# CATERINA'S CLUB

## FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2021 AND 2020

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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**CATERINA'S CLUB**
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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*

TRESURER:
David Pryor
*CEO Southland Tools*

SECRETARY:
Barbara Stovall,
*Concert Pianist & Philanthropist*

DIRECTORS:
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*Kaufman Steinberg, LLP*
Ashleigh Aitken,
*Aitken *Aitken* Cohn, LLP*
Carol Zarate-Ramsey,
*Community Philanthropist*
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*
Tina Stovall Luis,
*Educator, Orange County Pubic Schools*
Sue Cassidy,
*Marketing, California Closets, Orange County*
Emily Grant,
*Sr. Public Affairs Manager, SoCal Gas*

ADVISORY BOARD:
Maestro Carlo Ponti Jr.,
*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*
Gene Howard,
*Director, OC Alliance for Children & Families*
Craig & Roselli Wildvank,
*Owners, CW Industries*
Patrick & Jolynn Mahoney,
*Owners, West Coast Arborist Inc.*
Suzanne Richards,
*CEO KPC Healthcare, Inc.*
Maria Elena Infantino,
*Performer/Singer*
Trish Steele,
*Churchill Design Life Style Interior Design*
Larry Slagel,
*President, Yellow Cab*
Sinan Kanatsiz,
*CEO, KCOMM*
Chadia Almeddin,
*CEO, Betinns Fashion*
Peggy Sulahian,
*Real Housewives of OC Reality Star*

Caterina's Club International Ambassadors:
Fabio Lamborghini
Alessandro Del Piero


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 17 years, Caterina's Club has been identifying at-risk children and cooking up nightly meals for them. Caterina's Club feeds undeserved children in 30 cities throughout Orange County, Los Angeles, San Diego, and San Bernardino Counties serving 5,500 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 7 million meals.

Additionally, Caterina's Club collaborates with Mercy House, 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 246 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 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 695 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

CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Board of Trustees
Caterina's Club
Anaheim, California

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Caterina's Club (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Caterina's Club and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Caterina's Club's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Caterina's Club's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

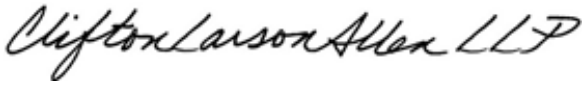
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Caterina's Club's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Matter**

*Management Discussion and Analysis*

Our audits were 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.



**CliftonLarsonAllen LLP**

Irvine, California
June 14, 2022

**CATERINA'S CLUB**
**STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 2,351,084 | $ 2,331,259 |
| Investments in Equity Securities | 349,225 | 323,217 |
| Contributions Receivable | 10,000 | 23,185 |
| Inventory | 132,767 | 117,207 |
| Prepaid Expenses | 36,210 | 41,160 |
| Total Current Assets | 2,879,286 | 2,836,028 |
| **PROPERTY AND EQUIPMENT, NET** | 92,102 | 74,333 |
| **OTHER ASSETS - DEPOSITS** | 4,700 | 4,700 |
| Total Assets | $ 2,976,088 | $ 2,915,061 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Accounts Payable | $ 65,870 | $ 39,569 |
| Accrued Payroll | 24,102 | 91,155 |
| Paycheck Protection Program Loan | - | 92,290 |
| Total Liabilities | 89,972 | 223,014 |
| **NET ASSETS** | | |
| Without Donor Restrictions | 2,886,116 | 2,692,047 |
| Total Net Assets | 2,886,116 | 2,692,047 |
| Total Liabilities and Net Assets | $ 2,976,088 | $ 2,915,061 |

*See accompanying Notes to Financial Statements.*

**CATERINA'S CLUB**
**STATEMENTS OF ACTIVITIES**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| Changes in Net Assets Without Donor Restrictions: | | |
| **REVENUES, GAINS, AND OTHER SUPPORT** | | |
| Contributions and Grants | $ 1,006,706 | $ 1,670,901 |
| In-Kind Donations | 222,932 | 189,303 |
| Special Events Revenue, Net of Cost of Direct Benefits to Donors of $56,500 and $47,567, respectively | 895,065 | 1,017,439 |
| Unrealized Gain (Loss) on Investment | (35,850) | 88,178 |
| Forgiveness of PPP Loan | 92,290 | - |
| Other Revenue | 89 | 750 |
| Total Revenues, Gains, and Other Support | 2,181,232 | 2,966,571 |
| **EXPENSES** | | |
| Program Services: | | |
| Feeding the Kids in America | 1,256,154 | 1,115,811 |
| Welcome Home | 100,609 | 151,517 |
| Hospitality Academy | 159,870 | 162,226 |
| Total Program Services | 1,516,633 | 1,429,554 |
| Supporting Services: | | |
| General and Administrative | 177,881 | 228,967 |
| Fundraising | 292,649 | 242,639 |
| Total Supporting Services | 470,530 | 471,606 |
| Total Expenses | 1,987,163 | 1,901,160 |
| **INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS** | 194,069 | 1,065,411 |
| Net Assets - Beginning of Year | 2,692,047 | 1,626,636 |
| **NET ASSETS - END OF YEAR** | $ 2,886,116 | $ 2,692,047 |

*See accompanying Notes to Financial Statements.*

# CATERINA'S CLUB
# STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED DECEMBER 31, 2021

| | 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 | $ 408,310 | $ 14,752 | $ 34,675 | $ 457,737 | $ 28,702 | $ 47,302 | $ 76,004 | $ 533,741 |
| Payroll Taxes | 89,341 | 1,248 | 4,439 | 95,028 | 2,386 | 3,904 | 6,290 | 101,318 |
| Benefits | 61,254 | 12,874 | 15,108 | 89,236 | 2,236 | 2,236 | 4,472 | 93,708 |
| | 558,905 | 28,874 | 54,222 | 642,001 | 33,324 | 53,442 | 86,766 | 728,767 |
| Accounting and Legal | 4,977 | 4,977 | 4,975 | 14,929 | 79,512 | 4,976 | 84,488 | 99,417 |
| Communication | 58,309 | 12,820 | 14,932 | 86,061 | - | 10,913 | 10,913 | 96,974 |
| Annual Gala | - | - | - | - | - | 74,479 | 74,479 | 74,479 |
| Bank Fees | - | - | - | - | 303 | 26,652 | 26,955 | 26,955 |
| Depreciation | - | - | - | - | 27,931 | - | 27,931 | 27,931 |
| Dues and Subscriptions | - | - | - | - | 5,756 | - | 5,756 | 5,756 |
| Equipment Rental | - | - | 180 | 180 | - | - | - | 180 |
| Food Preparation and Delivery | 280,781 | - | 1,252 | 282,033 | - | - | - | 282,033 |
| Grant Writing | - | - | - | - | - | 85,500 | 85,500 | 85,500 |
| Hospitality Academy Program | - | - | 27,897 | 27,897 | - | - | - | 27,897 |
| In-Kind Goods | 112,662 | 1,529 | - | 114,191 | - | - | - | 114,191 |
| Insurance | 11,014 | 2,468 | 3,850 | 17,332 | 4,639 | - | 4,639 | 21,971 |
| KFI Radiothon | - | - | - | - | - | 18,122 | 18,122 | 18,122 |
| Kitchen Supplies | 45,598 | - | - | 45,598 | - | - | - | 45,598 |
| Office Supplies | - | - | - | - | 9,670 | - | 9,670 | 9,670 |
| Other | 48,754 | 1,082 | 2,721 | 52,557 | 9,853 | 2,836 | 12,689 | 65,246 |
| Postage | 363 | 104 | 102 | 569 | 29 | 29 | 58 | 627 |
| Printing | 1,775 | 444 | 444 | 2,663 | 148 | 148 | 296 | 2,959 |
| Rent - Office | 4,214 | 4,214 | 4,214 | 12,642 | 4,417 | 4,214 | 8,631 | 21,273 |
| Rental Assistance | - | 30,604 | - | 30,604 | - | - | - | 30,604 |
| Repairs and Maintenance | 21,181 | 751 | 751 | 22,683 | - | - | - | 22,683 |
| Scholarships | - | - | 7,125 | 7,125 | - | - | - | 7,125 |
| Storage and Kitchen Rental | 32,972 | 2,394 | 12,331 | 47,697 | 798 | 798 | 1,596 | 49,293 |
| Utilities | 74,649 | 10,348 | 24,874 | 109,871 | 1,501 | 4,215 | 5,716 | 115,587 |
| Travel | - | - | - | - | - | 6,325 | 6,325 | 6,325 |
| Total Expenses | $ 1,256,154 | $ 100,609 | $ 159,870 | $ 1,516,633 | $ 177,881 | $ 292,649 | $ 470,530 | $ 1,987,163 |

*See accompanying Notes to Financial Statements.*

# CATERINA'S CLUB
# STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED DECEMBER 31, 2020

| | 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 | $ 330,797 | $ 25,878 | $ 36,430 | $ 393,105 | $ 94,979 | $ 52,640 | $ 147,619 | $ 540,724 |
| Payroll Taxes | 33,811 | 2,416 | 4,849 | 41,076 | 2,842 | 4,944 | 7,786 | 48,862 |
| Benefits | 46,945 | 10,411 | 11,963 | 69,319 | 1,552 | 1,552 | 3,104 | 72,423 |
| | 411,553 | 38,705 | 53,242 | 503,500 | 99,373 | 59,136 | 158,509 | 662,009 |
| Accounting and Legal | 5,099 | 5,099 | 5,099 | 15,297 | 81,577 | 5,098 | 86,675 | 101,972 |
| Communication | 60,249 | 17,866 | 19,341 | 97,456 | - | 8,625 | 8,625 | 106,081 |
| Annual Gala | - | - | - | - | - | 49,556 | 49,556 | 49,556 |
| Bank Fees | - | - | - | - | 557 | 19,139 | 19,696 | 19,696 |
| Depreciation | - | - | - | - | 15,508 | - | 15,508 | 15,508 |
| Dues and Subscriptions | - | - | - | - | 5,848 | - | 5,848 | 5,848 |
| Food Preparation and Delivery | 262,984 | - | 1,135 | 264,119 | - | - | - | 264,119 |
| Grant Writing | - | - | - | - | - | 74,254 | 74,254 | 74,254 |
| Hospitality Academy Program | - | - | 25,437 | 25,437 | - | - | - | 25,437 |
| In-Kind Goods | 129,851 | 16,050 | - | 145,901 | - | - | - | 145,901 |
| Insurance | 10,233 | 1,772 | 2,960 | 14,965 | 6,978 | - | 6,978 | 21,943 |
| KFI Radiothon | - | - | - | - | - | 9,757 | 9,757 | 9,757 |
| Kitchen Supplies | 68,934 | - | - | 68,934 | - | - | - | 68,934 |
| Office Supplies | - | - | - | - | 8,936 | - | 8,936 | 8,936 |
| Other | 59,925 | 1,286 | 4,802 | 66,013 | 4,412 | 3,243 | 7,655 | 73,668 |
| Postage | 555 | 191 | 191 | 937 | 43 | 43 | 86 | 1,023 |
| Printing | 192 | 48 | 48 | 288 | 16 | 16 | 32 | 320 |
| Rent - Office | 2,981 | 2,981 | 2,981 | 8,943 | 2,981 | 2,981 | 5,962 | 14,905 |
| Rental Assistance | - | 55,656 | - | 55,656 | - | - | - | 55,656 |
| Repairs and Maintenance | 4,687 | 217 | 217 | 5,121 | - | - | - | 5,121 |
| Scholarships | - | - | 12,585 | 12,585 | - | - | - | 12,585 |
| Storage and Kitchen Rental | 30,575 | 2,145 | 11,625 | 44,345 | 715 | 715 | 1,430 | 45,775 |
| Utilities | 67,993 | 8,676 | 22,507 | 99,176 | 2,023 | 4,004 | 6,027 | 105,203 |
| Travel | - | 825 | 56 | 881 | - | 6,072 | 6,072 | 6,953 |
| Total Expenses | $ 1,115,811 | $ 151,517 | $ 162,226 | $ 1,429,554 | $ 228,967 | $ 242,639 | $ 471,606 | $ 1,901,160 |

*See accompanying Notes to Financial Statements.*

**CATERINA'S CLUB**
**STATEMENTS OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Increase in Net Assets | $ 194,069 | $ 1,065,411 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities: | | |
| Net Change in In-Kind Donations of Inventory | (12,596) | 56,551 |
| Depreciation | 27,931 | 15,508 |
| Donation of Investments in Equity Securities | (61,860) | (10,183) |
| Unrealized (Gain) Loss on Investments | 35,852 | (88,178) |
| Donation of Vehicle | - | (13,500) |
| Paycheck Protection Program Loan Forgiveness | (92,290) | - |
| Changes in Assets and Liabilities: | | |
| (Increases) Decreases in: | | |
| Contributions Receivable | 13,185 | (23,185) |
| Inventory- Books | (2,964) | 264 |
| Prepaid Expenses | 4,950 | (41,160) |
| Deposits | - | (4,700) |
| Increases (Decreases) in: | | |
| Accounts Payable | 26,300 | 3,302 |
| Accrued Payroll | (67,053) | 69,458 |
| Total Adjustments | (128,545) | (35,823) |
| Net Cash Provided by Operating Activities | 65,524 | 1,029,588 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Equipment | (45,699) | (35,375) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Paycheck Protection Program Loan | - | 92,290 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 19,825 | 1,086,503 |
| Cash and Cash Equivalents - Beginning of Year | 2,331,259 | 1,244,756 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 2,351,084 | $ 2,331,259 |

*See accompanying Notes to 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 5,500 dinners every night to low-income children at 109 different after-school program sites spread throughout 30 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 246 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 (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 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 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 statements 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.

### Concentration of Credit Risk

Caterina's Club's cash is maintained in a commercial bank and consists of cash on deposit. At December 31, 2021, Caterina's Club had cash in the bank in excess of Federal Deposit Insurance Corporation insurance limits of approximately $1,980,000.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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*), and other donated items are 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, 2021 and 2020, net property and equipment consist of office equipment of $43,028 and $32,574, vans of $105,053 and $69,808, and accumulated depreciation of $55,979 and $28,049, respectively. For the years ended December 31, 2021 and 2020, depreciation expense was $27,931 and $15,508, respectively.

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 years ended December 31, 2021 and 2020.

### 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.

### 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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contributions and Grants (Continued)

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, 2021 and 2020, the allowance was $-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 statements 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.

### 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 2018 to 2021 are open to review for federal tax purposes, and tax years from 2017 to 2021 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 program and supporting services have been summarized on a functional basis in the statements 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:

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 9,475 at-risk children attending after-school programs at 89 different locations within 21 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, 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.

## 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 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.

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 $97,000 and $106,000 for the years ended December 31, 2021 and 2020, respectively.

### Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (COVID-19). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of the virus and its global exposure. In addition, several U.S. states, including California where Caterina's Club is headquartered, have declared a state of emergency.

At this time, Caterina's Club cannot anticipate all the ways in which a health pandemic such as COVID-19 can adversely impact it. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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, 2021; 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, 2023. 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:

| | 2021 | 2020 |
|---|---|---|
| Cash and Equivalents | $ 2,351,084 | $ 2,331,259 |
| Investments in Equity Securities | 349,225 | 323,217 |
| Contributions Receivable | 10,000 | 23,185 |
| Total Financial Assets Available to Meet General Expenditures Within One Year | $ 2,710,309 | $ 2,677,661 |

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 follows the requirement for the disclosure of fair value measurements in accordance with a three-level valuation hierarchy. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

*Level 1* – Quoted market prices in active markets for identical assets or liabilities.

*Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2021.

*Equity Securities* – Valued at the daily closing price as reported by the securities. Equity securities held by the Company are securities that are registered with the Securities and Exchange Commission. These securities are required to publish their daily net asset value and to transact at that price. The equity securities held by the Company are deemed to be actively traded.

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

The following tables provide fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31:

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Donated Equity Securities | $ 349,225 | $ - | $ - | $ 349,225 |
| Total | $ 349,225 | $ - | $ - | $ 349,225 |

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Donated Equity Securities | $ 323,217 | $ - | $ - | $ 323,217 |
| Total | $ 323,217 | $ - | $ - | $ 323,217 |

## 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 years ended December 31, 2021 and 2020, in-kind donations included approximately $100,508 and $62,247 of food, respectively, and $122,424 and $127,056 of other items, respectively.

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.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Annual Gala | KFI Radiothon | Annual Gala | KFI Radiothon |
| Contributions | $ 425,399 | $ 516,116 | $ 259,017 | $ 622,000 |
| Special Event Revenue | - | - | 59,867 | - |
| Special Fundraising Events - Gross | 425,399 | 516,116 | 318,884 | 622,000 |
| Less: Direct Benefits to Donors | (56,500) | - | (47,567) | - |
| Total | $ 368,899 | $ 516,116 | $ 271,317 | $ 622,000 |

Expenses for certain special events are reported in the statements of functional expenses. Expenditures for these events are as follows for the years ended December 31:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Annual Gala | KFI Radiothon | Annual Gala | KFI Radiothon |
| Auction Items | $ 16,528 | $ - | $ 17,572 | $ - |
| Equipment Rental | - | - | 5,323 | - |
| Food and Beverages | 2,599 | - | - | - |
| Press Releases | 14,417 | 3,413 | 12,754 | 8,827 |
| Supplies | 3,051 | 765 | 6,935 | 729 |
| Other | 37,884 | 13,944 | 6,971 | 201 |
| Total | $ 74,479 | $ 18,122 | $ 49,555 | $ 9,757 |

## NOTE 6 SPECIAL EVENTS (CONTINUED)

Revenues net of direct benefits from the Annual Gala for the years ended December 31, 2021 and 2020 were $368,899, and $271,317, respectively. Revenues net of direct benefits for the KFI Radiothon for the years ended December 31, 2021 and 2020, were $516,116 and $622,000, respectively. Sales from the *Power of Pasta* book, net of cost of sales and books given away, resulted in revenue of $10,050 and $12,539 for the years ended December 31, 2021 and 2020, respectively. Revenues from other events for the years ended December 31, 2021 and 2020 total $-0- and $11,583, respectively.

## NOTE 7 PAYCHECK PROTECTION PROGRAM LOAN

On May 1, 2020, Caterina's Club received a loan in the amount of $92,290 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, payment of principal and interest shall begin o:il that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from May 1, 2020, to June 28, 2020, is the time that a business has to spend its PPP Loan funds. In March 2021, the Organization received forgiveness for the PPP Loan totaling $92,290 which was recognized as revenue in 2021. The SBA may review funding eligibility and usage of funds for compliance with the program requires based on thresholds and other factors. The amount of any liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization’s financial position.

## NOTE 8 LEASE COMMITMENTS

On January 27, 2020, Caterina's Club signed a 38-month agreement for office space through March 31, 2023. Caterina's Club can also extend the lease for two additional 24-month periods at its option. The monthly rentals range from $1,750 to $2,097 through March 31, 2027.

The total future minimum payments are as follows for the years ending December 31:

| Year Ending December 31, | Amount |
|---|---|
| 2022 | $ 22,302 |
| 2023 | 22,860 |
| 2024 | 23,541 |
| 2025 | 24,252 |
| 2026 | 24,981 |
| Thereafter | 6,291 |
| Total | $ 124,227 |

## NOTE 8 LEASE COMMITMENTS (CONTINUED)

Office rent expense for the years ended December 31, 2021 and 2020 was approximately $21,000 and $15,000, respectively.

Caterina's Club also rents storage space and kitchen space/equipment on a month-to-month basis. Storage and kitchen rent expense for the years ended December 31, 2021 and 2020, was approximately $49,000 and $46,600, respectively.

## NOTE 9 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 $184,000 and $181,000 for cooking and other expenses for the years ended December 31, 2021 and 2020, respectively.

## NOTE 10 SUBSEQUENT EVENTS

Caterina's Club has evaluated subsequent events through June 14, 2022, the date the financial statements were available to be issued.

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