# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Information and Mission Statement</td>
<td>i</td>
</tr>
<tr>
<td>Independent Auditors' Report</td>
<td>1</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>5</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>7</td>
</tr>
</tbody>
</table>
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 13 years, Caterina’s Club has been identifying at-risk children and cooking up nightly meals for them. Caterina’s Club feeds underprivileged children in 19 cities throughout Orange County and Los Angeles, serving 2,480 hot meals per night, at 44 different after-school program locations such as YMCA’s, Boys and Girls Clubs, and schools.

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 busses 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 126 families out of homelessness and into the longevity and safety of a new home.

Most recently, Caterina’s Club designed and launched a third program, Chef Bruno’s Hospitality Academy; a partnership with Anaheim Union 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 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.

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 Directors
Caterina’s Club
Anaheim, California

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, 2016, 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 auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
The Board of Directors
Caterina’s Club

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, 2016, 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.

Link, Murrel & Company, LLP

Irvine, California
June 23, 2017
CATERINA'S CLUB
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:
- Cash and cash equivalents $ 993,627
- Investment - stock 29,908
- Contributions receivable 89,883
- Inventory 164,780
- Prepaid expenses 163

Total current assets 1,278,361

Property and Equipment, net 6,665

Total Assets $ 1,285,026

LIABILITIES AND NET ASSETS

Current Liabilities:
- Accounts payable $ 19,761
- Accrued payroll 20,234

Total liabilities 39,995

Net Assets:
- Unrestricted 1,047,775
- Temporarily restricted 197,256

Total net assets 1,245,031

Total Liabilities and Net Assets $ 1,285,026

See accompanying notes.
### Unrestricted Net Assets

Unrestricted revenues and gains:
- Contributions: $316,272
- Grants: $156,809
- In-kind donations: $173,970
- Special events revenue, net of cost of direct benefits to donors of $54,575: $727,872
- Other income: $1,080

Total unrestricted revenues and gains: $1,376,003

Net assets released from restrictions: $128,626

Total unrestricted revenues, gains and other support: $1,504,629

### Expenses:
- Program services: $835,692
- Supporting services:
  - General and administrative: $124,609
  - Fundraising: $224,076

Total supporting services: $348,685

Total expenses: $1,184,377

Increase in unrestricted net assets: $320,252

### Temporarily Restricted Net Assets

- Revenues and other support - grants and contributions: $175,883
- Net assets released from restrictions: $(128,626)

Increase in temporarily restricted net assets: $47,257

Increase in Net Assets: $367,509

Net Assets, January 1, 2016: $877,522

Net Assets, December 31, 2016: $1,245,031

See accompanying notes.
### CATERINA'S CLUB
### STATEMENT OF FUNCTIONAL EXPENSES
### FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Supporting Services</th>
<th>General &amp; Administrative</th>
<th>Fundraising</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 156,716</td>
<td>$ 38,609</td>
<td>$ 34,292</td>
<td></td>
<td>$ 229,617</td>
</tr>
<tr>
<td>Payroll taxes and benefits</td>
<td>14,117</td>
<td>3,772</td>
<td>3,350</td>
<td></td>
<td>21,239</td>
</tr>
<tr>
<td></td>
<td>170,833</td>
<td>42,381</td>
<td>37,642</td>
<td></td>
<td>250,856</td>
</tr>
<tr>
<td>Accounting and legal</td>
<td>22,830</td>
<td>43,239</td>
<td></td>
<td></td>
<td>66,069</td>
</tr>
<tr>
<td>Advertising and awareness</td>
<td>34,239</td>
<td></td>
<td>40,967</td>
<td></td>
<td>75,206</td>
</tr>
<tr>
<td>Annual GALA</td>
<td>-</td>
<td>-</td>
<td>47,049</td>
<td></td>
<td>47,049</td>
</tr>
<tr>
<td>Bank charges</td>
<td>3,670</td>
<td>512</td>
<td></td>
<td></td>
<td>4,182</td>
</tr>
<tr>
<td>Benefits</td>
<td>4,177</td>
<td>-</td>
<td></td>
<td></td>
<td>4,177</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>-</td>
<td>14,144</td>
<td></td>
<td></td>
<td>14,144</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>1,427</td>
<td></td>
<td></td>
<td>1,427</td>
</tr>
<tr>
<td>Driver</td>
<td>779</td>
<td>-</td>
<td></td>
<td></td>
<td>779</td>
</tr>
<tr>
<td>Expansion project</td>
<td>147</td>
<td>-</td>
<td></td>
<td></td>
<td>147</td>
</tr>
<tr>
<td>Feeding the kids</td>
<td>184,156</td>
<td>-</td>
<td></td>
<td></td>
<td>184,156</td>
</tr>
<tr>
<td>Food preparation</td>
<td>210,621</td>
<td>-</td>
<td></td>
<td></td>
<td>210,621</td>
</tr>
<tr>
<td>Grant writing</td>
<td>-</td>
<td>-</td>
<td>66,000</td>
<td></td>
<td>66,000</td>
</tr>
<tr>
<td>Hospitality academy</td>
<td>6,202</td>
<td>-</td>
<td></td>
<td></td>
<td>6,202</td>
</tr>
<tr>
<td>In-kind goods</td>
<td>5,163</td>
<td>-</td>
<td></td>
<td></td>
<td>5,163</td>
</tr>
<tr>
<td>Insurance</td>
<td>15,485</td>
<td>3,457</td>
<td></td>
<td></td>
<td>18,942</td>
</tr>
<tr>
<td>KFI Radiothon</td>
<td>-</td>
<td>-</td>
<td>9,731</td>
<td></td>
<td>9,731</td>
</tr>
<tr>
<td>Meals</td>
<td>-</td>
<td>-</td>
<td>7,279</td>
<td></td>
<td>7,279</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>250</td>
<td>6,933</td>
<td>2,730</td>
<td></td>
<td>9,913</td>
</tr>
<tr>
<td>Office supplies</td>
<td>-</td>
<td>2,213</td>
<td></td>
<td></td>
<td>2,213</td>
</tr>
<tr>
<td>Payroll service</td>
<td>-</td>
<td>2,527</td>
<td></td>
<td></td>
<td>2,527</td>
</tr>
<tr>
<td>Postage</td>
<td>996</td>
<td>-</td>
<td>1,684</td>
<td></td>
<td>2,680</td>
</tr>
<tr>
<td>Power of pasta book</td>
<td>7,555</td>
<td>-</td>
<td>7,081</td>
<td></td>
<td>14,636</td>
</tr>
<tr>
<td>Printing</td>
<td>4,232</td>
<td>-</td>
<td>1,118</td>
<td></td>
<td>5,350</td>
</tr>
<tr>
<td>Rent - office</td>
<td>-</td>
<td>7,776</td>
<td></td>
<td></td>
<td>7,776</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>4,354</td>
<td>-</td>
<td></td>
<td></td>
<td>4,354</td>
</tr>
<tr>
<td>Snow day</td>
<td>12,238</td>
<td>-</td>
<td></td>
<td></td>
<td>12,238</td>
</tr>
<tr>
<td>Storage rental</td>
<td>16,724</td>
<td>-</td>
<td></td>
<td></td>
<td>16,724</td>
</tr>
<tr>
<td>Storage utilities</td>
<td>3,365</td>
<td>-</td>
<td></td>
<td></td>
<td>3,365</td>
</tr>
<tr>
<td>Strategic planning project</td>
<td>5,000</td>
<td>-</td>
<td></td>
<td></td>
<td>5,000</td>
</tr>
<tr>
<td>Telephone</td>
<td>1,495</td>
<td>-</td>
<td>1,495</td>
<td></td>
<td>2,990</td>
</tr>
<tr>
<td>Travel</td>
<td>4,445</td>
<td>-</td>
<td></td>
<td></td>
<td>4,445</td>
</tr>
<tr>
<td>Tree lighting toy drive</td>
<td>10,517</td>
<td>-</td>
<td></td>
<td></td>
<td>10,517</td>
</tr>
<tr>
<td>Website</td>
<td>1,573</td>
<td>-</td>
<td></td>
<td></td>
<td>1,573</td>
</tr>
<tr>
<td>Welcome home</td>
<td>104,646</td>
<td>-</td>
<td></td>
<td></td>
<td>104,646</td>
</tr>
<tr>
<td>Wine and paint night</td>
<td>-</td>
<td>-</td>
<td>1,300</td>
<td></td>
<td>1,300</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 835,692</td>
<td>$ 124,609</td>
<td>$ 224,076</td>
<td>$ 1,184,377</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes.
CATERINA'S CLUB
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities:

Increase in net assets $ 367,509
Adjustments to reconcile increase in net assets to net cash provided by operating activities:
  Net change in in-kind donations of inventory (103,889)
  Depreciation 1,427
  Donation of property and equipment, net 300
  Contribution of investment in stock (29,908)
Changes in assets and liabilities:
  (Increases) decreases in:
    Contributions receivable (68,448)
    Prepaid expenses 4,688
  Increases (decreases) in:
    Accounts payable (1,120)
    Accrued payroll 10,167
Total adjustments (186,783)
Net Cash Provided by Operating Activities 180,726

Cash Flows from Investing Activities:

Purchases of property and equipment (6,990)
Net Cash Used in Investing Activities (6,990)

Net Increase in Cash and Cash Equivalents 173,736

Cash and Cash Equivalents, January 1, 2016 819,891

Cash and Cash Equivalents, December 31, 2016 $ 993,627

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:
  Interest $ -
  Income taxes $ -

See accompanying notes.
1. ORGANIZATION AND NATURE OF SERVICES

Caterina's Club was founded by Chef Bruno Serato and incorporated on October 5, 2012 under the non-profit public benefit corporation laws of the State of California. As the owner of the Anaheim White House Restaurant, Serato 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 many of the children were eating potato chips for dinner, 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 are considered part of a growing “food insecure household” population.

Caterina's Club is now serving 2,480 dinners every night to low-income children at 44 different After-School program sites spread throughout 19 cities in Orange County and Los Angeles County through our 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 4 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Caterina’s Club prepares its financial statements using the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Basis of Presentation

Caterina’s Club is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets generally result from unrestricted contributions and interest and dividends, less expenses incurred in providing services and fundraising and other administrative expenses.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that require the passage of time or the occurrence of a specific event to become available for unrestricted use.

Permanently Restricted Net Assets – Net assets are subject to donor-imposed restrictions that may be maintained permanently while permitting Caterina’s Club to use or expense part or all of the income derived from the donated assets. At December 31, 2016, there were no permanently restricted net assets.

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 equivalents.
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, 2016, Catarina’s Club had cash in the bank in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits of approximately $633,000.

Fair Value Measurements

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

Catarina’s Club reports an investment in stock with a readily determinable fair value using quoted market prices. The gains and losses are included in the Statement of Activities.

Inventory

Inventory, consisting of food, pasta, sauces and other household assets, is stated at 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. Catarina’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. At December 31, 2016, net property and equipment consisted of office equipment of $7,981, and accumulated depreciation of $1,316. For the year ended December 31, 2016, depreciation expense was $1,427.

Long-lived assets, such as property and equipment are reviewed on an ongoing basis for impairment based on comparison of 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, 2016.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restriction.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. At December 31, 2016, Caterina’s Club had $89,883 in contributions receivable.

Caterina’s Club uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made. At December 31, 2016, the allowance is zero.

Income Taxes

Caterina’s Club is a California nonprofit corporation which 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 of income taxes has been made in the accompanying financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, Caterina’s Club may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the organization and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There was no impact to Caterina’s Club’s financial statements as a result of these provisions.
2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Caterina’s Club records shared overhead and facilities as supporting services.

Caterina’s Club provides 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-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 28 different locations within 14 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 pm, 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 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, our 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, IL, Brooklyn, NY, Brownsville, TX, Redlands, CA, and three regions in Northern Italy.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

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 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 provide 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 Academy is a three-month program provided for the 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 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 the three programs work together to promote the autonomy of the individuals served.

Advertising and Awareness

Caterina’s Club follows the policy of charging the costs of advertising to expenses as incurred. The advertising expense was approximately $75,000 for the year ended December 31, 2016.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Caterina’s Club has evaluated subsequent events through June 23, 2017, the date the financial statements were available to be issued.

3. FAIR VALUE MEASUREMENTS

Caterina’s Club measures fair value measurements that are recognized in the financial statements on a recurring basis. Generally accepted accounting principles in the United States of America 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, 2016 is $164,780 using Level 2. Fair value of donated stock at December 31, 2016 is $29,908 using Level 1.

4. REVENUES AND OTHER SUPPORT

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

5. CONTRIBUTED SERVICES AND SUPPLIES

A substantial number of unpaid volunteers have made significant contributions of their time to the programs. The value of these contributions is not reflected in these statements since they do not meet the criteria for recognition as contributed services.
6. **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, 2016 is approximately $25,000.

7. **RELATED PARTY TRANSACTIONS**

Caterina’s Club paid the Ganlaon Corporation, owned by a member of the board of directors, approximately $232,000 for cooking, rent and other expenses for the year ended December 31, 2016.

8. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of $107,373 restricted for the Hospitality Academy Program and $89,883 in promises to give.