CATERINA'S CLUB

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

WITH INDEPENDENT AUDITORS' REPORT

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Board of Directors

FOUNDER/EXECUTIVE DIRECTOR/PRESIDENT:
Sir Chef Bruno Serato,
Owner/CEO Anaheim White House

CHAIRMAN/VICE PRESIDENT:
Sylvano Ibay,
VP & GM Anaheim White House

TREASURER:
Maribel Adan,
Administrative Director, Caterina's Club

DIRECTORS:
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Concert Pianist & Philanthropist
David Pryor,
CEO Southland Tools
Jordon Steinberg,
Kaufman Steinberg, LLP
Rod Alan Baker,
Expert Designer & Proprietor of Rod Alan
Ashleigh Aitken,
*Aitken *Aitken* Cohn, LLP*
Carol Zarate-Ramsey,
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Philip Moreau,
Owner, Monte-Carlo Baking Company
Liz Dunster,
Owner of Erika Records
Sandra Ceron,
Owner/CEO Expert Coating and Graphics Inc.
Tyler D. Kring,
Attorney at Law, Kring & Chung, LLP
Heikki Veharanta,
Attorney at Law

ADVISORY BOARD:
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Founder, Los Angeles Virtuosi Orchestra
Dr. Gnyandev Patel,
Medical Doctor
Wing Lam,
Co-Founder, Wahoo's Fish Tacos
Jordan M. Coe,
Producer, Ocean Front Entertainment
Vicki Gunvalson,
Owner, Coto Insurance & BRAVO's Real Housewives of OC Reality TV Star
Bill O'Connell,
COO, Stovall Hotels
Mark Merhab,
Chairman, Angels Baseball Foundation
Garth Blumenthal,
Community Philanthropist
John Machiaverna,
Executive Director, Boys & Girls Club of Anaheim
Gene Howard,
Director, OC Alliance for Children & Families
Craig & Roselli Wildvank,
Owner, CW Industries
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President, Yellow Cab
Sinan Kanatsiz,
CEO, KCOMM
Chadia Almeddin,
CEO, Betinns Fashion
Peggy Sulahian,
Real Housewives of OC Reality Star
Emily France,
SoCal Gas

Caterina's International Ambassadors:
Fabio Lamborghini

Caterina's Chapman Ambassadors:
Bradley Whiting
Easton Miller
Bennett Royce

CATERINA'S CLUB

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 15 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 5,050 hot meals per night, at different locations such as Boys & Girls Clubs, after-school program partners, homeless programs, schools, and churches. . As a result, we are pleased to share that to date we have served over 4 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, the Illumination Foundation, and other homeless programs 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 225 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 and hospitality 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 poverty and homelessness. To date, Caterina's Club has provided training to 631 students.

Caterina's Club Mission Statement:

"To provide warm meals, affordable housing assistance, and job training to homeless and low-income families throughout Southern California, with emphasis on Orange County and South East Los Angeles Counties. This mission is supported by a vision where we are creating a modicum of consistency in the lives of homeless and severely low-income children through something as simple yet meaningful as a nightly dinner. Simply, we strive to provide every child the resources, love, and encouragement they need to be healthy, safe, and educated."

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Caterina's Club is a recognized 501(c)3 Tax ID 30-0751934

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, 2019, 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, 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

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.

White Nelson Diehl Evans LLP

Irvine, California
May 5, 2020

CATERINA'S CLUB
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current Assets:	
Cash and cash equivalents	$ 1,244,756
Investments in equity securities	224,856
Inventory	174,022
Total Current Assets	1,643,634
Property and Equipment, Net	40,965
Total Assets	$ 1,684,599

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	$ 36,266
Accrued payroll	21,697
Total Liabilities	57,963
Net Assets:	
Without donor restrictions	1,626,636
Total Net Assets	1,626,636
Total Liabilities and Net Assets	$ 1,684,599

The accompanying notes are an integral part of these financial statements.

CATERINA'S CLUB
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Changes in Net Assets without Donor Restrictions	
Revenues, Gains, and Other Support:	
Contributions and grants	$ 614,793
In-kind donations	119,781
Special events revenue, net of cost of direct benefits to donors of $84,070	775,622
Unrealized gain on investment	40,332
Other revenue	3,000
Total Revenues, Gains, and Other Support	1,553,528
Net Assets Released from Restrictions	124,216
Total Revenues, Gains, and Other Support	1,677,744
Expenses:	
Program Services:	
Feeding the Kids in America	904,129
Welcome Home	137,433
Hospitality Academy	175,628
Total Program Services	1,217,190
Supporting Services:	
General and administrative	165,672
Fundraising	266,491
Total Supporting Services	432,163
Total Expenses	1,649,353
Increase in Net Assets without Donor Restrictions	28,391
Changes in Net Assets with Donor Restrictions	
Revenues and Other Support - Contributions	89,744
Net Assets Released from Restrictions	(124,216)
Decrease in Net Assets with Donor Restrictions	(34,472)
Decrease in Net Assets	(6,081)
Net Assets, January 1, 2019	1,632,717
Net Assets, December 31, 2019	$ 1,626,636

The accompanying notes are an integral part of these financial statements.

CATERINA'S CLUB
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services			
	Feeding the Kids in America	Welcome Home	Hospitality Academy	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	$ 300,453	$ 11,049	$ 35,980	$ 347,482	$ 33,284	$ 53,279	$ 86,563	$ 434,045
Payroll taxes	29,239	1,200	4,441	34,880	2,808	4,536	7,344	42,224
Benefits	50,352	9,835	12,049	72,236	2,214	2,214	4,428	76,664
	380,044	22,084	52,470	454,598	38,306	60,029	98,335	552,933
Accounting and legal	7,662	7,662	7,662	22,986	79,274	4,955	84,229	107,215
Communication	75,137	19,043	21,815	115,995	-	14,292	14,292	130,287
Annual Gala	-	-	-	-	-	68,881	68,881	68,881
Bank fees	-	-	-	-	1,308	11,279	12,587	12,587
Depreciation	-	-	-	-	6,388	-	6,388	6,388
Dues and subscriptions	-	-	-	-	5,201	-	5,201	5,201
Equipment rental	-	-	2,535	2,535	-	-	-	2,535
Food preparation and delivery	196,934	-	-	196,934	-	-	-	196,934
Grant writing	25,000	-	-	25,000	-	63,008	63,008	88,008
Hospitality Academy Program	-	-	15,898	15,898	-	-	-	15,898
In-kind goods	50,879	1,995	-	52,874	-	-	-	52,874
Insurance	5,381	2,006	3,356	10,743	6,583	-	6,583	17,326
KFI Radiothon	-	-	-	-	-	17,659	17,659	17,659
Kitchen supplies	31,889	-	-	31,889	-	-	-	31,889
Office supplies	-	-	-	-	5,670	-	5,670	5,670
Other	34,959	1,911	4,529	41,399	14,568	10,322	24,890	66,289
Postage	745	186	186	1,117	60	62	122	1,239
Printing	1,673	418	418	2,509	139	2,763	2,902	5,411
Rent - office	2,430	2,430	2,430	7,290	2,430	2,430	4,860	12,150
Rental assistance	-	72,361	-	72,361	-	-	-	72,361
Repairs and maintenance	4,231	1,922	1,922	8,075	-	-	-	8,075
Scholarships	-	-	29,699	29,699	-	-	-	29,699
Storage rental	33,220	1,950	10,640	45,810	1,040	1,040	2,080	47,890
Utilities	53,945	3,397	19,868	77,210	4,705	2,866	7,571	84,781
Travel	-	68	2,200	2,268	-	6,905	6,905	9,173
Total Expenses	$ 904,129	$ 137,433	$ 175,628	$ 1,217,190	$ 165,672	$ 266,491	$ 432,163	$ 1,649,353

The accompanying notes are an integral part of these financial statements.

CATERINA'S CLUB
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Decrease in Net Assets	$ (6,081)
Adjustments to Reconcile Decrease in Net Assets to Net Cash and Cash Equivalents Used in Operating Activities:	
Net change in in-kind donations of inventory	(10,114)
Depreciation	6,388
Donation of investments in equity securities	(133,136)
Unrealized gain on investments	(40,332)
Changes in Assets and Liabilities:	
(Increases) Decreases in:	
Contributions receivable	12,000
Inventory	(27,754)
Prepaid expenses	419
Increases (Decreases) in:	
Accounts payable	23,474
Accrued payroll	677
Total Adjustments	(168,378)
Net Cash and Cash Equivalents Used in Operating Activities	(174,459)
Cash Flows from Investing Activities:	
Purchases of equipment	(41,519)
Net Decrease in Cash and Cash Equivalents	(215,978)
Cash and Cash Equivalents, January 1, 2019	1,460,734
Cash and Cash Equivalents, December 31, 2019	$ 1,244,756
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for:	
Interest	$ -
Income taxes	$ -

The accompanying notes are an integral part of these financial statements.

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 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, Caterina's Club is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Descriptions of the two net asset categories are as follows:

- *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.

- *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).

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, 2019, Caterina's Club had cash in the bank in excess of Federal Deposit Insurance Corporation insurance limits of approximately $971,000.

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 donated. 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, 2019, net property and equipment consist of office equipment of $11,987, vans of $41,519, and accumulated depreciation of $12,541. For the year ended December 31, 2019, depreciation expense was $6,388.

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, 2019.

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 as revenue in accordance with FASB ASC 958-605, *Revenue Recognition*. 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 increase 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 increase 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, 2019, the allowance is $0.

Special Events Revenue

Caterina's Club conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component) and a portion represents a contribution. Unless a verifiable objective mean exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the organization, are recorded as costs of direct donor benefits in the statement of activities. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The ticket fee is set by the organization. FASB ASC 606, *Revenue from Contracts with Customers*, requires allocation of the transaction price to the performance obligation. Accordingly, Caterina's Club separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end, for an event to occur after year-end, the organization follows American Institute of Public Accounting guidance (if this is the case) where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Note 2: Summary of Significant Accounting Policies (Continued)

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 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 2016 to 2019 are open to review for federal tax purposes, and tax years from 2015 to 2019 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.

Functional Allocation of Expenses

The costs of providing program 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 program 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 services. 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:

<u>Feeding the Kids in America</u>

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.

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

Feeding the Kids in America (Continued)

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, and 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.

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 for 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.

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

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 $130,000 for the year ended December 31, 2019.

Recent Accounting Pronouncements - Adopted

As of January 1, 2019, Caterina's Club adopted the provision of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under FASB ASC 606. If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Note 2: Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements – Adopted (Continued)

As of January 1, 2019, Caterina's Club also adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the year ended December 31, 2019, are presented under FASB ASC 606. ASU 2014-09 has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

Recent Accounting Pronouncements - Not Yet Adopted

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, 2020; 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.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, with subsequent corrections issued in ASU 2018-19. ASU 2016-13 requires that credit losses on most financial assets measured at amortized cost and certain other instruments, including trade receivables, be measured using an expected credit loss model. ASU 2016-13 also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, the ASU makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2022. Caterina's Club is currently evaluating the impact of the provisions of ASU 2016-13 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, 2019:

Cash and equivalents	$ 1,244,756
Investments in equity securities	224,856
Total Financial Assets Available to Meet General Expenditures within One Year	$ 1,469,612

In order to safeguard operations and the ability to fulfill its 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, 2019, is $174,022 using Level 2. Fair value of donated equity securities at December 31, 2019, is $224,856 using Level 1.

Note 5: Donated Materials, Facilities, and Services

Contributions of donated materials, facilities, and services (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, 2019, in-kind donations included approximately $97,000 of food and $23,000 of other items.

Note 5: Donated Materials, Facilities, and Services (Continued)

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 6: Special Events

Gross receipts from special fundraising events recorded by Caterina's Club consist of exchange transaction revenue from tickets and auction items and contribution revenue from sponsorships and donations. As a result of adopting FASB ASU 2014-09 during 2019, Caterina's Club is required to separately present the components of this revenue.

	Annual Gala	KFI Radiothon
Contribution	$ 324,134	$ 316,491
Special event revenue	116,656	-
Special fundraising events - gross	440,790	316,491
Less: Direct benefits to donors	(69,172)	(14,898)
Total	$ 371,618	$ 301,593

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, 2019:

	Annual Gala	KFI Radiothon
Auction items	$ 27,182	$ -
Equipment rental	14,745	-
Facility rental	-	3,580
Press releases	15,678	-
Supplies	5,943	987
Other	5,333	13,092
Total	$ 68,881	$ 17,659

Revenues net of direct benefits from the Annual Gala and the KFI Radiothon for the year ended December 31, 2019, were $371,619, and $301,593, respectively. Sales from the *Power of Pasta* book, net of cost of sales and books given away, resulted in loss of $(6,246). Revenues from other events total $108,656.

Note 7: 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, 2019, was approximately $60,000.

Note 8: Related-Party Transaction

Caterina's Club paid the Gallio Corporation and White House Catering, Inc., which are owned by a member of the Board of Directors, approximately $188,000 for cooking and other expenses for the year ended December 31, 2019.

Note 9: Subsequent Events

Caterina's Club has evaluated subsequent events through May 5, 2020, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for year ended December 31, 2020.

Additionally, subsequent to year end, the Organization applied for and received a Paycheck Protection Program loan totaling $90,000. These funds are to be used for payroll costs, interest on mortgages, rent, and utilities. Loan payments will be deferred for six months and no collateral or personal guarantees are required. Forgiveness is based on the Organization maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if the full-time employee headcount declines or if salaries and wages decrease. This loan has a maturity of two years and an interest rate of 1%. At this time, it is not determinable what amounts may need to be repaid.