THE ORANGE CATHOLIC FOUNDATION

Financial Statements
December 31, 2019
(With Summarized Comparative Information for the Year Ended December 31, 2018)
(With Independent Auditor's Report)

withum
ADVISORY TAX AUDIT

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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Orange Catholic Foundation

We have audited the accompanying financial statements of The Orange Catholic Foundation (a non-profit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Foundation as of December 31, 2019, 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.

Other Matter

The financial statements of the Orange Catholic Foundation as of and for the year ended December 31, 2018, were audited by KSJG, LLP, who merged with WithumSmith+Brown, PC on January 1, 2020, and expressed an unmodified opinion on those statements dated May 2, 2019. The summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

WithumSmith+Brown, PC

August 4, 2020

THE ORANGE CATHOLIC FOUNDATION

Statements of Financial Position
December 31, 2019 and 2018

ASSETS

	2019	2018
Cash and cash equivalents	$ 7,456,776	$ 19,370,921
Prepaid expenses and other assets	222,976	151,170
Beneficial interest in charitable remainder trust	-	1,000,000
Investments	50,121,866	41,283,406
Pledges receivable, net	14,399,966	18,120,949
Property and equipment, net	91,483	123,028
Total assets	$ 72,293,067	$ 80,049,474

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts and grants payable and accrued liabilities	$ 2,373,826	$ 5,136,681
Deferred contributions	13,500	444,109
Total liabilities	2,387,326	5,580,790
Net assets:		
Without donor restrictions	5,836,866	4,969,904
With donor restrictions	64,068,875	69,498,780
Total net assets	69,905,741	74,468,684
Total liabilities and net assets	$ 72,293,067	$ 80,049,474

The Notes to the Financial Statements are an integral part of these statements.

THE ORANGE CATHOLIC FOUNDATION

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019
(With summarized comparative information for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenues and support:				
Campaign contributions	$ 11,769,970	$ 3,156,062	$ 14,926,032	$ 20,860,567
Other contributions	289,658	1,079,428	1,369,086	6,463,691
Event revenue	-	718,084	718,084	622,663
Administrative income	56,195	11,609	67,804	7,036
Investment income	77,910	16,796	94,706	371,894
Realized and unrealized gain (loss) on investments	3,764	8,353,911	8,357,675	(2,302,050)
Other income	497,058	-	497,058	478,664
Other changes in net assets	703,308	(703,308)	-	-
Net assets released from restrictions	18,062,487	(18,062,487)	-	-
Total revenues and support	31,460,350	(5,429,905)	26,030,445	26,502,465
Expenses:				
Program	29,906,737	-	29,906,737	23,930,962
Supporting services:				
General and administrative	620,685	-	620,685	233,226
Fundraising	65,966	-	65,966	110,805
Total supporting services	686,651	-	686,651	344,031
Total expenses	30,593,388	-	30,593,388	24,274,993
Changes in net assets	866,962	(5,429,905)	(4,562,943)	2,227,472
Net assets, beginning of year	4,969,904	69,498,780	74,468,684	72,241,212
Net assets, end of year	$ 5,836,866	$ 64,068,875	$ 69,905,741	$ 74,468,684

The Notes to the Financial Statements are an integral part of these statements.

THE ORANGE CATHOLIC FOUNDATION

Statements of Functional Expenses
Year Ended December 31, 2019
(With summarized comparative information for the year ended December 31, 2018)

	Program Services	Supporting Services: General & Administrative	Supporting Services: Fundraising	Total 2019	Total 2018
Expenses:					
Grants	$ 23,202,233	$ -	$ -	$ 23,202,233	$ 14,259,706
Rebates/parish share	4,871,795	-	-	4,871,795	4,881,557
Salaries	767,954	277,954	29,094	1,075,002	1,357,233
Payroll taxes	52,399	30,894	1,827	85,120	88,521
Employee benefits	87,928	45,447	3,137	136,512	151,668
Advertising	336,562	79,089	11,641	427,292	461,267
Bad debt (recovery)	(18,051)	-	-	(18,051)	2,063,395
Bank and merchant charges	133,002	1,915	231	135,148	125,801
Change in discount	(257,853)	-	-	(257,853)	10,583
Depreciation	22,633	7,896	1,016	31,545	32,634
Dues and subscriptions	7,292	170	25	7,487	15,736
Events	168,090	8,328	1,222	177,640	244,833
Interest	-	-	-	-	11,612
Meetings and meals	7,523	3,263	191	10,977	29,351
Miscellaneous	119,173	1,862	9	121,044	3,910
Office supplies	11,394	10,543	617	22,554	30,294
Postage	66,266	7,228	204	73,698	97,406
Professional fees	259,263	121,009	13,958	394,230	296,786
Property Insurance	2,048	3,867	153	6,068	6,068
Rent	49,426	17,242	2,218	68,886	68,887
Telephone	5,622	1,391	169	7,182	13,689
Travel and mileage	12,038	2,587	254	14,879	24,056
Total expenses	$ 29,906,737	$ 620,685	$ 65,966	$ 30,593,388	$ 24,274,993

The Notes to the Financial Statements are an integral part of these statements.

THE ORANGE CATHOLIC FOUNDATION

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	$ (4,562,943)	$ 2,227,472
Adjustments to reconcile changes in net assets		
to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(8,357,675)	2,152,449
Change in reserve for uncollectible pledges	672,846	(725,317)
Change in discount to present value	257,853	(10,583)
Depreciation	31,545	32,634
Loss from sale of property held for sale	-	149,601
(Increase) decrease in:		
Pledges receivable	2,790,284	3,531,919
Prepaid expenses and other assets	(71,806)	32,740
Beneficial interest in charitable remainder trust	628,460	(1,000,000)
Increase (decrease) in:		
Accounts and grants payable and accrued liabilities	(2,762,855)	(3,659,629)
Deferred contributions	(430,609)	188,687
Net cash (used in) provided by operating activities	(11,804,900)	2,919,973
Cash flows from investing activities:		
Purchases of investments	(2,999,635)	(5,697,695)
Proceeds from sale of investments	2,890,390	2,567,421
Purchases of property and equipment	-	(16,579)
Proceeds from sale of property held for sale	-	2,027,899
Net cash used in investing activities	(109,245)	(1,118,954)
Cash flows from financing activities:		
Repayment of notes payable - affiliate	-	(1,000,000)
Net cash used in financing activities	-	(1,000,000)
Net (decrease) increase in cash and cash equivalents	(11,914,145)	801,019
Cash and cash equivalents:		
Beginning of year	19,370,921	18,569,902
End of year	$ 7,456,776	$ 19,370,921

Supplemental disclosure of non-cash investing activities:

During the year ended December 31, 2019, the Foundation received investments from the liquidation of the charibatable remainder trust totaling $371,540.

The Notes to the Financial Statements are an integral part of these statements.

THE ORANGE CATHOLIC FOUNDATION

Notes to Financial Statements
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - The Orange Catholic Foundation (the "Foundation") is a California non-profit religious corporation organized to receive charitable gifts, grants, contributions and bequests from individuals and organizations that will be maintained as funds without donor restriction and funds with donor restrictions, including donor-advised funds, special interest funds, and endowment funds. The specific purposes of the Foundation are to carry out works of piety, of the apostolate, and/or of charity, spiritual, or temporal, within the meaning of canon 114, § 2 of the Codex iuris canonici promulgated by the Supreme Pontiff of the Roman Catholic Church, His Holiness, Pope John Paul II on January 25, 1983 by the Apostolic Constitution Sacrae disciplinae leges, or corresponding section of any future code of canon law promulgated by the Supreme Pontiff of the Roman Catholic Church, as interpreted by the incumbent Bishop of the Roman Catholic Diocese of Orange in California (the "Code of Canon Law").

This Foundation shall be operated in strict conformity with the disciplines, doctrines, and teachings of the Roman Catholic Church and promulgated by the Holy See, including the Code of Canon Law. In all such matters involving the teachings of the Roman Catholic Church, this Foundation shall rely upon and defer to the ecclesiastical communion with the Bishop of Rome, the Supreme Pontiff of the Roman Catholic Church. These purposes conform to the requirements of the Internal Revenue Code ("IRC") section 501(c)(3).

In order to carry out its religious purposes, the Foundation shall have all powers granted to a non-profit religious corporation under California law and to a private juridic person and autonomous pious foundation under the Code of Canon law. The Foundation makes annual grants to such organizations at such times and in such amounts to carry out its charitable and religious purposes for the benefit of the Roman Catholic Church in the Diocese of Orange, California as its Board of Directors shall determine according to donor intent.

The accompanying financial statements do not include the assets, liabilities, and operations of the Administrative Office of the Diocese of Orange, parishes, high schools, elementary schools, or any other affiliated organizations under the jurisdiction of the Roman Catholic Bishop of Orange.

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

THE ORANGE CATHOLIC FOUNDATION

Notes to Financial Statements
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued) - Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Net Assets Without Donor Restrictions – net assets that are not subject to donor-imposed stipulations including amounts designated by the Board of Directors.

Net Assets With Donor Restrictions – net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risks and Subsequent Event - The Foundation maintains its cash balances at a single financial institution which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Management is currently evaluating the recent introduction of the COVID-19 virus to the United States and its impact on philanthropy, and has concluded that while it is reasonably possible that the virus could have a negative effect on the Foundation's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements. In May 2020, the Company received a loan in the amount of $259,345 under the Payroll Protection Program (PPP) of the CARES Act. This loan is guaranteed by the Small Business Administration and is for a 2 year term at a 1.0% interest rate. Under the PPP, the Foundation can have the entire loan forgiven if the proceeds are used to fund payroll and other allowable expenses. The Foundation intends to follow the PPP restrictions so that the entire loan will be forgiven.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments are measured and reported at fair value. Those with a readily determinable fair value are based on quotations obtained from national security exchanges. Investments with fair values that are not readily determinable are carried at estimated fair values as provided by the investment managers. Foundation management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed. Changes in fair value are reported as realized or unrealized gain or loss on investments in the statements of activities and changes in net assets. All investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amounts reported in the financial statements.

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the years in which the promises are expected to be received. Conditional promises to give are not included in pledges receivable until the conditions are met. Pledges deemed uncollectible by management are included in the allowance for uncollectible pledges. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

Property and Equipment - Property and equipment is stated at cost, net of accumulated depreciation and amortization. Repair and maintenance costs that do not extend an asset's useful life are expensed as incurred, while major betterments and renewals are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from three to ten years, commencing on the first day the asset is placed in service.

Long-Lived Assets - The Foundation reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less costs to sell. No impairments were identified during the years ended December 31, 2019 and 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pass-through and Custodial Funds – Pass-through funds relate to investment securities received from various donors whereby the Foundation acts as a conduit to immediately liquidate the securities and pass them along to the requested beneficiary, usually a church or school within the Diocese. Custodial funds relate to monies received from various parishes or schools whereby the Foundation acts as a custodian, to hold and disburse the funds upon the request of the parish or school. The corresponding assets and liabilities are not recorded on the statements of financial position. Total pass-through funds were $1,676,572 and $1,654,639 and total custodial funds held by the Foundation amounted to $451,625 and $1,355,227 as of December 31, 2019 and 2018, respectively.

Contributions and Recently Adopted Accounting Policies - In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. This update requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the update requires recipient organizations to determine whether a contribution is conditional based on if the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider's obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome.

The Foundation adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. No adjustment to net assets as of January 1, 2019 was necessary. The Foundation applied the new guidance using the practical expedient provided in Topic 958 that allows the guidance to be applied only to agreements that were not complete as of January 1, 2019. Adoption of the new guidance did not have a material impact on the Foundation's financial statements.

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Foundation's policy is to record restricted gifts that are received and spent in the same year as unrestricted support.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Recently Adopted Accounting Policies (Continued) - Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Gifts In-Kind - Contributed gifts in-kind are recognized if they (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No gifts in-kind were recorded for the years ended December 31, 2019 and 2018.

Several volunteers, including board members and several functional committees, have made significant contributions of their time in furtherance of Foundation and its mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under the Accounting Principles Generally Accepted in the United States of America (US GAAP).

Beneficial Interest in Charitable Remainder Trust – These are contributions, including unconditional promises to give, are recognized as revenue in the period received. The Foundation is also a beneficiary in certain trusts. The Foundation recognizes as revenue the present value of the estimated future benefits to be received upon distribution of irrevocable trusts for which the Foundation is beneficiary but is not the trustee. The present value discount on those future benefits is computed using a risk-free interest rate as of the balance sheet date that is commensurate with the time frame expected to receive distributions from the trust. Changes in the present value discount amount and overall value of the Foundation's beneficial interest in these trusts are recognized in the statement of activities and changes in net assets. When these gifts are revocable in nature, they are not reflected in the financial statements.

Income Taxes - The Foundation has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under Sections 501(c)(3) and 23701(d), respectively. Accordingly, no tax provision has been recorded in the financial statements. The Foundation is exempt from filing tax returns under the Catholic Directory exemption, however has elected to file an informational return with the California Franchise Tax Board.

Vacation Expense - Hourly and salary employees earn credits during the current year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid.

THE ORANGE CATHOLIC FOUNDATION

Notes to Financial Statements
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses – These are the costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Due to the nature of the services provided by the Foundation, certain administrative and fundraising expenses that are incurred for the direct benefit of a program or campaigns managed by the Foundation, have been reported with program services. Only those supporting expenses incurred for the administration and furtherance of the Foundation itself, are reported as supporting services in the accompanying statements of activities and changes in net assets and the accompanying statement of functional expenses. Such allocations are determined by management on an equitable basis.

Certain expenses reported on the accompanying statement of functional expenses, such as grants, rebates/parish share, bad debt expense, change in discount, and interest expense have been allocated to programs based on direct usage. The majority of the remaining natural expenses have generally been allocated to the program and supporting services based on time and effort of the employees involved. For certain expenses including advertising, bank charges, dues and subscriptions, meals and entertainment, and professional fees, the cost directly attributable to program or supporting services have been allocated as such, with the remaining amount of shared cost being allocated based on the time and effort of the employees involved.

Program Services – These are the functions of the Foundation that center on providing support to the ministries, parishes and schools of the Diocese of Orange. This includes conducting fundraising services, endowment and fund management, and gift and grant administration according to donor intent. Additional information on program services can be found in Notes 6, 7, 8, 12 and 13.

Use of Estimates - The preparation of financial statements in accordance 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.

Fair Value Measurements - For fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis, the Foundation has adopted generally accepted accounting principles (GAAP) standards that define fair value as 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.

THE ORANGE CATHOLIC FOUNDATION

Notes to Financial Statements
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued) - The assets that are recorded at fair value on a recurring basis are investments. The Foundation has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis.

Accounting standards establish a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

- Level 1: fair values are based on quoted prices in active markets for identical assets and liabilities. The Foundation's Level 1 assets include institutional mutual funds.
- Level 2: fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Foundation's Level 2 investments include certificates of deposits.
- Level 3: fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Foundation does not hold any Level 3 assets.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Recent Accounting Pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases*: Topic 842. Under Topic 842, lessees will be required to recognize the following for substantially all leases:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Topic 842 is effective for our year ended December 31, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications - The summarized financial statements for the year ended December 31, 2018 reflect certain reclassifications, which have no effect on total net assets or changes in net assets, to conform to classifications adopted as of December 31, 2019.

Subsequent Events - The Foundation evaluated subsequent events through August 4, 2020, the date these financial statements were available to be issued. Except for the events described in Note 1, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 2 - AVAILABILITY AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such gifts with purpose restrictions is used to fund programs. From the campaigns benefited by the gifts received with donor restrictions, the Foundation contractually receives financial support to fund the operational and administrative needs of the campaigns and the Foundation itself. Additionally, the Foundation receives revenues without donor restriction from services provided to various entities affiliated with the Roman Catholic Church in the Diocese of Orange.

The Foundation considers the aforementioned revenues streams to be available to meet cash needs for all general expenditures. General expenditures include grant and rebate commitments, and supporting service expenses that are expected to be paid in the subsequent year.

Apart from programmatic granting and rebating of funds, which are reviewed by the Board of Directors on a quarterly basis to ensure adequate review and approval of disbursement requests, the Foundation manages its cash available to meet core operating needs following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term financial sustainability will be achieved.

NOTE 2 - AVAILABILITY AND LIQUIDITY (Continued)

To uphold these principals, the Foundation's Finance Committee meets on a quarterly basis to provide strategic oversight of the Foundation's core operating budget. In doing so, the Foundation strives to maintain financial assets available to meet operating expenditures at a level that represents at least 100% of annual expenses for general, administrative, and fundraising purposes. Additionally, the Foundation strives to ensure it maintains liquidity within its funds containing assets with donor restrictions, to cover expected payment of grant commitments approved by the Board of Directors. Depending on the beneficiary and nature of the grant, these amounts can vary for grants of funds with purpose restrictions. For endowment funds which are held in perpetuity, annual grant commitments are generally up to 5% of the market value of underlying assets up to a rolling three-year average.

The following table represents the Foundation's financial assets available for general expenditure within one year, as of December 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and equivalents	$ 7,456,776	$ 19,370,921
Investments	50,121,866	41,283,406
Charitable remainder trust	-	1,000,000
Pledges receivable - net	14,399,966	18,120,949
Other assets	26,799	18,046
Total financial assets	72,005,407	79,793,322
Less financial assets not available for general expenditures within one year:		
Investments held in perpetuity	(40,788,999)	(33,695,384)
Assets in charitable remainder trust	-	(1,000,000)
Pledges receivable, due after one year - net	(10,729,801)	(12,168,349)
Board designated operating reserve	(1,744,386)	(1,494,353)
Financial assets not available to be used within one year	(53,263,186)	(48,358,086)
Financial assets available to meet general expenditures within one year	$ 18,742,221	$ 31,435,236

NOTE 2 - AVAILABILITY AND LIQUIDITY (Continued)

The following table represents the Foundation's core operating financial assets available for expenditure within one year, as of December 31, 2019 and 2018:

	2019	2018
Financial assets available to meet general expenditures within one year	$ 18,742,221	$ 31,435,236
Less financial assets with donor restrictions not to be used for core operating purposes:		
Cash restricted for grants and rebates/parish share	(3,441,936)	(14,762,357)
Investments restricted for grants	(7,588,521)	(6,047,500)
Pledges receivable expected to be collected within one year, with donor restrictions - net	(3,670,165)	(5,970,646)
	(14,700,622)	(26,780,503)
Financial assets available to meet core operating needs within one year	$ 4,041,599	$ 4,654,733

NOTE 3 – INVESTMENTS RECORDED AT FAIR VALUE

Investments generally consist of mutual funds and certificates of deposit. It is the Foundation's Gift Acceptance Policy to liquidate gifted securities upon receipt. During the year ended December 31, 2019, the Foundation was gifted equity in two venture capital limited partnership through a charitable remainder trust. The Foundation plans to liquidate the investments as soon as it is able to do so.

The following is a description of the valuation methodologies the Foundation uses for investments measured at fair value. There have been no changes in the methods used.

Certificates of Deposits – Valued at the basis of evaluated prices provided by independent pricing services, using the income approach.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds invested in are registered with the Securities and Exchange Commission. The funds are required to publish their daily net asset value and to transact at that price. The mutual funds invested in are deemed to be actively traded.

THE ORANGE CATHOLIC FOUNDATION

Notes to Financial Statements
December 31, 2019 and 2018

NOTE 3 – INVESTMENTS RECORDED AT FAIR VALUE (Continued)

Following is a description of the valuation methodologies used for assets measured at Net Asset Value (NAV) as the practical expedient to estimate fair value:

Limited Partnerships – Valued using the market approach, on the basis of the relative interest of each participating investor, in the fair value of the underlying net asset of each limited partnership.

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2019 and 2018:

	Assets at Fair Value as of December 31, 2019			
	Level 1	***Level 2***	***Level 3***	***Total***
Investments:				
Mutual funds	$ 49,139,262	$ -	$ -	$ 49,139,262
Certificates of deposit	-	480,580	-	480,580
Limited partnerships*				502,024
Total investments	$ 49,139,262	$ 480,580	$ -	$ 50,121,866

	Assets at Fair Value as of December 31, 2018			
	Level 1	***Level 2***	***Level 3***	***Total***
Investments:				
Mutual funds	$ 40,808,086	$ -	$ -	$ 40,808,086
Certificates of deposit	-	475,320	-	475,320
Total investments	$ 40,808,086	$ 475,320	$ -	$ 41,283,406

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefit.

Investment income for the years ended December 31, 2019 and 2018 is summarized as follows:

	Years Ended December 31,	
	2019	**2018**
Interest and dividend income	$ 94,706	$ 371,894
Realized and unrealized gain (loss)	8,357,675	(2,302,050)
	$ 8,452,381	$ (1,930,156)

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2019 and 2018, all of which are related to the For Christ Forever Capital Campaign and Christ Cathedral Capital Campaign include amounts that have been discounted at rates ranging from 1.59% to 1.66% are as follows:

	2019	2018
Amounts due in:		
Less than one year	$ 3,670,165	$ 5,970,646
One to five years	3,046,554	5,679,912
Greater than five years	9,797,539	9,515,382
Total pledges	16,514,258	21,165,940
Less:		
Discount to present value	(243,829)	(501,682)
Reserve for uncollectible pledges	(1,870,463)	(2,543,309)
	$ 14,399,966	$ 18,120,949

As of December 31, 2019 and 2018, an outstanding pledge related to the Christ Cathedral Capital Campaign represented 81.5% and 75.4%, respectively, of total pledges outstanding.

During the year ended December 31, 2019, the Foundation recognized income from a reduction in the reserve for potentially uncollectible For Christ Forever Capital Campaign pledges totaling $1,227. During the year ended December 31, 2018, the Foundation recognized expense related to reserves for potentially uncollectible For Christ Forever Capital Campaign pledges totaling $1,955,255.

During the years ended December 31, 2019 and 2018, the Foundation recognized expense related to reserves for potentially uncollectible Christ Cathedral Capital Campaign Our Lady of La Vang pledges totaling $87,264 and $355,406, respectively. During the years ended December 31, 2019 and 2018, the Foundation recognized income from a reduction in the reserve for potentially uncollectible Christ Cathedral Capital Campaign pledges totaling $104,088 and $247,266, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consists of the following:

	2019	2018
Office furniture and computer equipment	$ 126,298	$ 126,298
Leasehold improvements	177,116	177,116
	303,414	303,414
Less accumulated depreciation	(211,931)	(180,386)
	$ 91,483	$ 123,028

Depreciation expense for the years ended December 31, 2019 and 2018 was $31,545 and $32,634, respectively.

NOTE 6 - FOR CHRIST FOREVER CAPITAL CAMPAIGN

In August of 2011, the Foundation at the request of the Roman Catholic Bishop of Orange (RCBO) commissioned a Campaign Feasibility Study to gauge the support of a capital campaign to raise funds for a Cathedral, local parishes, priests' retirement, Catholic education, and Diocesan ministries. Based on the results of the study, a diocesan capital campaign named For Christ Forever: Supporting Our Faith, Church and Future (the For Christ Forever Capital Campaign) was approved by the Foundation's Board of Directors and the RCBO in February of 2012.

In February 2012, the Foundation and RCBO entered into a Capital Campaign Services Agreement authorizing the Foundation to manage the operations of the For Christ Forever Capital Campaign (Phases I and II) and receive gifts, grants, contributions and bequests from individuals and foundations for the purpose of supporting the renovation of the Christ Cathedral campus, Catholic education, retired priests, diocesan ministries and local parishes and centers. The renovation of the Hazel Wright Organ was also included in the campaign goal for Christ Cathedral.

As gifts, grants, contributions and bequests are received by the Foundation for the For Christ Forever Capital Campaign, the Foundation will make grants to such organizations at such times and in such amounts to carry out the charitable and religious purposes outlined in the For Christ Forever Capital Campaign goals and as approved by the Foundation's Board of Directors or as shall be required by a donor.

NOTE 6 - FOR CHRIST FOREVER CAPITAL CAMPAIGN (Continued)

A Diocesan-wide leadership phase of the For Christ Forever Capital Campaign began in February 2012 and continued through 2015. The Diocesan-wide parish phase of the For Christ Forever Capital Campaign began in 2013 with 62 Diocesan parishes and centers split into fundraising blocks. Parish financial goals were determined using a formula based on three year average ordinary income plus 2013 Pastoral Services Appeal (PSA) Goal (Note 8). A part of each parish's financial target included its portion of the PSA for 2013.

In general, For Christ Forever Capital Campaign revenues are restricted until they are expended for the For Christ Forever Capital Campaign purposes. Total For Christ Forever Capital Campaign revenue amounted to $68,857 and $1,211,391 for the years ended December 31, 2019 and 2018, respectively. The revenues for the years ended December 31, 2019 and 2018 were offset by parish shares of none and $221,372, respectively. The amount due to parishes included in accounts and grants payable and accrued expenses at December 31, 2019 and 2018 was none and $221,372, respectively.

A portion of the For Christ Forever Capital Campaign revenue is restricted in perpetuity in accordance with the Capital Campaign Services Agreement. Investment earnings from such funds are to be used in support of Catholic education and retired priests. During the years ended December 31, 2019 and 2018, no contributions were recorded as restricted revenues in perpetuity for the For Christ Forever Capital Campaign, however, amounts totaling $550 and $223,441, respectively, which were previously recorded as donor restricted pledge revenues and were received in cash during the years ended December 31, 2019 and 2018 were transferred to restricted endowments in accordance with the Capital Campaign Services Agreement. Of the amounts transferred to restricted endowments during the years ended December 31, 2019 and 2018, none and $150,000, respectively, were endowed to School Tuition Assistance Endowment Fund and $550 and $63,441, respectively, were endowed to Retired Priests Endowment Fund. Additional amounts transferred to restricted endowments during the year ending December 31, 2018, $10,000 was endowed to the St. Timothy Parish Pastor Retirement Fund.

As of December 31, 2019, the Capital Campaign Services Agreement with the Diocese of Orange was terminated and the Foundation will no longer be raising funds for the For Christ Forever Capital Campaign. Gifts received on outstanding pledges will continue to be administered and granted in accordance with donor intent and the Gift Administration agreement.

NOTE 7 - CHRIST CATHEDRAL CAPITAL CAMPAIGN

In June of 2014, the Foundation launched a separate leadership gifts phase (Phase III of the For Christ Forever Capital Campaign) specifically to raise funds for the renovation of the Christ Cathedral. The "Christ Cathedral Capital Campaign" exclusively supports the restoration and renovation of the Christ Cathedral and is focused on restricted gifts to complete the requisite funding of the Christ Cathedral renovation plans. Total revenues amounted to $3,087,205 and $8,391,085 for the years ending December 31, 2019 and 2018, respectively. During the years ending December 31, 2019 and 2018, revenues totaling $1,401,250 and $4,886,902, respectively, were recognized through the Christ Cathedral Capital Campaign in support of building a future shrine dedicated to Our Lady of La Vang at the Christ Cathedral campus.

As of December 31, 2019, the Capital Campaign Services Agreement with the Diocese of Orange was terminated and the Foundation will no longer be raising funds for the Christ Cathedral Capital Campaign. Gifts received on outstanding pledges will continue to be administered and granted in accordance with donor intent and the Gift Administration agreement.

NOTE 8 - PASTORAL SERVICES APPEAL AND SUBSEQUENT EVENTS

The Pastoral Services Appeal (PSA) is an annual fundraising appeal of the Orange Catholic Foundation that raises funds for the benefit of The Roman Catholic Bishop of Orange that are granted to the Diocese of Orange and Catholic Charities of Orange County for financial support of selected diocesan pastoral ministries including tuition assistance for Catholic elementary schools, and other programs which serve thousands of people throughout Orange County. Parish goals were set and are clearly noted in the PSA campaign materials and in the gift solicitation presentations made at the parishes. Amounts collected over each parish's goal were granted to that parish and were reported on the statement of activities and changes in net assets as a component of PSA revenues and expenses. PSA revenues are restricted until they are expended for the pastoral ministry departments and programs as well as grants to Catholic Charities of Orange County. Any resulting difference between the amount of restricted income received and programs funded remains restricted until expended. The amount due to parishes included in accounts and grants payable and accrued expenses at December 31, 2019 and 2018 was $816,579 and $803,304.

NOTE 8 - PASTORAL SERVICES APPEAL AND SUBSEQUENT EVENTS (Continued)

As of December 31, 2019, the Foundation will no longer raise funds under the PSA. The Foundation will be introducing a complimentary new annual appeal to meet various needs within the local Catholic community.

The Foundation provides services defined in a Management Services agreement between the Foundation and the Diocese of Orange which include development, gift management and fund-raising services for the benefit of the parishes, schools and ministries of the Diocese. Specific activities performed by the Foundation in providing such services include stewardship education, planned giving consultation and education, grant administration, restricted gift administration, estate and trust gift management, stock donation processing, fund-raising consultation and feasibility studies on capital campaigns. Revenue earned and contributions generated as a result of these services are generally not received or recorded by the Foundation, but rather go directly to the beneficiary school, parish, or ministry involved. Each year, a portion of the revenue generated by the PSA campaign is used by the Foundation to pay for the costs associated with providing such services. During the years ended December 31, 2019 and 2018, the costs of providing such services totaled $598,916 and $643,977 and are included in both program and supporting services on the accompanying statements of activities and changes in net assets and the statements of functional expenses.

As of December 31, 2019, the Management Services agreement with the Diocese was terminated. On January 1, 2020, a Gift Administration agreement was entered into with the Diocese, under which the Foundation continues to provide planned giving consultation and education, grant administration, restricted gift administration, estate and trust gift management and fundraising support to the Catholic community and the Diocese of Orange.

NOTE 9 - ACCOUNTS AND GRANTS PAYABLE AND ACCRUED LIABILITIES

Accounts and grants payable and accrued liabilities consist of the following at December 31, 2019 and 2018:

	2019	2018
Grants due for Cathedral campus and organ renovation	$ 441,200	$ 2,395,799
Grants due for Our Lady of La Vang Shrine	523,540	-
Tuition assistance grants due to Catholic Schools	60,000	525,750
Endowment and other grants due to Catholic organizations	80,000	27,944
PSA grants due to Diocesan ministries and Catholic Affiliates	285,091	919,029
Information technology grant	-	46,400
For Christ Forever parish share	-	221,372
PSA rebates	816,579	803,304
Salaries and wages	56,402	47,354
Vacation	46,818	81,240
Other accrued expenses	64,196	68,489
	$ 2,373,826	$ 5,136,681

NOTE 10 - NET ASSETS

Net assets without donor restrictions at December 31, 2019 and 2018 consist of the following:

	2019	2018
Undesignated	$ 4,092,480	$ 3,475,551
Board-designated	1,744,386	1,494,353
Total	$ 5,836,866	$ 4,969,904

NOTE 10 - NET ASSETS (Continued)

Net assets with donor restrictions at December 31, 2019 and 2018 consist of the following:

	2019	2018
Purpose restriction:		
For Christ Forever Capital Campaign	$ 789,562	$ 2,292,007
Christ Cathedral Capital Campaign:		
Phase 3	13,189,005	15,312,765
Our Lady of La Vang Shrine	1,095,587	9,440,493
Pastoral Services Appeal	8,776	103,871
Tuition assistance and grants to various parishes, schools and Catholic related causes	8,102,046	7,797,291
	23,184,976	34,946,427
Perpetual in nature	40,883,899	34,552,353
Total	$ 64,068,875	$ 69,498,780

Net assets with donor restrictions were released during the years ended December 31, 2019 and 2018 for the following purposes:

	2019	2018
Satisfaction of purpose restrictions:		
For Christ Forever Capital Campaign	$ 1,173,040	$ 4,461,158
Christ Cathedral Capital Campaign:		
Phase 3	4,199,561	3,398,196
Our Lady of La Vang Shrine	9,700,484	1,233,082
Pastoral Services Appeal	64,232	49,635
Tuition assistance and grants to various parishes, schools and Catholic related causes	1,559,199	2,064,981
	16,696,516	11,207,052
Appropriations from endowments	1,365,971	1,125,402
Total	$ 18,062,487	$ 12,332,454

NOTE 11 - DESIGNATED NET ASSETS

Through the budgetary process, the Foundation has designated funds for specific purposes which are presented in the accompanying statement of financial position as net assets without donor restrictions.

During the year ended December 31, 2016, net assets designated from the Orange Catholic Foundation Fund were allocated to supplement operating and program revenue to grow, expand, and improve the Foundation's ability to fulfill its mission to raise, manage, grow, and grant funds. Additions to the fund including transfers from other funds interest earned and unrealized gains/losses totaled $13,439 and $20,018 during the years ended December 31, 2019 and 2018, respectively. No amounts were authorized by the board for expenditures during the years ended December 31, 2019 and 2018.

During the year ended December 31, 2016, the Board of Directors of the Foundation also established a reserve for operations. Additions to the fund including transfers from other funds, interest earned and unrealized gains/losses totaled $5,260 and $16,714 during the years ended December 31, 2019 and 2018, respectively. No amounts were authorized by the board for expenditures during the years ended December 31, 2019 and 2018.

Net assets designated from the Information and Technology Fund have been allocated to provide for grants to Catholic schools and parishes for information technology upgrades, faith formation, and education. Additions to the fund including interest earned and unrealized gains/(losses) totaled $510,134 and $480,372 during the years ended December 31, 2019 and 2018, respectively. The fund was reduced by $278,015 and $404,896 for grants and other expenses during the years ended December 31, 2019 and 2018, respectively.

The total amount of unrestricted net assets with board designations as of December 31, 2019 and 2018 was $1,744,386 and $1,494,353, respectively.

NOTE 12 - ENDOWMENT

The Foundation has adopted the accounting standard for Endowments of Not-for-Profit Organizations. A key component of the accounting standard is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity as net assets with donor restrictions for purpose or time, until appropriated for expenditure. Adoption of this standard did not affect the financial position or changes in net assets of the Foundation.

The accounting standard provides guidance with respect to the accounting for donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which the State of California has enacted. In addition, the accounting standard requires expanded disclosures for all endowment funds. Based on its interpretation of the provisions of UPMIFA and the accounting standard, the Foundation has determined that retaining its existing policies regarding net asset classification of its donor-restricted endowment funds is appropriate. The historic dollar value of donor-restricted endowment contributions is reported as net assets with donor restrictions in perpetuity.

The Foundation's endowment consists of 78 individual funds established for a variety of purposes.

Changes in Endowment Net Assets for the Years Ending December 31, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	In Perpetuity	
Endowment net assets, December 31, 2017	$ -	$ 211,945	$ 34,750,945	$ 34,962,890
Contributions	-	-	2,399,789	2,399,789
Investment return:				
Investment income	-	5,495	270,436	275,931
Realized and unrealized loss on investments	-	(35,121)	(1,784,293)	(1,819,414)
Other changes in endowment net assets	-	-	223,441	223,441
Appropriation of endowment for expenditure	1,329,597	(21,632)	(1,307,965)	-
Expenditure of appropriated funds	(1,329,597)	-	-	(1,329,597)
Endowment net assets, December 31, 2018	-	160,687	34,552,353	34,713,040
Contributions	-	-	382,968	382,968
Investment return:				
Realized and unrealized gain on investments	-	134,914	6,973,692	7,108,606
Other changes in endowment net assets	-	-	546,002	546,002
Appropriation of endowment for expenditure	1,623,528	(52,412)	(1,571,116)	-
Expenditure of appropriated funds	(1,623,528)	-	-	(1,623,528)
Endowment net assets, December 31, 2019	$ -	$ 243,189	$ 40,883,899	$ 41,127,088

NOTE 12 – ENDOWMENT (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies of this nature that are reported in unrestricted net assets as of December 31, 2019 and 2018.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that provide continued financial stability for the Foundation and a revenue stream for spending on the Foundation's mission. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a morally and ethically responsible manner, as reasonably as possible, that promotes diversification while obtaining a competitive rate of return with the secondary objective to maintain liquidity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The Foundation targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating a spendable amount for distribution as of January 1 of each year (currently five percent) of each Foundation established endowment fund's average fair market value over the prior twelve quarters. New funds established require a minimum of four quarters performance prior to Jan 1 of each year.

The Foundation has a policy for endowment funds not established by but given to the Foundation of appropriating a spendable amount for distribution as of January 1 of each year, governed by the terms of each individual fund agreement.

NOTE 12 – ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

These spending assumptions are intended to allow for the significant and immediate spending of the income of the portfolio, provide a target rate of return for the endowment funds held by the Foundation, and provide a sustainable spending level that will allow for support of the Foundation's initiatives in fulfilling its mission, while maintaining the purchasing power of the endowment funds' assets.

NOTE 13 – TRANSACTIONS WITH AFFILIATE AND SUBSEQUENT EVENTS

In April 2016, the Foundation entered into four new services agreements with the Diocese of Orange that were retroactively effective to January 1, 2016. The Administrative Services Agreement outlines services such as human resources and risk management that the Diocese of Orange will provide to the Foundation. The Management Services Agreement outlines the fundraising and stewardship services the Foundation will provide to the Diocese of Orange. The Capital Campaign Services Agreement defines additional capital campaign services the Foundation will provide to the Diocese of Orange. The Gift Administration Services Agreement defines gift administration services the Foundation will provide to the Diocese of Orange, and its parishes and schools, as well as outlines estate, trust and other complex gift administration services the Foundation will provide to the Diocese of Orange. Each of the agreements was terminated effective December 31, 2019. On January 1st, 2020, a Gift Administration agreement was entered into with the Diocese of Orange for continuation of many services provided for previously under the Management Services agreement.

During the years ended December 31, 2019 and 2018, the Foundation incurred rent expense and reimbursable administrative expenses through its service arrangements with the Diocese of Orange totaling $269,939 and $274,035 for the years ended December 31, 2019 and 2018, respectively.

The Foundation maintains an office rental agreement with the Diocese or Orange for the rental of the Foundation's main office space. The lease agreement provides for monthly rents of $5,741 which includes the Foundation's share of certain facilities costs. The agreement has an original maturity date of October 2023, and allows for one additional five year extension to October 2028.

NOTE 13 – TRANSACTIONS WITH AFFILIATE AND SUBSEQUENT EVENTS (Continued)

This office rental agreement was amended effective January 1, 2020 to provide for a decrease in monthly rents to $5,472. As of December 31, 2019, the Foundation's future minimum annual lease commitment under the lease agreement is as follows:

Years ending December 31:	
2020	$ 65,664
2021	65,664
2022	65,664
2023	54,720
	$ 251,712

During the year ended December 31, 2014, the Foundation entered into a $1,000,000 promissory note with the Diocese of Orange to fund the start-up of the Christ Cathedral Capital Campaign. The note accrued interest at a rate of 2% and was paid in full during the year ended December 31, 2018.

During the years ended December 31, 2019 and 2018, the Foundation recorded interest expense on the aforementioned promissory notes in the amount of none and $11,612, respectively.