



**Consolidated Financial Statements
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

CATALYST INC.

**CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities	4
Consolidated Schedules of Functional Expenses.....	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-18

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Catalyst Inc.

We have audited the accompanying consolidated financial statements of Catalyst Inc. ("Catalyst"), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 of consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements for the years ended August 31, 2019 and 2018, of Catalyst Canada, Inc., a controlled subsidiary, whose financial statements reflect total assets of 13% and 17% of consolidated assets at August 31, 2019 and 2018, respectively, and total revenues constituting 7% and 11% of consolidated revenues for the years then ended. Those statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Catalyst Canada, Inc., which conform those financial statements to accounting principles generally accepted in the United States of America. Those statements were audited by other auditors in accordance with Canadian generally accepted auditing standards, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Catalyst Canada, Inc., as of and for the years ended August 31, 2019 and 2018, is based solely on the report of other auditors, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. 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 consolidated 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, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catalyst Inc. as of August 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during the year ended August 31, 2019, Catalyst adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2016-18, *Statement of Cash Flows* (Topic 230) – *Restricted Cash*. Our opinion is not modified with respect to these matters.

Marko Paneth LLP

New York, NY
March 10, 2020

CATALYST INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash (Note 11)	\$ 5,873,895	\$ 4,557,762
Grants and contributions receivable, net (Notes 2F and 4)	13,970,636	2,598,173
Accounts and other receivables (Note 2F)	1,400,754	1,240,552
Investments (Notes 2D, 6 and 11)	20,136,035	17,042,391
Prepaid expenses and other assets	334,247	646,733
Restricted cash (Notes 2G and 10D)	112,086	199,936
Property and equipment, net (Notes 2H, 5 and 8)	1,261,538	1,489,952
TOTAL ASSETS	43,089,191	27,775,499
LIABILITIES		
Accounts payable and accrued expenses	1,435,385	1,416,204
Deferred revenue (Note 2J)	305,287	287,138
Deferred rent obligation (Notes 2I and 10)	1,079,571	1,162,503
TOTAL LIABILITIES	2,820,243	2,865,845
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET ASSETS (Notes 2C and 7)		
Without donor restrictions		
Invested in property and equipment	1,261,538	1,489,952
Operations	11,729,751	11,790,250
Total without donor restrictions	12,991,289	13,280,202
With donor restrictions	27,277,659	11,629,452
TOTAL NET ASSETS	40,268,948	24,909,654
TOTAL LIABILITIES AND NET ASSETS	\$ 43,089,191	\$ 27,775,499

CATALYST INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	For the Year Ended August 31, 2019			For the Year Ended August 31, 2018		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions	2019	Donor Restrictions	Donor Restrictions	2018
REVENUE AND SUPPORT:						
Contributions and grants	\$ 7,976,124	\$ 16,216,494	\$ 24,192,618	\$ 6,983,026	\$ 819,264	\$ 7,802,290
Special events revenue (net of direct donor benefit costs of \$415,198 in 2019 and \$434,438 in 2018)	4,040,583	275,000	4,315,583	4,187,749	200,000	4,387,749
Donated services and assets (Notes 2E and 8)	886,285	-	886,285	436,292	-	436,292
Consulting income	319,532	-	319,532	487,607	-	487,607
Conference and other events	501,720	-	501,720	523,895	-	523,895
Honoraria and other	520,461	-	520,461	903,437	-	903,437
UBIL Workshops and Learning Programs	916,569	-	916,569	588,802	-	588,802
MARC Workshops	2,017,919	-	2,017,919	1,961,262	-	1,961,262
Interest and dividend income (Note 6)	94,536	318,219	412,755	155,175	193,143	348,318
Realized and unrealized income on investments, net (Notes 2M and 6)	8,280	185,907	194,187	49,358	277,111	326,469
Net assets released from restrictions (Note 2C and 7)	1,347,413	(1,347,413)	-	1,359,383	(1,359,383)	-
TOTAL REVENUE AND SUPPORT	<u>18,629,422</u>	<u>15,648,207</u>	<u>34,277,629</u>	<u>17,635,986</u>	<u>130,135</u>	<u>17,766,121</u>
EXPENSES:						
Program services:						
National education	1,677,037	-	1,677,037	1,348,443	-	1,348,443
Global communications	2,282,245	-	2,282,245	2,093,424	-	2,093,424
Research	1,379,914	-	1,379,914	1,550,598	-	1,550,598
Events	1,557,036	-	1,557,036	1,490,325	-	1,490,325
Consulting Services	1,228,879	-	1,228,879	2,047,235	-	2,047,235
Learning products and programs	3,490,482	-	3,490,482	2,316,348	-	2,316,348
Information center and services	1,831,986	-	1,831,986	1,669,335	-	1,669,335
Total program services	<u>13,447,579</u>	<u>-</u>	<u>13,447,579</u>	<u>12,515,708</u>	<u>-</u>	<u>12,515,708</u>
Supporting services:						
Finance and administration	3,215,526	-	3,215,526	2,313,786	-	2,313,786
Development	2,255,230	-	2,255,230	2,336,413	-	2,336,413
Total supporting services	<u>5,470,756</u>	<u>-</u>	<u>5,470,756</u>	<u>4,650,199</u>	<u>-</u>	<u>4,650,199</u>
TOTAL EXPENSES	<u>18,918,335</u>	<u>-</u>	<u>18,918,335</u>	<u>17,165,907</u>	<u>-</u>	<u>17,165,907</u>
CHANGE IN NET ASSETS	(288,913)	15,648,207	15,359,294	470,079	130,135	600,214
Net assets - beginning of year	<u>13,280,202</u>	<u>11,629,452</u>	<u>24,909,654</u>	<u>12,810,123</u>	<u>11,499,317</u>	<u>24,309,440</u>
NET ASSETS - END OF YEAR	<u>\$ 12,991,289</u>	<u>\$ 27,277,659</u>	<u>\$ 40,268,948</u>	<u>\$ 13,280,202</u>	<u>\$ 11,629,452</u>	<u>\$ 24,909,654</u>

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

CATALYST, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019
(With Comparative Totals for 2018)

	For the Year Ended August 31, 2019												
	Program Services							Supporting Services					
	National Education	Global Communications	Research	Events	Consulting Services	Learning and Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development	Total Supporting Services	Total 2019	Total 2018
OPERATING EXPENSES:													
Salaries, benefits, and payroll taxes	\$ 880,359	\$ 1,308,390	\$ 993,568	\$ 690,161	\$ 1,039,102	\$ 1,833,148	\$ 1,029,820	\$ 7,774,548	\$ 2,078,371	\$ 1,346,717	\$ 3,425,088	\$ 11,199,636	\$ 10,284,138
Professional fees	647,325	606,067	2,841	38,647	26,468	830,547	47,247	2,199,142	684,283	305,150	989,433	3,188,575	2,353,736
Pension expense	18,048	71,699	67,627	45,820	78,513	86,166	72,742	440,615	123,541	73,059	196,600	637,215	684,845
Occupancy	32,609	115,662	84,394	58,675	31,311	100,595	107,365	530,611	156,607	168,745	325,352	855,963	833,821
Printing, typesetting and design	-	7,742	-	194,780	-	-	-	202,522	-	-	-	202,522	321,247
Supplies	2,292	4,844	3,044	6,280	852	4,647	14,225	36,184	5,421	5,807	11,228	47,412	45,780
Postage and shipping	299	804	526	5,686	299	1,032	1,471	10,117	1,758	1,427	3,185	13,302	18,128
Books and subscriptions	4,526	14,657	405	558	112	635	26,569	47,462	6,118	16,253	22,371	69,833	69,287
Meetings, conferences and travel	51,400	19,421	88,385	47,011	18,571	113,545	21,074	359,407	8,477	576,125	584,602	944,009	863,166
Repairs and maintenance	1,284	4,552	63,861	1,779	1,241	4,160	249,176	326,053	26,314	8,355	34,669	360,722	374,262
Telephone	1,921	1,164	1,066	2,593	275	3,065	112,715	122,799	1,545	5,647	7,192	129,991	98,360
Depreciation and amortization	8,993	33,037	32,835	12,630	8,957	168,035	32,520	297,007	44,670	41,488	86,158	383,165	395,532
Conference expense	-	-	-	386,234	-	-	-	386,234	-	-	-	386,234	382,111
Uncollectable Contributions	-	-	-	-	-	-	-	-	9,150	76,578	85,728	85,728	345,478
Other	27,981	94,206	41,362	66,182	23,178	344,907	117,062	714,878	69,271	45,077	114,348	829,226	530,454
Total Costs	1,677,037	2,282,245	1,379,914	1,557,036	1,228,879	3,490,482	1,831,986	13,447,579	3,215,526	2,670,428	5,885,954	19,333,533	17,600,345
Less: Direct cost of special events reported net of revenue on the consolidating statements of activities	-	-	-	-	-	-	-	-	-	(415,198)	(415,198)	(415,198)	(434,438)
TOTAL EXPENSES	\$ 1,677,037	\$ 2,282,245	\$ 1,379,914	\$ 1,557,036	\$ 1,228,879	\$ 3,490,482	\$ 1,831,986	\$ 13,447,579	\$ 3,215,526	\$ 2,255,230	\$ 5,470,756	\$ 18,918,335	\$ 17,165,907

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

CATALYST INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

For the Year Ended August 31, 2018

	Program Services							Supporting Services			
	National Education	Global Communications	Research	Events	Consulting Services	Learning and Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development and Supporter Relations	Total Supporting Services
OPERATING EXPENSES:											
Salaries, benefits, and payroll taxes	\$ 456,528	\$ 1,251,677	\$ 1,121,743	\$ 664,273	\$ 1,658,398	\$ 1,129,658	\$ 923,359	\$ 7,205,636	\$ 1,762,954	\$ 1,315,548	\$ 3,078,502
Professional fees	749,870	371,040	67,020	55,200	27,500	655,976	54,118	1,980,724	153,207	219,805	373,012
Pension expense	30,406	72,848	71,448	49,809	121,681	74,303	64,193	484,688	125,900	74,257	200,157
Occupancy	23,104	111,495	83,248	48,487	82,719	88,518	101,734	539,305	139,468	155,048	294,516
Printing, typesetting and design	-	61,364	-	189,263	70,620	-	-	321,247	-	-	-
Supplies	925	8,437	2,284	4,251	2,077	2,619	17,469	38,062	3,525	4,193	7,718
Postage and shipping	359	1,371	501	5,419	707	754	5,538	14,649	1,975	1,504	3,479
Books and subscriptions	1,016	15,121	2,084	774	14,677	2,580	25,136	61,388	1,578	6,321	7,899
Meetings, conferences and travel	51,228	19,397	62,211	34,159	19,470	97,610	12,288	296,363	12,240	554,563	566,803
Repairs and maintenance	1,504	39,932	62,116	1,216	3,684	3,929	233,863	346,244	18,555	9,463	28,018
Telephone	950	1,404	434	3,748	830	1,218	81,680	90,264	1,927	6,169	8,096
Depreciation and amortization	4,225	32,087	49,463	8,030	23,992	165,271	31,452	314,520	41,334	39,678	81,012
Conference expense	-	-	-	382,111	-	-	-	382,111	-	-	-
Uncollectable Contributions	-	-	-	-	-	-	-	-	-	345,478	345,478
Other	28,328	107,251	28,046	43,585	20,880	93,912	118,505	440,507	51,123	38,824	89,947
Total Costs	1,348,443	2,093,424	1,550,598	1,490,325	2,047,235	2,316,348	1,669,335	12,515,708	2,313,786	2,770,851	5,084,637
Less: Direct cost of special events reported net of revenue on the consolidating statements of activities	-	-	-	-	-	-	-	-	-	(434,438)	(434,438)
TOTAL EXPENSES	\$ 1,348,443	\$ 2,093,424	\$ 1,550,598	\$ 1,490,325	\$ 2,047,235	\$ 2,316,348	\$ 1,669,335	\$ 12,515,708	\$ 2,313,786	\$ 2,336,413	\$ 4,650,199

CATALYST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 15,359,294	\$ 600,214
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	383,165	395,532
Realized loss (gain) on investment sales	95,624	(428,078)
Unrealized (gain) loss on investments	(382,024)	11,172
Uncollectible contributions	85,728	345,477
Change in discount on contributions receivable	318,402	(19,835)
Loss on disposal of property and equipment	-	1,860
Contributed property and equipment	-	(94,924)
Subtotal	15,860,189	811,418
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants and contributions receivable	(11,776,593)	954,489
Accounts and other receivables	(160,202)	(396,491)
Prepaid expenses and other assets	312,486	54,022
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	19,181	111,084
Deferred revenue	18,149	(51,895)
Deferred rent obligation	(82,932)	(87,263)
Net Cash Provided by Operating Activities	4,190,278	1,395,364
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(9,012,533)	(4,652,278)
Proceeds from investment sales	6,205,289	4,483,135
Purchases of property and equipment	(154,751)	(144,902)
Net Cash Used in Investing Activities	(2,961,995)	(314,045)
NET INCREASE IN CASH AND RESTRICTED CASH	1,228,283	1,081,319
Cash and restricted cash - beginning of year	4,757,698	3,676,379
CASH AND RESTRICTED CASH - END OF YEAR	\$ 5,985,981	\$ 4,757,698
Supplemental Disclosure of Cash Flow Information:		
Taxes paid	\$ 76,922	\$ 18,823

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

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Catalyst Inc. is a leading nonprofit with a mission to accelerate progress for women through workplace inclusion. Catalyst Canada, Inc. (“Catalyst Canada”) was incorporated on December 27, 2000 to fulfill the mission of Catalyst in Canada and is controlled by Catalyst Inc. Catalyst Europe AG (“Catalyst Europe”) was incorporated on June 22, 2006 to fulfill the mission of Catalyst in Europe. Catalyst Women Research and Consultancy India Private Limited (“Catalyst India”) was incorporated on September 14, 2011 to fulfill the mission of Catalyst in India. Catalyst Australia Women Research and Consulting Limited (“Catalyst Australia”) was incorporated on June 3, 2013 to fulfill the mission of Catalyst in Australia. Catalyst Japan Women Research and Consulting Limited (“Catalyst Japan”) was incorporated on May 6, 2014 to fulfill the mission of Catalyst in Japan. The accompanying consolidated financial statements include the accounts of Catalyst Inc., Catalyst Canada, Catalyst Europe, Catalyst India, Catalyst Australia and Catalyst Japan (collectively, “Catalyst”). These entities are controlled by Catalyst Inc.

In January 2018, Catalyst determined that it intended to cease operations in Catalyst Japan and Catalyst India. Catalyst Japan was closed during the year ended August 31, 2019, and operations in India were still in the process of winding down as of August 31, 2019. The remaining balances in India are immaterial to the consolidated financial statements, as a whole.

Descriptions of Catalyst’s major programs and supporting services are as follows:

- **National Education** – National Education fosters awareness and informs decision makers of the changing role and needs of women in the workplace by promoting Catalyst’s mission of advancing women in business and the professions, Catalyst’s research, and services. National Education also includes the execution of strategic plans to expand the reach of Catalyst’s mission in the North American, European and Asian business communities.
- **Global Brand and Strategic Communications** – The Global Brand and Strategic Communications Department creates and executes strategies to increase Catalyst’s visibility globally by developing and strengthening its brand, products and services. The Department is responsible for editing, designing and producing all products, publications and collateral materials, and for building public education and awareness of Catalyst’s work through media relations, marketing opportunities and social media campaigns, as well as initiatives like the Catalyst CEO Champions For Change.
- **Research** – The Research team conducts applied research to promote gender, racial and ethnic inclusion in workplaces around the world. This research culminates in published studies that include findings from interviews, focus groups and surveys, as well as company best practices and recommendations for companies and firms creating equitable and inclusive workplaces for women and men. Catalyst conducts research globally and has produced reports specific to the United States, Canada, Europe, India, Australia, Japan and Mexico.
- **Global Events** – The Global Events department is responsible for Catalyst’s in-person and virtual convening and community engagement initiatives. Catalyst’s Events also include Recognition Programs, such as the largest annual Catalyst event – the Catalyst Awards Conference and Dinner, which brings together more than 2,000 individuals, including some of the most influential CEO’s, business executives, world leaders, and media representatives.
- **Consulting Services** – Consulting Services is the department charged with fostering impact through a variety of services, benefits and activities. It drives engagement and impact through: Consulting Services, Vital Signs and leadership of the CEO Summit franchise. It supports Catalyst’s relationships with donors through involvement with relationship managers. The team also contributes to Catalyst’s knowledge development through the Insight Loop, focusing on Impact Metrics and by scaling insights from consulting work into publications, tools, communications and events.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **Learning and Advisory Services** – The Global LPP team is responsible for the development and delivery of fee-for-service workshops and other programming designed to accelerate progress for women in the workplace through individual awareness building, shifting mindsets and behaviors and commitment to action plans. Two foundational programs include MARC (Men Advocating Real Change), which engages men in championing women in the workplace and LWI (Leading With Inclusion), which helps individuals learn how to overcome bias and become more inclusive leaders. Through in-person and virtual workshops, LPP solutions reach thousands of individuals globally.
- **Information Center and Services** – The Information Center responds to public queries on the topic of advancing women and building inclusive workplaces, and it creates knowledge products that increase understanding on topics related to diversity and inclusion. The Information Center provides efficient, valuable information to Catalyst donors, the media and those who formulate public policy.
- **Finance and Administration** – Finance and Administration maintains operational, administrative and financial responsibility for Catalyst.
- **Development** – Development enlists corporate, individual, governmental and foundation contributions for general support and special research projects. The department manages relationships with sponsors headquartered in the United States, Canada, Europe, India, Australia and Japan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Catalyst's consolidated financial statements have been prepared on the accrual basis of accounting. Catalyst adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. The consolidated financial statements include the accounts of Catalyst Inc., Catalyst Canada, Catalyst Europe, Catalyst India, Catalyst Australia and Catalyst Japan. Upon consolidation, all significant intercompany balances and transactions are eliminated.
- C. Contributions are recorded as revenue when Catalyst is formally notified of the grants or contributions by the respective donors.

Catalyst reports contributions as net assets without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets; such assets are considered net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from donor restrictions. Net assets with donor restrictions were released from donor restrictions by incurring expenses and satisfying time restrictions, thereby satisfying the restricted purposes of providing program services as specified by the donors.

Catalyst reports gifts of cash and other assets as net assets with donor restrictions to be held in perpetuity when use by Catalyst is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Catalyst. Earnings on the reserve fund component of certain net assets with donor restrictions to be held in perpetuity can be borrowed for research projects, as described in Note 7. Additionally, interest earned on net assets with donor restrictions to be held in perpetuity research project center earnings can be used to support the activities on the research centers as described in Note 7.

- D. Investments are stated at their fair values. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur and investment income is recognized as revenue in the period earned. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below:

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Level 1 – Valuations for assets and liabilities that can be obtained from readily available active pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period.

Catalyst evaluates the significance of transfers between levels based upon the nature of the financial instrument and the size of the transfer relative to total net assets. For the years ended August 31, 2019 and 2018, there were no transfers.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into the three levels described above.

- E. Donated services are recognized in the consolidated financial statements if the services enhance or create non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated goods or contributions of use of facilities are recognized at their estimated fair value.
- F. Catalyst has determined that an allowance of \$214,609 and \$241,024, respectively, was necessary for uncollectible grants and contributions receivable and no allowance for accounts and other receivables was necessary as of August 31, 2019 and 2018. Such estimates are based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.
- G. Restricted cash consists of collateral for the letter of credit issued to the landlord and maintained at the bank (Note 10D). The following table provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	2019	2018
Cash	\$ 5,873,895	\$ 4,557,762
Restricted cash	112,086	199,936
Total cash and restricted cash shown in the consolidated statements of cash flows	\$ 5,985,981	\$ 4,757,698

- H. Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Catalyst capitalizes all owned property and equipment having a useful life of greater than one year and a cost of more than \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed property and equipment is recorded at fair value on the date of donation. When donors stipulate restrictions on the use of the assets, such contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. During the year ended August 31, 2018, Catalyst received \$94,924 of contributed computer equipment.

- I. Catalyst leases real property under operating leases at various dates in the future. Since the rent payments increase over time, Catalyst records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent obligation in the accompanying consolidated statements of financial position. The annual adjustment recorded for the years ended August 31, 2019 and 2018 decreased the deferred rent obligation by \$82,932 and \$87,263, respectively.
- J. Catalyst receives cash in advance of special events that are to be held after the date of the consolidated statements of financial position. It is Catalyst's policy to record the contribution portion of the events as revenue when received and the exchange portion as deferred revenue until earned. Additionally, advisory fees, honoraria and miscellaneous income are reported as revenue when expenses are incurred in accordance with the terms of the agreement. Deferred revenue balances include special event, advisory fee, honoraria and miscellaneous receipts applicable to the next fiscal year.
- K. All elements of financial statements for Catalyst Canada, Catalyst Europe, Catalyst India, Catalyst Australia and Catalyst Japan are translated by using a currency exchange rate. For assets and liabilities, the exchange rate as of the consolidated statement of financial position date is used. For revenues, support and expenses, an average exchange rate for the period is used. As of August 31, 2019 and 2018, the accumulated adjustments to net assets related to currency exchange rates amounted to an increase and (decrease) in net assets of approximately \$49,000 and \$(1,000), respectively. For the years ended August 31, 2019 and 2018, Catalyst incurred a foreign exchange gain of \$50,000 and \$379,000, respectively. Through March 10, 2020, there are no significant exchange rate changes.
- L. The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, meetings, conferences and travel, and other, which are allocated on the basis of estimates of time and effort.

- M. The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.
- N. Certain line items in the August 31, 2019 consolidated financial statements have been reclassified to conform to the August 31, 2019 presentation. Such reclassifications had no effect on net assets previously reported.
- O. Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2016-18, *Statement of Cash Flows* (Topic 230) – *Restricted Cash* were adopted for the year ended August 31, 2019. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. ASU 2016-18 requires that restricted cash be included with cash and cash equivalents on the accompanying consolidated statement of cash flows. These changes had no impact on the change in net assets for the year ended August 31, 2019. Due to these changes, Catalyst has reclassified prior periods and fully comparative consolidated financial statements are presented. Net assets as of August 31, 2018 were reclassified to conform to the new presentation.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Catalyst regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Catalyst has various sources of liquidity at its disposal, including cash and cash equivalents, marketable and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Catalyst considers all expenditures related to its ongoing activities of research, consulting as well as the conduct of services undertaken to support those activities to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs.

In addition to financial assets available to meet general expenditures over the next 12 months, Catalyst operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statement of cash flows, which identifies the sources and uses of the organization's cash and shows positive cash generated by operations for fiscal years 2019 and 2018.

As of August 31, 2019, the following tables show the total financial assets held by Catalyst and the amounts of those financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Financial assets at year-end	
Cash	\$ 5,873,895
Grants and contributions receivable, net	13,970,636
Accounts and other receivables	1,400,754
Investments	<u>20,136,035</u>
 Total financial assets	 41,381,320
 Less: Contributions receivable due in more than one year, net of discount	 (8,898,742)
Less: Investments held for endowments	<u>(11,581,304)</u>
 Total financial assets at year-end	 <u>\$ 20,901,274</u>

NOTE 4 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

Grants and contributions receivable consist of the following as of August 31:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 5,286,503	\$ 2,839,197
Amounts due in one to five years	<u>9,217,144</u>	<u>-</u>
	14,185,245	2,839,197
 Less: allowance for doubtful accounts	 (214,609)	 (241,024)
Less: Discount on long-term pledges receivable	<u>(318,402)</u>	<u>-</u>
Grants and contributions receivable, net	<u>\$ 13,970,636</u>	<u>\$ 2,598,173</u>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property, equipment and leasehold improvements consist of the following as of August 31:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 408,934	\$ 403,166	5 years
Equipment	2,146,604	2,333,404	5 years
Leasehold improvements	<u>1,533,251</u>	<u>1,533,251</u>	Lease term
 Total cost	 4,088,789	 4,269,821	
 Less: accumulated depreciation and amortization	 <u>(2,827,251)</u>	 <u>(2,779,869)</u>	
 Net book value	 <u>\$ 1,261,538</u>	 <u>\$ 1,489,952</u>	

Depreciation and amortization expense for the years ended August 31, 2019 and 2018 amounted to \$383,165 and \$395,532, respectively. During the year ended August 31, 2019, \$335,783 of fully depreciated equipment was written off. During the year ended August 31, 2018, equipment with a cost of \$8,148 and accumulated depreciation of \$6,288 was written off, along with \$928,221 of fully depreciated equipment.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments consist of cash held for investment and financial assets carried at fair value at August 31, 2019 and are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments Carried at Fair Value			
Domestic equities	\$ 171,325	\$ -	\$ 171,325
Mutual funds	12,843,275	-	12,843,275
Certificates of deposit	<u>-</u>	<u>4,616,632</u>	<u>4,616,632</u>
Total investments at fair value	13,014,600	4,616,632	17,631,232
 Cash Investments	 <u>-</u>	 <u>-</u>	 <u>2,504,803</u>
Total investments	<u>\$ 13,014,600</u>	<u>\$ 4,616,632</u>	<u>\$ 20,136,035</u>

Investments consist of cash held for investment and financial assets carried at fair value at August 31, 2018 and are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments Carried at Fair Value			
Domestic equities	\$ 166,950	\$ -	\$ 166,950
Mutual funds	12,019,563	-	12,019,563
Certificates of deposit	<u>-</u>	<u>3,771,447</u>	<u>3,771,447</u>
Total investments at fair value	12,186,513	3,771,447	15,957,960
 Cash Investments	 <u>-</u>	 <u>-</u>	 <u>1,084,431</u>
Total investments	<u>\$ 12,186,513</u>	<u>\$ 3,771,447</u>	<u>\$ 17,042,391</u>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Investment income consists of the following for the years ended August 31:

	<u>2019</u>	<u>2018</u>
Realized (loss) gain	\$ (95,624)	\$ 428,078
Unrealized gain (loss)	382,024	(11,172)
Interest and dividend income	412,755	348,318
Less: Investment fees	<u>(92,213)</u>	<u>(90,437)</u>
	<u>\$ 606,942</u>	<u>\$ 674,787</u>

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

NOTE 7 – NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted as follows as of August 31:

	<u>2019</u>	<u>2018</u>
<u>Purpose Restricted:</u>		
Major Gifts Campaign – Lead for Equity and Inclusion	\$ 4,712,663	\$ -
Major Gifts Campaign – MARC	4,640,601	-
Major Gifts Campaign – Future of Work	4,025,094	-
Women on Board	1,095,637	-
Major Gifts Campaign – Advancing Women	241,774	-
Major Gifts Campaign - Global Expansion	205,831	217,471
MARC	166,667	-
Sponsorship	162,164	-
Major Gifts Campaign – Women on Board	145,000	-
Canada Sponsorships	109,409	141,006
Major Gifts Campaign - Preservation of Catalyst Archives at Hagley Museum	41,541	83,503
Awards Conference 2020	23,081	-
Miscellaneous (less than \$100,000)	<u>8,416</u>	<u>15,889</u>
	15,577,878	457,869
Time restricted	118,477	95,000
Unappropriated endowment earnings	2,561,029	2,056,903
Felice N. Schwartz Endowment	3,924,122	3,924,122
Major Gift Campaign Endowment	<u>5,096,153</u>	<u>5,095,558</u>
	<u>\$ 27,277,659</u>	<u>\$ 11,629,452</u>

Net assets with donor restrictions of \$1,347,413 and \$1,359,383 were released from donor imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended August 31, 2019 and 2018, respectively.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 7 – NET ASSETS (Continued)

Endowments

During 1992, the “Felice N. Schwartz Reserve Fund for the Advancement of Women in Business and the Professions” was created. The principal amount of the fund may be borrowed on a short-term basis by Catalyst to complete research projects, which are of strategic importance, but lack complete funding, and to meet temporary cash flow needs. The income earned from invested principal will be used to grow the fund in line with inflation and to complete the financing of research projects for which the majority of funds have been raised. Borrowings from the principal and interest of this fund must be repaid. There were no borrowings from the fund for the years ended August 31, 2019 and 2018.

In December 2010, the Major Gifts Campaign to fund the Longitudinal Research Initiative: Change Leadership Research Center, Career Pathways Research Center, Corporate Practices Research Center and Corporate Governance Research Center was established. The principal amount of the fund will remain intact. Once all the payments are received, the interest on the fund will support the activities of the four Research Centers. Expenditures will include salaries for the Research Center Leaders; Endowed Fellows and Scholars; Endowed Longitudinal Data Sets and Thought Leaders Convening Events. There was no spending for the years ended August 31, 2019 and 2018.

Contributions made to the Major Gifts Campaign - Longitudinal Research Initiative through August 31, 2013, were allocated 70% for endowment and 30% as contributions with donor restrictions subject to purpose and time restrictions. For the years ended August 31, 2019 and 2018, contributions made to the Major Gifts Campaign - Longitudinal Research Initiative are allocated 50% for endowment and 50% as contributions with donor restrictions subject to purpose and time restrictions. All other Major Gift Campaign program contributions are restricted for purpose or time.

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions. Catalyst is subject to the Ohio-enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) in relation to its donor-restricted endowment funds. The Board of Directors of Catalyst has interpreted the Ohio-enacted version of UPMIFA as allowing Catalyst to appropriate for expenditure or accumulate so much of an endowment fund as Catalyst determines is prudent for the uses, benefits, purposes and duration for which the endowment funds is established, subject to the intent of the donor as expressed in the gift instrument. The earnings from the endowment funds shall be restricted until appropriated for expenditure by the Board of Directors.

The investment policy at Catalyst is intended to provide a strong base to support the operations and mission of Catalyst. Catalyst’s investment objectives are to safeguard its assets and preserve the real purchasing power of its assets while earning investment returns that are commensurate with Catalyst’s risk tolerance and sufficient to meet its operational requirements.

The following table summarizes changes in endowment net assets for the year ended August 31, 2019:

	Donor-Restricted Endowment Funds		
	Endowment Earnings	Endowment Corpus	Total
Investment earnings	\$ 504,126	\$ -	\$ 504,126
Contributions	-	595	595
Total endowment activity	504,126	595	504,721
Endowment net assets, beginning of year	2,056,903	9,019,680	11,076,583
Endowment net assets, end of year	\$ 2,561,029	\$ 9,020,275	\$ 11,581,304

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 7 - NET ASSETS (Continued)

The following table summarizes changes in endowment net assets for the year ended August 31, 2018:

	Donor-Restricted Endowment Funds		
	Endowment Earnings	Endowment Corpus	Total
Investment earnings	\$ 470,254	\$ -	\$ 470,254
Contributions	-	5,184	5,184
Total endowment activity	470,254	5,184	475,438
Endowment net assets, beginning of year	1,586,649	9,014,496	10,601,145
Endowment net assets, end of year	\$ 2,056,903	\$ 9,019,680	\$ 11,076,583

Endowment net assets of \$11,581,304 and \$11,076,583 are included with investments and grants and contributions receivable on the consolidated statements of financial position as of August 31, 2019 and 2018, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Catalyst to retain as a fund of perpetual duration. Any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires Catalyst to retain in perpetuity is to be reported in net assets with donor restrictions. There were no deficiencies for the years ended August 31, 2019 and 2018.

NOTE 8 – DONATED SERVICES AND ASSETS AND RELATED PARTY

Catalyst received the following donated services and assets for the years ended August 31:

	2019	2018
Legal	\$ 407,825	\$ 333,646
Other services	478,460	7,722
Capitalized computer equipment	-	94,924
	\$ 886,285	\$ 436,292

A member of Catalyst's Board of Directors is an attorney. For many years, her law firm has provided pro-bono legal services to Catalyst. For the years ended August 31, 2019 and 2018, Catalyst recorded contributed goods and services as noted above which are included in revenue, expenses and fixed assets for capitalized property and equipment in the accompanying consolidated financial statements.

NOTE 9 – PENSION PLAN

Catalyst sponsors a defined contribution money purchase plan. Catalyst contributes 5% of compensation and employees are given the choice to contribute up to 5% of their compensation with Catalyst matching dollar for dollar up to limits established by the Internal Revenue Code. An employee becomes eligible to participate in the plan after one year of service. Total pension expense for the years ended August 31, 2019 and 2018 amounted to \$576,844 and \$684,845, respectively.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 10 – COMMITMENTS AND CONTINGENCIES

- A. In October 2011, Catalyst entered into a lease agreement for office space, expiring in 2027, for its New York City headquarters. In connection with the lease, Catalyst received nine months of free rent and reimbursement from the landlord for leasehold improvements of approximately \$907,000. The reimbursement from the landlord for leasehold improvements, as well as the value of the nine months of free rent, have been recorded as a deferred rent obligation and are being amortized over the lease term. Rental expense for this space is recorded on a straight-line basis. The lease provides for an escalation based on operating costs.
- B. In June 2002, Catalyst Canada executed a lease for office space which expired in 2007 and was extended to June 2012. The lease was extended and expired on April 30, 2018. It was further extended through April 30, 2023. In connection with the lease, Catalyst Canada received three months of free rent that has been recorded as a deferred rent obligation and is being amortized over the lease term. Under the lease, Catalyst Canada is obligated to pay for rent and other occupancy costs.
- C. Catalyst is obligated, pursuant to lease agreements, to approximate future minimum annual lease payments for the years ended after August 31, 2019, as follows:

2020	\$	739,184
2021		739,184
2022		799,770
2023		789,664
2024		745,216
Thereafter		<u>2,173,547</u>
	\$	<u>5,896,565</u>

Occupancy expense for the years ended August 31, 2019 and 2018, amounted to \$855,963 and \$833,821, respectively.

- D. Catalyst holds a Letter of Credit in connection with occupancy of the leased office space at 120 Wall Street in New York City. The Letter of Credit allows up to \$250,000 to be borrowed. As of August 31, 2019 and 2018, the landlord has the right to draw down \$112,086 and \$199,936 against the Letter of Credit, respectively.
- E. Catalyst Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a). Catalyst Canada was incorporated under the Canada Corporations Act as a not-for-profit organization and is exempt from tax under paragraph 149(l)(1) of the Income Tax Act. Catalyst Austria was incorporated under the Corporation Act 2001 as a not-for-profit organization and is exempt from tax under Division 50 of The Income Tax Assessment Act 1997. Catalyst India, Catalyst Europe and Catalyst Japan are subject to local income taxes and income tax expenses amounted to approximately \$77,000 and \$19,000 during the years ended August 31, 2019 and 2018.

Catalyst Inc. believes that it has no uncertain tax positions as of August 31, 2019 and 2018 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents that potentially subject Catalyst to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest and noninterest bearing accounts are insured up to \$250,000 per depositor. As of August 31, 2019 and 2018, there was approximately \$3,152,000 and \$1,252,000, respectively, of cash and cash equivalents held by two banks that exceeded FDIC limits. Such excess includes outstanding checks. Canada Deposit Insurance Corporation (“CDIC”) insurance limits of 100,000 CAD were exceeded by approximately \$1,896,000 and \$980,000 as of August 31, 2019 and 2018, respectively, at one bank. India Deposit Insurance and Credit Guarantee Program (“DICGC”) insurance limits of 100,000 INR were exceeded by approximately \$7,000 and \$15,000 as of August 31, 2019 and 2018, respectively, at one bank. The Deposit Protection of Swiss Banks and Securities Dealers limits of deposits of up to 100,000 CHF were exceeded by approximately \$2,208,000 and \$2,255,000 as of August 31, 2019 and 2018, respectively, at one bank. Financial Claims Scheme in Australia limits deposits up to 250,000 AUD. Catalyst Australia exceeded the limits by approximately \$254,000 and \$217,000 as of August 31, 2019 and 2018, respectively, at one bank. Catalyst Japan did not exceed insurance limits as of August 31, 2019 and 2018.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through March 10, 2020, the date the consolidated financial statements were available to be issued.