the United States of America, the financial statements of the Home should be consolidated in the Grand Chapter's financial statements. Selected summary information relating to the audited financial statements of the Home as of September 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Total assets, including \$19,235 and \$0, respectively, due from the Grand Chapter	\$ 7,978,200	\$ 8,469,439
Total liabilities, including \$0 and \$18,090, respectively, due to the Grand Chapter	15,684,455	15,376,320
Total net deficit	(7,706,255)	(6,906,881)
Total support and revenue, including \$2,350,000 and \$2,525,000, respectively, from the Grand Chapter	3,724,455	3,872,950
Change in net assets	(799,374)	(3,586,377)

Included in total liabilities in the above schedule is an obligation to provide care for the residents of the Home for the rest of their lives, totaling \$15,408,128 and \$15,126,658 at September 30, 2013 and 2012, respectively, which is expected to be funded through social security payments to the residents and the Grand Chapter's endowment fund. Any shortfall in future operating cash flow of the Home is obligated to be met by the Grand Chapter's endowment fund.

The State of California Health and Safety Code requires continuing care retirement communities to report on the adequacy of certain reserve requirements. The Home's required statutory reserve requirement at September 30, 2013 and 2012 was \$793,146 and \$809,991, respectively. The Home had a surplus of qualifying assets over the required reserve amount of \$7,079,601 and \$8,526,781 at September 30, 2013 and 2012, respectively, which includes assets held in the Grand Chapter's endowment fund for the benefit of the Home.

R E C E I V E D
FEB 03 2014

CONTINUING CARE
CONTRACTS BRANCH

Eastern Star Homes of California

**Financial Statements
and Independent Auditor's Report**

September 30, 2013 and 2012

Eastern Star Homes of California

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Independent Auditor's Report

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To the Board of Trustees
Eastern Star Homes of California

CONTINUING CARE
CONTRACTS BRANCH

We have audited the accompanying financial statements of Eastern Star Homes of California (a California nonprofit corporation), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's 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 auditor considers 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 above present fairly, in all material respects, the financial position of Eastern Star Homes of California as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Los Angeles, California
January 30, 2014

Eastern Star Homes of California

Statements of Financial Position

September 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 168,635	\$ 375,025
Other receivables	11,280	24,343
Due from affiliated organization:		
Grand Chapter of California, Order of the Eastern Star	19,235	-
Prepaid expenses and other	98,847	79,338
Property and equipment, net of accumulated depreciation	<u>7,680,203</u>	<u>7,990,733</u>
Totals	<u>\$ 7,978,200</u>	<u>\$ 8,469,439</u>
<u>Liabilities and Net Deficit</u>		
Accounts payable and accrued expenses	\$ 276,327	\$ 231,572
Due to affiliated organization:		
Grand Chapter of California, Order of the Eastern Star	-	18,090
Obligation to provide future services	<u>15,408,128</u>	<u>15,126,658</u>
Total liabilities	15,684,455	15,376,320
Net deficit:		
Unrestricted	<u>(7,706,255)</u>	<u>(6,906,881)</u>
Totals	<u>\$ 7,978,200</u>	<u>\$ 8,469,439</u>

See Notes to Financial Statements.

Eastern Star Homes of California
Statements of Activities
Years Ended September 30, 2013 and 2012

	Unrestricted	
	2013	2012
Support, revenue and gains:		
Contributions:		
Per capita - members of Grand Chapter of California, Order of the Eastern Star	\$ 38,232	\$ 41,466
Residents' contributions after admission	944,920	982,197
Donations	80,680	26,527
Net transfers from Grand Chapter of California, Order of the Eastern Star Endowment Fund	2,350,000	2,525,000
Rental income	305,999	283,205
Other miscellaneous revenue	4,624	14,555
Total support, revenue and gains	<u>3,724,455</u>	<u>3,872,950</u>
Expenses:		
Program services:		
Elderly care	3,425,322	3,640,279
Support services:		
Management and general	652,329	467,905
Rental property	164,708	198,630
Total expenses	<u>4,242,359</u>	<u>4,306,814</u>
Change in net assets before obligation to provide future services	(517,904)	(433,864)
Increase in obligation to provide future services	<u>(281,470)</u>	<u>(3,152,513)</u>
Change in net assets	(799,374)	(3,586,377)
Net deficit at beginning of year	<u>(6,906,881)</u>	<u>(3,320,504)</u>
Net deficit at end of year	<u>\$ (7,706,255)</u>	<u>\$ (6,906,881)</u>

See Notes to Financial Statements.

Eastern Star Homes of California
Statement of Functional Expenses
Year Ended September 30, 2013

	Program Services		Support Services		Total Support Services	Total
	Elderly Care	Management and General	Rental Property			
Compensation and related expenses:						
Salaries and wages	\$ 939,067	\$ 211,290	\$ 23,477	\$	\$ 234,767	\$ 1,173,834
Employee benefits	174,719	39,312	4,368		43,680	218,399
Payroll taxes	82,622	18,590	2,066		20,656	103,278
Other employee expenses	33,202	7,471	830		8,301	41,503
Professional and consultant fees	-	30,005	2,258		32,263	32,263
Administration fee	32,757	167,916	17,709		185,625	218,382
Insurance:						
Property and liability	96,639	-	24,160		24,160	120,799
Workers' compensation	97,699	21,982	2,442		24,424	122,123
Occupancy:						
Electricity	123,695	11,000	2,671		13,671	137,366
Gas	43,082	4,787	-		4,787	47,869
Water and sewer	32,147	4,018	4,018		8,036	40,183
Depreciation	344,143	-	38,238		38,238	382,381
Minor equipment and other supplies	77,502	15,589	4,074		19,663	97,165
Equipment rental and maintenance	8,701	7,119	-		7,119	15,820
Telephone	11,634	2,908	-		2,908	14,542
Licenses and taxes	21,402	4,280	17,122		21,402	42,804
Member assistance - Outreach	240,687	-	-		-	240,687
Resident activities	74,190	-	-		-	74,190
Resident allowances	78,441	-	-		-	78,441
Resident admission expenses	15,359	-	-		-	15,359
Holiday gifts - residents	3,417	-	-		-	3,417
Contract labor and food services	665,199	24,216	13,627		37,843	703,042
Board member expenses	3,127	12,506	-		12,506	15,633
Hospitalization/medical supplies	159,918	-	-		-	159,918
Dues and subscriptions	5,745	5,745	-		5,745	11,490
Office expense	45,854	6,034	7,648		13,682	59,536
Publications	14,374	14,374	-		14,374	28,748
Events	-	43,187	-		43,187	43,187
Total expenses	\$ 3,425,322	\$ 652,329	\$ 164,708	\$	\$ 817,037	\$ 4,242,359

See Notes to Financial Statements.

Eastern Star Homes of California
Statement of Functional Expenses
Year Ended September 30, 2012

	Program Services		Support Services		Total
	Elderly Care	Management and General	Rental Property	Total Support Services	
Compensation and related expenses:					
Salaries and wages	\$ 1,065,376	\$ 118,375	\$ -	\$ 118,375	\$ 1,183,751
Employee benefits	170,907	18,990	-	18,990	189,897
Payroll taxes	89,343	9,927	-	9,927	99,270
Other employee expenses	27,070	3,008	-	3,008	30,078
Professional and consultant fees	3,815	30,524	3,816	34,340	38,155
Administration fee	48,297	181,115	12,074	193,189	241,486
Insurance:					
Property and liability	107,549	-	26,887	26,887	134,436
Workers' compensation	131,413	-	14,601	14,601	146,014
Occupancy:					
Electricity	127,736	-	14,193	14,193	141,929
Gas	39,384	-	4,376	4,376	43,760
Water and sewer	41,367	-	4,596	4,596	45,963
Depreciation	288,193	-	76,666	76,666	364,859
Minor equipment and other supplies	46,104	9,221	6,147	15,368	61,472
Equipment rental and maintenance	95,926	19,185	12,790	31,975	127,901
Telephone	14,732	-	-	-	14,732
Licenses and taxes	37,784	5,038	7,557	12,595	50,379
Member assistance - Outreach	357,043	-	-	-	357,043
Resident activities	16,609	-	-	-	16,609
Resident allowances	72,679	-	-	-	72,679
Resident admission expenses	10,944	-	-	-	10,944
Holiday gifts - residents	6,686	-	-	-	6,686
Contract labor and food services	709,788	22,390	14,927	37,317	747,105
Board member expenses	3,550	14,198	-	14,198	17,748
Hospitalization/medical supplies	109,118	-	-	-	109,118
Dues and subscriptions	5,598	5,598	-	5,598	11,196
Office expense	3,550	3,551	-	3,551	7,101
Publications	9,718	9,719	-	9,719	19,437
Events	-	17,066	-	17,066	17,066
Total expenses	\$ 3,640,279	\$ 467,905	\$ 198,630	\$ 666,535	\$ 4,306,814

See Notes to Financial Statements.

Eastern Star Homes of California
Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Contributions received	\$ 1,025,600	\$ 1,008,724
Transfers received from Grand Chapter of California, Order of the Eastern Star Endowment Fund	2,350,000	2,525,000
Rental income	308,831	283,205
Miscellaneous income received	6,365	14,555
Administrative and operating expenses paid	<u>(3,825,335)</u>	<u>(3,792,301)</u>
Net cash provided by (used in) operating activities	(134,539)	39,183
Investing activities:		
Purchases of property and equipment	<u>(71,851)</u>	<u>(90,038)</u>
Net decrease in cash and cash equivalents	(206,390)	(50,855)
Cash and cash equivalents, beginning of year	<u>375,025</u>	<u>425,880</u>
Cash and cash equivalents, end of year	<u>\$ 168,635</u>	<u>\$ 375,025</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (799,374)	\$ (3,586,377)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	382,381	364,859
Increase in obligation to provide future services	281,470	3,152,513
Changes in operating assets and liabilities:		
Other receivables	13,063	(6,189)
Due from/to Grand Chapter of California, Order of the Eastern Star	(37,325)	29,873
Prepaid expenses and other	(19,509)	156,901
Accounts payable and accrued expenses	<u>44,755</u>	<u>(72,397)</u>
Net cash provided by (used in) operating activities	<u>\$ (134,539)</u>	<u>\$ 39,183</u>

See Notes to Financial Statements.

Eastern Star Homes of California

Notes to Financial Statements September 30, 2013 and 2012

Note 1 – Description of organization

Eastern Star Homes of California (the “Home”) is a nonprofit corporation organized for the purpose of operating a home, operating under the name “Senior Living Community”, for the care of aged members of the Order of the Eastern Star. Residents are affiliated members in good standing for at least five years, as described in the Constitution and Laws, who are at least sixty-five years of age. Upon admission to the Home, residents contribute their assets to the endowment fund (the “Endowment Fund”) of the Grand Chapter of California, Order of the Eastern Star (the “Grand Chapter”).

The Home also operates a medical office rental facility under the name “Eastern Star Professional Plaza.”

Note 2 – Summary of significant accounting policies

Basis of accounting

The financial statements of the Home have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

The Home is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, which are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

Temporarily restricted - Net assets whose use by the Home are subject to either explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Home or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Home and stipulate the use of income and/or appreciation as temporarily restricted based on donor-imposed stipulations or by operation of law.

At September 30, 2013 and 2012, the Home does not have any temporarily or permanently restricted net assets.

Contributions

Contributions received, including unconditional promises to give, are recorded as revenue in the period received at their fair value. Contributions from residents after admission consist primarily of social security and retirement payments to the residents.

Eastern Star Homes of California

Notes to Financial Statements September 30, 2013 and 2012

For financial reporting purposes, the Home distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions for which donors have imposed restrictions limiting the use of the donated assets are reported as restricted support. When such donor-imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted net assets. Contributions for which donors have not stipulated restrictions are reported as unrestricted support.

Unconditional promises to give, with payments due in future periods, are reported as restricted support. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the Home reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Donated goods, facilities and services

Donated noncash assets, such as use of facilities and goods, are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills (which include accounting and legal services), are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. The Home receives a significant amount of donated services from unpaid volunteers who assist in resident activities. No donated services have been recognized in the statements of activities because the criteria for recognition is not satisfied.

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and cash equivalents

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

Eastern Star Homes of California

Notes to Financial Statements September 30, 2013 and 2012

Property and equipment

Property and equipment are stated at cost if purchased or fair value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally ranging from two to thirty years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Income taxes

The Home is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the Revenue Taxation Code of California and is a publicly supported organization as described in Section 509(a) of the IRC.

The Home has no unrecognized tax benefits at September 30, 2013 or 2012. The Home's Federal and state income tax returns prior to the 2010 and 2009 fiscal years, respectively, are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Home recognizes interest and penalties associated with tax matters as part of income tax expense and includes accrued interest and penalties with accrued expenses in the statements of financial position.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

Concentrations

Financial instruments, which potentially subject the Home to concentrations of credit risk, consist primarily of cash deposits and money market funds at financial institutions. The Home maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed Federally insured limits.

Endowment fund

The Home is the income beneficiary of the Endowment Fund maintained by the Grand Chapter. Net investment income is transferred to the Home to the extent that funds are needed for operations. Additional funds as necessary for the maintenance and operation of the Home are transferred from the temporarily restricted portion of the Endowment Fund. Support from the Endowment Fund for the years ended September 30, 2013 and 2012 was \$2,350,000 and \$2,525,000, respectively.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

Eastern Star Homes of California

Notes to Financial Statements September 30, 2013 and 2012

Subsequent events

The Home has evaluated the impact of subsequent events through January 30, 2014, which is the date the financial statements were available to be issued.

Note 3 – Property and equipment

At September 30, 2013 and 2012, property and equipment consisted of the following:

	2013	2012
Land	\$ 2,738,904	\$ 2,738,904
Buildings	8,422,881	8,422,881
Building improvements	1,191,678	1,129,272
Computer equipment and software	37,351	27,906
Furniture, fixtures and equipment	491,227	491,227
Automobiles	189,195	189,195
	13,071,236	12,999,385
Less accumulated depreciation	5,391,033	5,008,652
	\$ 7,680,203	\$ 7,990,733

The Home's property also includes office facilities that are leased to the Grand Chapter and various other medical offices (see Note 8).

Note 4 – Obligation to provide future services

Applicants for admission to the Home are required to make a contribution of their assets to the Endowment Fund. In exchange for this contribution, the Home agrees to care for the residents for the remainder of their lives. The Home has recorded a liability for its obligation to provide care for the residents for the remainder of their lives. The obligation is calculated by estimating the cost of providing care and the use of the facilities over the remaining lives of the residents less estimated cash revenue before any realized gains from the Endowment Fund or proceeds on future property sales. The excess of projected expenses over revenues has been estimated to increase at 2.20% and 2.34% annually as of September 30, 2013 and 2012, respectively, representing inflation. The resulting liability has been discounted by 5% to reflect net present value. This liability amounted to \$15,408,128 and \$15,126,658 at September 30, 2013 and 2012, respectively. The change in obligation from year to year is shown on the statements of activities.

Eastern Star Homes of California is licensed to operate a seventy-six bed continuing care home. Any shortfall in future operating cash flow is obligated to be met by the Endowment Fund.

Eastern Star Homes of California

Notes to Financial Statements September 30, 2013 and 2012

Note 5 – Cash reserves

The Grand Chapter's Constitution and Laws require that the operating cash balance of the Home is to be limited to \$250,000 plus appropriations. Excess amounts are to be transferred to the unrestricted Endowment Fund for the future use of the Home, to be maintained by the Grand Chapter. Any shortfall in future operating cash flow is obligated to be met by the Endowment Fund. At September 30, 2013 and 2012, the Home has operating cash balances of \$150,536 and \$221,168, respectively.

Note 6 – Related party transactions

The Home incurred \$218,382 and \$241,486 in administrative expense charges during the years ended September 30, 2013 and 2012, respectively, for services provided by the Grand Chapter. The Home also leases office space to the Grand Chapter (see Note 8). For the years ended September 30, 2013 and 2012, the Home earned \$38,464 and \$38,249, respectively, of rental income from the Grand Chapter. At September 30, 2013, \$19,235 is due from the Grand Chapter, and at September 30, 2012, \$18,090 is due to the Grand Chapter.

Note 7 – Continuing care reserve requirement

The State of California Health and Safety Code requires continuing care retirement communities to report on the adequacy of certain reserve requirements. The Home's required statutory reserve requirement at September 30, 2013 and 2012 was \$793,146 and \$809,991, respectively. The Home had a surplus of qualifying assets over the required reserve amount of \$7,079,601 and \$8,526,781 at September 30, 2013 and 2012, respectively, which includes assets held in the Grand Chapter's Endowment Fund for the benefit of the Home.

Note 8 – Operating leases – rental income

The Home leases office space under an operating lease to the Grand Chapter expiring in June 2014. In addition, the Home leases various medical offices under operating leases expiring through September 2017. The future minimum lease payments to be received under the non-cancelable leases are as follows:

<u>Year ending September 30,</u>	<u>Related party</u>	<u>Non-related parties</u>	<u>Total</u>
2014	\$ 31,455	\$ 204,572	\$ 236,027
2015	-	163,256	163,256
2016	-	58,799	58,799
2017	-	45,833	45,833
	<u>\$ 31,455</u>	<u>\$ 472,460</u>	<u>\$ 503,915</u>

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	50
[2]	Number at end of fiscal year	50
[3]	Total Lines 1 and 2	100
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	50
All Residents		
[6]	Number at beginning of fiscal year	50
[7]	Number at end of fiscal year	50
[8]	Total Lines 6 and 7	100
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	50
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	1.00

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		TOTAL
[1]	Total Operating Expenses	\$4,242,359
[a]	Depreciation	\$382,381
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$382,381
[3]	Subtract Line 2 from Line 1 and enter result.	\$3,859,978
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	100%
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)	\$3,859,978
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$3,860

PROVIDER: Grand Chapter of California, Order of the Eastern Star
COMMUNITY: Senior Living Community for the Eastern Star

**FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:					\$0

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Grand Chapter of California, Order of the Eastern Star

**FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$0	0	\$0

(Transfer this amount to Form 5-3, Line 2)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Grand Chapter of California, Order of the Eastern Star

**FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT**

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	\$0
2	Total from Form 5-2 bottom of Column (e)	\$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	\$0
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	\$0

PROVIDER: Grand Chapter of California, Order of the Eastern Star

**FORM 5-4
CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$4,242,359
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$0
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$382,381
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$0
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$382,381
4	Net Operating Expenses	\$3,859,978
5	Divide Line 4 by 365 and enter the result.	\$10,575
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$793,146

PROVIDER: Grand Chapter of California, Order of the Eastern Star
COMMUNITY: Senior Living Community for the Eastern Star

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Grand Chapter of California, Order of the Eastern Star
 Fiscal Year Ended: September 30, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended September 30, 2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year September 30, 2013 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$0</u>
[2] Operating Expense Reserve Amount	<u>\$793,146</u>
[3] Total Liquid Reserve Amount:	<u>\$793,146</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		<u>\$168,635</u>
[5] Investment Securities		<u>\$7,704,112</u>
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other: <u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$0 [12]</u>	<u>\$7,872,747</u>
Reserve Obligation Amount: [13]	<u>\$0 [14]</u>	<u>\$793,146</u>
Surplus/(Deficiency): [15]	<u>\$0 [16]</u>	<u>\$7,079,601</u>

Signature:

(Authorized Representative)

(Title)

Date:

DSS - Reserve Report - Part of Form 5-5
Description of Reserves under SB 1212

Total Qualifying Assets as Filed:

Additional Comments

Cash and Cash Equivalents	\$ 168,635
Investment Securities	<u>7,704,112</u>
Total Qualifying Assets as Filed	<u>7,872,747</u>

Total cash in the Eastern Star Homes of California financial statements.

Investments are held in the Endowment fund of the Grand Chapter of California, Order of the Eastern Star, but exclude any permanently restricted amounts.

Reservations and Designations:

Liquid Reserve Obligation per Form 5-5, line 3	<u>793,146</u>
Remaining Liquid Reserves	<u>\$ 7,079,601</u>

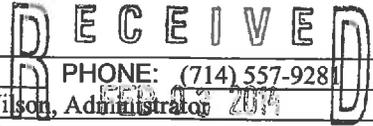
All qualifying assets, less liquid reserve obligation are unreserved and undesignated, and are available to support the Eastern Star Homes of California.

Per Capita Cost of Operations

Operating Expenses (Form 5-4, line 1)	\$ 4,242,359
Mean # of CCRC Residents (Form 1-1, line 10)	<u>50</u>
Per Capita Cost of Operations	<u>\$ 84,847</u>

**Continuing Care Retirement Community
Disclosure Statement
General Information**

01/31/2014



FACILITY NAME: Senior Living Community for the Eastern Star
 ADDRESS: 16850 Bastanchury Road, Yorba Linda ZIP CODE: 92886 PHONE: (714) 557-9281
 PROVIDER NAME: Grand Chapter of CA, OES FACILITY OPERATOR: Erin Wilson, Administrator
 RELATED FACILITIES: None RELIGIOUS AFFILIATION: All
 YEAR OPENED: 1998 NO. OF ACRES: 5 MULTI-STORY: SINGLE STORY
 MILES TO SHOPPING CTR: .5 MILES TO HOSPITAL: 1 CONTINUING CARE CONTRACTS BRANCH

NUMBER OF UNITS:	INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO	<u>6 (shared livin</u>	ASSISTED LIVING <u>17</u>
APARTMENTS - 1 BDRM	<u>33</u>	SKILLED NURSING <u>5 (offsite)</u>
APARTMENTS - 2 BDRM	<u>2</u>	SPECIAL CARE <u>0</u>
COTTAGES/HOUSES	<u>0</u>	DESCRIBE SPECIAL CARE: <u>N/A</u>
% OCCUPANCY AT YEAR END	<u>80%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: N/A

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER: _____

RANGE OF ENTRANCE FEES: \$ 0 TO \$ 0 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Life Care

ENTRY REQUIREMENTS: MIN. AGE: 65 PRIOR PROFESSION: N/A OTHER: Fraternal Affiliation

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	SERVICES AVAILABLE		INCLUDED IN FEE	FOR EXTRA CHARGE
	AVAILABLE	FEE FOR SERVICE		
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>4</u>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>3</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>
CARD ROOMS	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>
COFFEE SHOP	<input type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>
SPA	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
OTHER <u>Ice Cream Parlor</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

2013 * REVISED *

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	\$ 3,164,365	2,874,141	2,822,760	2,640,623
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	3,807,146	4,005,651	3,941,955	3,859,978
NET INCOME FROM OPERATIONS	<1,048,600>	<1,131,510>	<1,119,195>	<1,199,355>
LESS INTEREST EXPENSE	—	—	—	—
PLUS CONTRIBUTIONS	\$ 34,653	82,042	67,993	118,912
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items))	—	—	—	—
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$ <1,013,942>	<1,049,468>	<1,051,202>	<1,080,443>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	862,794	919,647	982,197	944,920

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2011CCAC Medians 50 th Percentile (optional)	2011	2012	2013
DEBT TO ASSET RATIO				
OPERATING RATIO		139.37%	109.26%	145.08%
DEBT SERVICE COVERAGE RATIO		0	0	
DAYS CASH-ON-HAND RATIO				

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2010	%	2011	%	2012	%	2013
STUDIO	\$3,100	0.00%	3,288	0.00%	3,352	0.00%	\$3,352
ONE BEDROOM	\$3,648	0.00%	3,866	0.00%	3,982	0.00%	\$3,982
TWO BEDROOM	\$5,800	0.00%	6,148	0.00%	6,332	0.00%	\$6,332
COTTAGE HOUSE		0.00%		0.00%		0.00%	
ASSISTED LIVING	\$3,100	0.00%	3,286	0.00%	3,352	0.00%	\$3,352
SKILLED NURSING		0.00%		0.00%		0.00%	
SPECIAL CARE		0.00%		0.00%		0.00%	

COMMENTS FROM PROVIDER:

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{-- Depreciation Expense} \\ \text{-- Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ \text{-- Amortization of Deferred Revenue} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ \text{+ Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ \text{-- Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{(\text{Operating Expenses -- Depreciation} \\ \text{- Amortization})/365}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.