CATERINA’S CLUB
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

WITH INDEPENDENT AUDITORS’ REPORT
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In 2005, Chef Bruno Serato, owner of Anaheim White House Restaurant, and his mother, Caterina Lunardi, became aware of a growing group of children called “motel kids” attending a local Boys and Girls Club. Caterina was told by the club’s Executive Director that most of their children would go to bed without supper and relied on snacks at the after school program to get them through the night. Caterina insisted that Bruno go back to his restaurant and prepare pasta for the children and thus, Caterina’s Club was born. Caterina’s Club served 60 meals that night, and has not stopped since. For the past 14 years, Caterina’s Club has been identifying at-risk children and cooking up nightly meals for them. Caterina’s Club feeds underprivileged children in 30 cities throughout Orange County, Los Angeles, San Diego, and San Bernardino Counties serving 5,005 hot meals per night, at different after-school program locations such as Boys and Girls Clubs, schools, and other after-school programs. As a result, we are pleased to share that to date we have served over 3 million meals.

Caterina’s Club also supports the “Motel Family Outreach” program at the Anaheim Boys and Girls Club by sponsoring vans to transport children living in motels to school and then to their after school program. School buses do not pick up from motels, so it is imperative that children get to and from school, as well as to an after-school program, where they can engage in extended learning opportunities.

Additionally, Caterina’s Club collaborates with Mercy House and the Illumination Foundation to provide housing assistance to homeless families. Together, the agencies are remedying family homelessness by providing a continuum of extensive case management, financial advising, and the necessary relocation funds for displaced families. To date, Caterina’s Club moved over 210 families out of homelessness and into the longevity and safety of a new home.

Caterina’s Club designed and launched a third program, Chef Bruno’s Hospitality Academy; a partnership with Anaheim Union School District to provide at-risk teenagers with a twelve-week program that teaches content and skills not taught in the traditional school day. Executives from major hotels, culinary schools, and businesses have been secured as guest chefs and speakers to provide students insight on the opportunities that lie ahead as they prepare to exit high school. Over the course of twelve weeks, our expert staff train the students in all aspects of the culinary, restaurant, and hotel industry. The Academy serves as an innovative after-school program to keep the teens in our community off the streets and involved in activities that will help shape and brighten their future. Finally, we believe that providing these young adults necessary skills to get employed will be instrumental in preventing the cycle of homelessness. To date, Caterina’s Club has provided training to 203 students.

Caterina’s Club Mission Statement:

“To provide food, support, and shelter to the homeless motel children of Southern California, and is supported by a vision where we are creating a modicum of consistency in children’s lives through something as simple, yet meaningful, as a nightly dinner.”
INDEPENDENT AUDITORS’ REPORT

To the Board of Trustees of
Caterina’s Club

We have audited the accompanying financial statements of Caterina’s Club (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caterina’s Club as of December 31, 2018, 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

Management Discussion and Analysis

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management Discussion and Analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Irvine, California
July 1, 2019
## ASSETS

Current Assets:
- Cash and cash equivalents: $1,460,734
- Investment - stock: 51,387
- Contributions receivable: 12,000
- Inventory: 136,154
- Prepaid expenses: 419

Total Current Assets: $1,660,694

Property and Equipment, Net: 5,834

Total Assets: $1,666,528

## LIABILITIES AND NET ASSETS

Current Liabilities:
- Accounts payable: $12,791
- Accrued payroll: 21,020

Total Liabilities: 33,811

Net Assets:
- Without donor restrictions: 1,598,245
- With donor restrictions: 34,472

Total Net Assets: 1,632,717

Total Liabilities and Net Assets: $1,666,528

The accompanying notes are an integral part of these financial statements.
Changes in Net Assets without Donor Restrictions

Revenues, Gains, and Other Support:
- Contributions and grants $671,916
- In-kind donations 109,667
- Special events revenue, net of cost of direct benefits to donors of $58,020 901,496
- Unrealized loss on investment (18,245)

Total Revenues, Gains, and Other Support 1,664,834

Net Assets Released from Restrictions 197,959

Total Revenues, Gains, and Other Support 1,862,793

Expenses:
- Program Services 1,249,425
- Supporting Services:
  - General and administrative 96,372
  - Fundraising 324,492

Total Supporting Services 420,864

Total Expenses 1,670,289

Increase in Net Assets without Donor Restrictions 192,504

Changes in Net Assets with Donor Restrictions

Revenues and Other Support - Contributions 85,652

Net Assets Released from Restrictions (197,959)

Decrease in Net Assets with Donor Restrictions (112,307)

Increase in Net Assets 80,197

Net Assets, January 1, 2018 1,552,520

Net Assets, December 31, 2018 $1,632,717

The accompanying notes are an integral part of these financial statements.
CATERINA'S CLUB  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospitality Academy</strong></td>
<td><strong>General and Administrative</strong></td>
</tr>
<tr>
<td><strong>Feeding the Kids in America</strong></td>
<td><strong>Total Program Services</strong></td>
</tr>
<tr>
<td>Salaries</td>
<td>$ 30,129</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>3,048</td>
</tr>
<tr>
<td>Benefits</td>
<td>4,387</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>37,564</td>
</tr>
<tr>
<td>Accounting and legal</td>
<td>12,338</td>
</tr>
<tr>
<td>Communication</td>
<td>31,322</td>
</tr>
<tr>
<td>Annual Gala</td>
<td>-</td>
</tr>
<tr>
<td>Bank fees</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>-</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>21,500</td>
</tr>
<tr>
<td>Fight Night</td>
<td>-</td>
</tr>
<tr>
<td>Food preparation and delivery</td>
<td>-</td>
</tr>
<tr>
<td>Grant writing</td>
<td>-</td>
</tr>
<tr>
<td>Hospitality Academy Program</td>
<td>20,846</td>
</tr>
<tr>
<td>In-kind goods</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,951</td>
</tr>
<tr>
<td>KFI Radiothon</td>
<td>-</td>
</tr>
<tr>
<td>Kitchen supplies</td>
<td>-</td>
</tr>
<tr>
<td>Office supplies</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>1,377</td>
</tr>
<tr>
<td>Postage</td>
<td>686</td>
</tr>
<tr>
<td>Printing</td>
<td>1,757</td>
</tr>
<tr>
<td>Rent - office</td>
<td>2,540</td>
</tr>
<tr>
<td>Rental assistance</td>
<td>-</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>1,471</td>
</tr>
<tr>
<td>Scholarships</td>
<td>26,290</td>
</tr>
<tr>
<td>Storage rental</td>
<td>10,055</td>
</tr>
<tr>
<td>Utilities</td>
<td>14,646</td>
</tr>
<tr>
<td>Travel</td>
<td>13,616</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 197,959</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Cash Flows from Operating Activities:
Increase in Net Assets $ 80,197

Adjustments to Reconcile Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:
Net change in in-kind donations of inventory (23,250)
Depreciation 2,342
Unrealized loss on investment 18,245

Changes in Assets and Liabilities:
(Increases) Decreases in:
Contributions receivable 450
Inventory 16,335
Prepaid expenses (217)

Increases (Decreases) in:
Accounts payable (17,517)
Accrued payroll 224

Total Adjustments (3,388)

Net Cash and Cash Equivalents Provided by Operating Activities 76,809

Cash and Cash Equivalents, January 1, 2018 1,383,925
Cash and Cash Equivalents, December 31, 2018 $ 1,460,734

Supplemental Disclosure of Cash Flow Information:
Cash paid during the year for:
Interest $ -
Income taxes $ -
Note 1: Organization and Nature of Services

Caterina’s Club was founded by Chef Bruno Serato and incorporated on October 5, 2012, under the nonprofit public benefit corporation laws of the State of California. As the owner of the Anaheim White House Restaurant, Bruno began by hosting annual luncheons with a group of 75 women in honor of his mother, Caterina. Proceeds from these luncheons helped support services for youth through the Boys and Girls Clubs of Anaheim, a long-time recipient of Bruno’s donations. During a visit to the club, Bruno and his mother realized that many of the children were eating potato chips for dinner, and this sparked Caterina’s Club’s mission of ending childhood malnutrition and hunger. Using his resources as a restaurant owner, Bruno began feeding these children, many of whom lived in motels or other substandard living conditions. What started as a simple hot meal for one hungry “motel child” at a Boys and Girls Club in Anaheim has turned into an international campaign to help end childhood hunger.

Orange County is known for its beauty and lavish lifestyles, but what is lesser known is this plight of “motel families.” These are families headed by hard working parents, often earning poverty-level wages. Some have lost their home due to a job loss or other circumstances beyond their control. Children in these families may get government subsidized meals at school during the week but have limited access to affordable, nutritious evening or weekend meals, and these children are considered part of a growing “food insecure household” population.

Caterina’s Club is now serving 4,000 dinners every night to low-income children at 80 different after-school program sites spread throughout 27 cities in Orange County and Los Angeles County through the Feeding the Kids in America program. Executive Director Bruno Serato expanded this mission to providing qualified families residing in motels with relocation assistance by paying first and last month’s rent and security deposits on a family-friendly apartment. In the past four years, Caterina’s Club has funded permanent housing to 126 families through the Welcome Home program. The organization is committed to addressing the county’s lack of affordable housing and access to nutritious, affordable food and to expanding this mission beyond the borders of Orange County.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP. Significant accounting policies are described in the following pages to enhance the usefulness of the financial statements to the reader.
Note 2: Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in accordance with US GAAP 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 year. Actual results could differ from those estimates.

Financial Statement Presentation

The Caterina’s Club’s financial statements are presented in conformity with FASB Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under ASU 2016-14, the Caterina’s Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets with Donor Restrictions** - Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit an organization to use or expend part or all the income derived from the contribution. Donor-imposed restrictions are released when a restriction expires (that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both).

- **Net Assets without Donor Restrictions** - Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions, including the carrying value of all unrestricted physical properties (land, building, and equipment). Items that affect (i.e., increase or decrease) this net asset category include revenue and contributions related to expenses associated with core programs.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Caterina’s Club considers all money market funds, mutual funds, and highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.
Note 2: Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Catarina’s Club’s cash is maintained in a commercial bank and consists of cash on deposit. At December 31, 2018, Caterina’s Club had cash in the bank in excess of Federal Deposit Insurance Corporation insurance limits of approximately $1,165,000.

Fair Value Measurements

The carrying value of cash and cash equivalents, contributions receivable, prepaid expenses, accounts payable, and accrued payroll approximates their respective fair values due to their short-term maturities.

Inventory

Inventory, consisting of food, pasta, sauces, and books (*Power of Pasta*), is stated at cost or the approximate fair value on the date of donation.

Property and Equipment

Assets are carried at cost if purchased or fair market value at date of contribution if contributed. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Caterina’s Club follows the practice of capitalizing all expenditures for equipment in excess of $500. Depreciation is calculated using the straight-line method over the estimated useful lives of property and equipment. At December 31, 2018, net property and equipment consisted of office equipment of $11,987 and accumulated depreciation of $6,153. For the year ended December 31, 2018, depreciation expense was $2,342.

Long-lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on a comparison of the carrying value against undiscounted future cash flows. If impairment is identified, the assets’ carrying amounts are adjusted to fair value. There were no such adjustments during the year ended December 31, 2018.

Compensated Absences

Employees of Caterina’s Club are entitled to paid sick days depending on job classification, length of service, and other factors. Caterina’s Club does not pay employees for unused sick leave and employees do not accrue vacation time. Accordingly, no liability for compensated absences has been recorded in the accompanying financial statements.
Note 2: Summary of Significant Accounting Policies (Continued)

Contributions and Grants

Contributions and grants are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Caterina’s Club uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made. At December 31, 2018, the allowance is zero.

Income Taxes

Caterina’s Club is a California nonprofit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and the California Revenue and Tax Code Section 23701(d). Accordingly, no provision for income taxes has been made in the accompanying financial statements. However, Caterina’s Club is subject to income taxes on any net income that is derived from an unrelated business activity and not in furtherance of the purposes for which it was granted exemption. No income tax provision had been recorded, as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the accompanying financial statements taken as a whole. Caterina’s Club tax years from 2015 to 2018 are open to review for federal tax purposes, and tax years from 2014 to 2018 are open to review for state tax purposes.

Caterina’s Club follows the accounting standard for uncertainty in income taxes recognized in a nonpublic entity’s financial statements. It details how entities should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities’ full knowledge of the position and all relevant facts. There was no impact to Caterina’s Club’s financial statements as a result of these provisions.
Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimated usage. Salaries and wages of administrative and development personnel are allocated to general and administrative and fundraising. Program specific personnel costs are allocated to programs. All other costs are allocated between program services and supporting services on a pro rata basis determined by management’s estimated usage.

Caterina’s Club has the following programs:

Feeding the Kids in America

Today, nearly 400,000 people in Orange County struggle to get their food needs met. Caterina’s Club’s Feeding the Kids in America program was designed to address this issue by providing daily warm nutritional meals to approximately 1,800 at-risk children attending after-school programs at 80 different locations within 27 cities in Orange County. After-school programs include the YMCA, Boys and Girls Clubs, and other on-campus programs.

Each afternoon, Caterina’s Club sponsors vans to pick up children from local motels and/or schools and drop them off at designated after-school programs to participate in extended learning opportunities. At 5:00 p.m., Caterina’s Club serves each child a nutritionally balanced meal, as most of their families cannot afford, nor have access to, a proper meal. Subsequently, children are taken back to their families at the various motels.

The Feeding the Kids in America program is committed to filling the stomachs of Orange County’s most vulnerable children, as well as filling their hearts and minds. Inspired by a recent collaboration with Barilla Pasta Corporation’s “Share the Table” movement, Caterina’s Club program is designed to instill family values, camaraderie, responsibility, and confidence into the children’s daily lives, giving them fuel to thrive and hope for tomorrow.

Caterina’s Club has reached out to the world with its message, “No child should go to bed hungry,” and is now responsible for inspiring and stewarding the replication and implementation of four satellite programs in Chicago, Illinois; Brooklyn, New York; Brownsville, Texas; Redlands, California; and three regions in Northern Italy.

Welcome Home

Long displaced as family vacation destinations, motels now house an uneasy confluence of drug addicts, registered sex offenders, and other criminals. Due to the lack of affordable or transitional housing, and stymied by high rents throughout the region, these motels have also become de facto vouchered housing for homeless families.
Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

Welcome Home (Continued)

Many families living in motels have full-time jobs, providing for 2-3 children. Being able to afford and save for the first and last month’s rent, and possible security deposits on a family-friendly apartment, is often a prohibitive upfront expense to families trying to get out of the motels.

The Welcome Home program remedies motel living by raising funds to provide working families with the push they need to get out of motels and into an apartment or condominium. Caterina’s Club has partnered with the Illumination Foundation to identify families and to provide the necessary case management, financial advising, and eventually, the first and last month’s rent and deposits due at move in. In addition to covering the move-in costs, Caterina’s Club collects donated furniture, appliances, and other home goods to assist with the family’s transition into a secure and fully functioning home.

Hospitality Academy

Caterina’s Club developed a third program titled Chef Bruno’s Hospitality Academy. Caterina’s Club has partnered with the Anaheim school district to bring a unique career exploration opportunity to at risk teens. The Hospitality Academy is a three-month program provided for children that teaches them food preparation, nutrition, customer service, financial responsibility, marketing, and hospitality career choices. The vision for this program is to provide extensive training that will not only keep them engaged in an after-school program and off of the streets, but will bring them career readiness as they begin to prepare for their transition from high school into the real world.

Caterina’s Club takes a whole person approach to addressing the needs of the underprivileged and believes that these three programs can work together to promote the autonomy of the individuals served.

Communication

Caterina’s Club follows the policy of charging the costs of communication expenses as incurred. Communication expense was approximately $94,000 for the year ended December 31, 2018.

Recent Accounting Pronouncements - Adopted

On August 18, 2016, the FASB issued ASU 2016-14, which finalizes proposed ASU 2015-230 and simplifies and improves the manner in which a not-for-profit entity classifies its net assets, as well as the information that it presents in financial statements and notes concerning liquidity, financial performance, and cash flows. Caterina’s Club has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.
Note 2: Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU establishes new revenue recognition guidance (“ASC 606”), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019; however, early adoption is permitted. Caterina’s Club is currently evaluating the impact of the provisions of ASC 606 on the presentation of its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, and ASU 2018-20. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019; however, early adoption is permitted. Caterina’s Club is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

Note 3: Liquidity

Caterina’s Club’s financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of the statement of financial position date are as follows as of December 31, 2018:

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>$ 1,460,734</td>
</tr>
<tr>
<td>Investment - stock</td>
<td>51,387</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>12,000</td>
</tr>
<tr>
<td><strong>Total Financial Assets Available to Meet General Expenditures within One Year</strong></td>
<td><strong>$ 1,524,121</strong></td>
</tr>
</tbody>
</table>

In order to safeguard operations and the ability to fulfill our mission during periods of economic downturn, Caterina’s Club strives to maintain one full year of operating support in reserves.
Note 4: Fair Value Measurements

Caterina’s Club measures fair value measurements that are recognized in the financial statements on a recurring basis. US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based on quoted prices for similar assets in active or inactive markets or quoted prices that are observable for the asset or inputs that are derived from observable market data by correlation or other means. Financial assets valued using Level 3 inputs are based on valuation methodology that is unobservable and significant to the fair value measurement. Valuation techniques utilized to determine fair value are applied consistently.

Fair value of donated inventory measured on a recurring basis at December 31, 2018, is $124,491 using Level 2. Fair value of donated stock at December 31, 2018, is $51,387 using Level 1.

Note 5: Revenues and Other Support

Caterina’s Club is primarily funded through contributions from individuals and organizations, grants, and in-kind donations.

Note 6: Donated Materials, Facilities, and Services

Contributions of donated noncash assets (in-kind donations) are recorded at estimated fair values at the date received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at the estimated fair values in the period received. During the year ended December 31, 2018, in-kind donations included approximately $104,000 of food and $8,700 of other items.

Additionally, a number of unpaid volunteers have made significant contributions of their time to Caterina’s Club. However, the value of these services is not reflected in these financial statements because the criteria for recognition have not been satisfied.
Note 7: Special Events

Expenses for certain special events are reported in the statement of functional expenses. Expenditures for these events are as follows for the year ended December 31, 2018:

<table>
<thead>
<tr>
<th></th>
<th>Annual Gala</th>
<th>Fight Night</th>
<th>KFI Radiothon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auction items</td>
<td>$ 28,165</td>
<td>$ 1,395</td>
<td>$ -</td>
</tr>
<tr>
<td>Equipment rental</td>
<td>12,880</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Facility rental</td>
<td>-</td>
<td>46,000</td>
<td>-</td>
</tr>
<tr>
<td>Press releases</td>
<td>17,198</td>
<td>500</td>
<td>750</td>
</tr>
<tr>
<td>Supplies</td>
<td>3,653</td>
<td>-</td>
<td>3,648</td>
</tr>
<tr>
<td>Other</td>
<td>8,102</td>
<td>-</td>
<td>11,291</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 69,998</td>
<td>$ 47,895</td>
<td>$ 15,689</td>
</tr>
</tbody>
</table>

Revenues from the Annual Gala, Fight Night, and the KFI Radiothon for the year ended December 31, 2018, were $305,791, $209,195, and $400,750, respectively. Revenues from other events were $12,003 and sales from the *Power of Pasta* book, net of cost of sales and books given away, resulted in a loss of $26,243.

Note 8: Lease Commitments

Caterina’s Club rents office and storage space on a month-to-month basis. Office and storage rent expense for the year ended December 31, 2018, is approximately $38,000.

Note 9: Related-Party Transactions

Caterina’s Club paid the Ganlaon Corporation, which is owned by a member of the Board of Directors, approximately $77,000 for cooking and other expenses for the year ended December 31, 2018.

Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions consist of $34,472 restricted for the Hospitality Academy program. These donor-imposed purpose restrictions are expected to be satisfied in 2018.

Note 11: Subsequent Events

Caterina’s Club has evaluated subsequent events through July 1, 2019, the date the financial statements were available to be issued.