



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

FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

CATALYST INC.
CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Catalyst Inc.
New York, New York

Opinion

We have audited the consolidated financial statements of Catalyst, Inc. ("Catalyst"), which comprise the consolidated statement of financial position as of August 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Catalyst as of August 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements for the year ended August 31, 2022, of Catalyst Canada, Inc., a controlled subsidiary, whose financial statements reflect total assets of 18% of consolidated assets at August 31, 2022 and total revenues constituting 13% of consolidated revenues for the year then ended. Those statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and 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 year ended August 31, 2022, 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.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements* section of our report. We are required to be independent of Catalyst and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Consolidated Financial Statements

The consolidated financial statements of Catalyst as of and for the year ended August 31, 2021 were audited by another auditor whose report dated February 23, 2022 expressed an unmodified opinion on those consolidated statements.



Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Catalyst'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catalyst'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.

Mayer Hoffman McCann CPAs

New York, NY
March 31, 2023

CATALYST INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash (Notes 2G and 13)	\$ 9,374,720	\$ 8,748,423
Grants and contributions receivable, net (Notes 2F and 4)	15,130,003	18,094,912
Accounts and other receivables (Note 2F)	1,083,236	838,754
Investments (Notes 2D, 6 and 13)	26,702,217	27,653,532
Prepaid expenses and other assets	692,210	423,065
Letter of credit (Note 11D)	112,086	112,086
Property and equipment, net (Notes 2H and 5)	<u>777,751</u>	<u>998,803</u>
TOTAL ASSETS	<u>\$ 53,872,223</u>	<u>\$ 56,869,575</u>
LIABILITIES		
Accounts payable and accrued expenses (Note 11F)	\$ 2,956,760	\$ 2,141,243
Deferred revenue (Note 2J)	808,776	575,227
Deferred rent obligation (Notes 2I and 11)	770,675	914,304
Paycheck Protection Program refundable advance (Note 7)	<u>-</u>	<u>1,560,812</u>
TOTAL LIABILITIES	<u>4,536,211</u>	<u>5,191,586</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Notes 2C and 8)		
Without Donor Restrictions		
Invested in property and equipment	777,751	998,803
Operations	<u>21,923,389</u>	<u>18,958,866</u>
	22,701,140	19,957,669
With Donor Restrictions	<u>26,634,872</u>	<u>31,720,320</u>
TOTAL NET ASSETS	<u>49,336,012</u>	<u>51,677,989</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,872,223</u>	<u>\$ 56,869,575</u>

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

CATALYST INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	For the Year Ended August 31, 2022			For the Year Ended August 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
REVENUE AND SUPPORT:						
Contributions and grants (Note 2C)	\$ 13,702,010	\$ 3,595,577	\$ 17,297,587	\$ 11,161,032	\$ 3,466,138	\$ 14,627,170
Special events revenue (Note 2M) (net of direct expenses of \$241,151 and \$0 in 2022 and 2021)	1,246,024	713,000	1,959,024	-	-	-
Donated services and assets (Notes 2E, 2H and 9)	2,294,888	-	2,294,888	910,595	-	910,595
Consulting income (Note 2K)	637,056	-	637,056	539,988	-	539,988
Conference and other events (Note 2K)	1,614,503	-	1,614,503	1,843,506	-	1,843,506
Honoraria and other (Note 2K)	432,814	-	432,814	802,861	-	802,861
LEI Workshops and Site License (Note 2K)	1,817,885	-	1,817,885	2,108,561	-	2,108,561
MARC Workshops (Note 2K)	1,708,507	-	1,708,507	1,334,205	-	1,334,205
Paycheck Protection Program grant (Note 7)	1,560,812	-	1,560,812	1,560,812	-	1,560,812
Employee Retention Credit (Note 12)	-	-	-	309,543	-	309,543
Interest and dividend income (Notes 2D and 6)	160,447	312,158	472,605	135,888	227,413	363,301
Realized and unrealized (loss) gain on investments, net (Notes 2D and 6)	(166,710)	(3,552,088)	(3,718,798)	2,004,659	467,079	2,471,738
Net assets released from restrictions (Notes 2C and 8)	6,154,095	(6,154,095)	-	8,116,997	(8,116,997)	-
TOTAL REVENUE AND SUPPORT	31,162,331	(5,085,448)	26,076,883	30,828,647	(3,956,367)	26,872,280
EXPENSES (Note 2N):						
Program services:						
National education	3,053,958	-	3,053,958	1,618,396	-	1,618,396
Global brand and strategic communications	4,460,710	-	4,460,710	3,110,920	-	3,110,920
Research	2,512,498	-	2,512,498	2,208,155	-	2,208,155
Community and convening	1,946,761	-	1,946,761	1,657,774	-	1,657,774
Learning and advisory services	4,752,412	-	4,752,412	4,674,153	-	4,674,153
Information center and services	1,970,818	-	1,970,818	1,811,919	-	1,811,919
Total program services	18,697,157	-	18,697,157	15,081,317	-	15,081,317
Supporting services:						
Finance and administration	5,512,106	-	5,512,106	4,191,645	-	4,191,645
Development	4,209,597	-	4,209,597	4,304,251	-	4,304,251
Total supporting services	9,721,703	-	9,721,703	8,495,896	-	8,495,896
TOTAL EXPENSES	28,418,860	-	28,418,860	23,577,213	-	23,577,213
CHANGE IN NET ASSETS	2,743,471	(5,085,448)	(2,341,977)	7,251,434	(3,956,367)	3,295,067
Net assets - beginning of year	19,957,669	31,720,320	51,677,989	12,706,235	35,676,687	48,382,922
NET ASSETS - END OF YEAR	\$ 22,701,140	\$ 26,634,872	\$ 49,336,012	\$ 19,957,669	\$ 31,720,320	\$ 51,677,989

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, 2022
(With Comparative Totals for 2021)

	Program Services						Supporting Services					
	National Education	Global Brand and Strategic Communications	Research	Community and Convening	Learning and Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development	Total Supporting Services	Total 2022	Total 2021
OPERATING EXPENSES:												
Salaries, benefits and payroll taxes	\$ 797,336	\$ 2,513,697	\$ 1,926,621	\$ 857,986	\$ 3,082,919	\$ 1,225,507	\$ 10,404,066	\$ 2,869,946	\$ 3,482,816	\$ 6,352,762	\$ 16,756,828	\$ 15,164,924
Professional fees (Notes 2N and 9)	2,072,772	1,137,025	133,175	123,241	970,573	11,900	4,448,686	1,154,498	233,516	1,388,014	5,836,700	4,457,122
Pension expense (Note 10)	42,603	102,987	106,544	44,242	158,555	81,215	536,146	170,809	207,652	378,461	914,607	938,461
Occupancy (Note 11C)	21,896	129,788	115,122	76,040	145,388	65,550	553,784	126,236	150,380	276,616	830,400	831,479
Printing, typesetting and design	-	80,270	-	186,952	1,524	-	268,746	18,693	-	18,693	287,439	98,892
Supplies	23	134	145	129	1,151	80	1,662	1,891	344	2,235	3,897	12,280
Postage and shipping	550	1,899	1,221	4,440	1,069	1,513	10,692	2,935	3,957	6,892	17,584	10,805
Books and subscriptions	33,452	96,748	7,257	1,665	996	34,304	174,422	6,007	13,637	19,644	194,066	209,408
Meetings, conferences and travel	16,027	19,512	51,146	26,675	31,452	15,308	160,120	118,017	57,610	175,627	335,747	30,344
Repairs and maintenance	502	238,980	52,885	79,993	187,439	378,746	938,545	147,984	82,116	230,100	1,168,645	811,785
Telephone	996	-	-	135	-	38,702	39,833	770	2,703	3,473	43,306	39,153
Depreciation and amortization (Note 5)	8,662	52,543	42,701	15,699	53,944	25,977	199,526	46,366	56,090	102,456	301,982	327,149
Conference expense	-	-	-	424,626	-	-	424,626	-	-	-	424,626	-
Uncollectable contributions	-	-	-	-	-	-	-	619,972	-	619,972	619,972	219,175
Other	59,139	87,127	75,681	104,938	117,402	92,016	536,303	227,982	159,927	387,909	924,212	426,236
TOTAL EXPENSES	\$ 3,053,958	\$ 4,460,710	\$ 2,512,498	\$ 1,946,761	\$ 4,752,412	\$ 1,970,818	\$ 18,697,157	\$ 5,512,106	\$ 4,450,748	\$ 9,962,854	\$ 28,660,011	\$ 23,577,213
Less: Direct cost of special events reported net of revenue on the consolidating statements of activities	-	-	-	-	-	-	-	-	(241,151)	-	(241,151)	-
TOTAL EXPENSES	\$ 3,053,958	\$ 4,460,710	\$ 2,512,498	\$ 1,946,761	\$ 4,752,412	\$ 1,970,818	\$ 18,697,157	\$ 5,512,106	\$ 4,209,597	\$ 9,962,854	\$ 28,418,860	\$ 23,577,213

CATALYST, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services						Supporting Services				
	National Education	Global Brand and Strategic Communications	Research	Community and Convening	Learning and Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development	Total Supporting Services	Total 2021
OPERATING EXPENSES:											
Salaries, benefits and payroll taxes	\$ 768,751	\$ 1,783,314	\$ 1,674,178	\$ 918,378	\$ 2,755,834	\$ 1,021,760	\$ 8,922,215	\$ 2,946,056	\$ 3,296,653	\$ 6,242,709	\$ 15,164,924
Professional fees (Notes 2E and 9)	709,768	862,445	172,205	480,281	1,298,665	113,809	3,637,173	611,697	208,252	819,949	4,457,122
Pension expense (Note 10)	52,401	121,921	99,672	47,606	174,694	60,934	557,228	161,147	220,086	381,233	938,461
Occupancy (Note 11C)	23,187	99,754	129,753	56,976	163,643	77,216	550,529	94,292	186,658	280,950	831,479
Printing, typesetting and design	-	8,830	-	44,747	40,915	-	94,492	4,400	-	4,400	98,892
Supplies	2,729	189	1,081	661	895	3,393	8,948	714	2,618	3,332	12,280
Postage and shipping	251	571	1,152	646	1,648	1,381	5,649	1,622	3,534	5,156	10,805
Books and subscriptions	30,885	112,990	7,009	2,821	3,616	38,907	196,228	8,442	4,738	13,180	209,408
Meetings, conferences and travel	9,823	3,977	5,929	2,305	3,620	931	26,585	1,998	1,761	3,759	30,344
Repairs and maintenance	1,068	52,834	45,688	47,387	104,772	382,013	633,762	114,439	63,584	178,023	811,785
Telephone	-	-	-	-	-	39,153	39,153	-	-	-	39,153
Depreciation and amortization (Note 5)	9,453	39,174	46,496	17,667	57,892	31,114	201,796	61,225	64,128	125,353	327,149
Uncollectable contributions	-	-	-	-	-	-	-	35,672	183,503	219,175	219,175
Other	10,080	24,921	24,992	38,299	67,959	41,308	207,559	149,941	68,736	218,677	426,236
TOTAL EXPENSES	\$ 1,618,396	\$ 3,110,920	\$ 2,208,155	\$ 1,657,774	\$ 4,674,153	\$ 1,811,919	\$ 15,081,317	\$ 4,191,645	\$ 4,304,251	\$ 8,495,896	\$ 23,577,213

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

CATALYST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,341,977)	\$ 3,295,067
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	301,982	327,149
Realized loss (gain) on investment sales	118,981	(3,668,090)
Unrealized loss on investments	3,443,038	1,036,297
Write off of uncollectable contributions	619,972	219,174
Change in discount on contributions receivable	(78,478)	(107,857)
Loss on disposal of property and equipment	<u>1,046</u>	<u>-</u>
Subtotal	2,064,564	1,101,740
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants and contributions receivable	2,423,415	1,882,481
Accounts and other receivables	(244,482)	(328,098)
Prepaid expenses and other assets	(269,145)	(79,674)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	815,517	168,944
Deferred revenue	233,549	(148,057)
Deferred rent obligation	(143,629)	(82,581)
Paycheck Protection Program refundable advance	<u>(1,560,812)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>3,318,977</u>	<u>2,514,755</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(7,054,466)	(23,123,485)
Proceeds from investment sales	4,443,762	23,336,914
Purchases of property and equipment	<u>(81,976)</u>	<u>(134,043)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(2,692,680)</u>	<u>79,386</u>
NET INCREASE IN CASH	626,297	2,594,141
Cash - beginning of year	<u>8,748,423</u>	<u>6,154,282</u>
CASH - END OF YEAR	<u>\$ 9,374,720</u>	<u>\$ 8,748,423</u>

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

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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 Australia Women Research and Consulting Limited ("Catalyst Australia") was incorporated on June 3, 2013 to fulfill the mission of Catalyst in Australia. The accompanying consolidated financial statements include the accounts of Catalyst Inc., Catalyst Canada, Catalyst Europe, and Catalyst Australia (collectively, "Catalyst"). These entities are controlled by Catalyst Inc.

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, and Australia.
- **Community and Convening** – The Community and Convening department is responsible for Catalyst's in-person and virtual convening and community engagement initiatives. It 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.
- **Learning and Advisory Services ("LAS")** – The LAS team is responsible for the development and delivery of fee-for-service workshops, programming, and advisory services designed to accelerate progress for women in the workplace and enhance workplace inclusion. Catalyst's offerings and solutions reach clients globally through individual awareness building, shifting mindsets and behaviors, and developing commitment to action plans. Foundational programs include the Men Advocating Real Change ("MARC") initiative, which meets men where they are to help build partnerships across gender, and Lead for Equity & Inclusion ("LEI") workshops and online/self-paced learning, which help individuals and leaders across levels learn how to overcome bias and foster greater workplace inclusion. Advisory Services fosters client impact through a variety of services, benefits, and activities, including strategic consulting engagements, specialized programming, and diagnostic tools. Through in-person and virtual workshops and a full suite of client programming, LAS solutions reach tens of thousands of individuals globally across a variety of supporter organizations.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **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, and Australia.

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 and Catalyst Australia. Upon consolidation, all significant intercompany balances and transactions are eliminated.
- C. Contributions are recognized when the donor makes a promise to give to Catalyst that is, in substance, unconditional. Conditional contributions and promises to give, those with a measurable performance or other barrier and a right of return, are not recognized as support until the conditions on which they depend are substantially met.

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 restrictions. Net assets with donor restrictions were released from 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 8. Additionally, interest earned on net assets with donor restrictions to be held in perpetuity for research project centers can be used to support the activities on the research centers as described in Note 8.

Contributions are accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). As of August 31, 2022 and 2021, Catalyst had no conditional contributions that have not been recorded in the accompanying consolidated financial statements.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- 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.

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 \$261,980 and \$267,298, respectively, was necessary for uncollectible grants and contributions receivable and no allowance for accounts and other receivables was necessary as of August 31, 2022 and 2021. 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. Catalyst considers all highly liquid investments with maturities of three months or less when acquired, to be cash equivalents, except for cash and money market funds contained in Catalyst's investment portfolio.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 three years 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.
- 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, 2022 and 2021 decreased the deferred rent obligation by \$143,629 and \$82,581, respectively.
- J. Catalyst receives cash in advance of special events that is 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. Deferred revenue balances also include special event, advisory fee, honoraria and miscellaneous receipts applicable to the next fiscal year.
- K. Program service revenue is accounted for under FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Program service revenue is recognized and recorded at the time a service is performed. Such services include consulting services, workshops, and conferences. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Catalyst in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Catalyst measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of August 31, 2022 and 2021. The performance obligations for these contracts are completed when the service is completed and upon submission of the invoice. Catalyst determines the transaction price based on contracts for services provided.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program service revenue consists of the revenues for the following programs for the years ended August 31:

	<u>2022</u>	<u>2021</u>
Consulting income	\$ 637,056	\$ 539,988
Conference and other events	1,614,503	1,843,506
Honoraria and other	432,814	802,861
LEI Workshops and Site License	1,817,885	2,108,561
MARC Workshops	<u>1,708,507</u>	<u>1,334,205</u>
	<u>\$ 6,210,765</u>	<u>\$ 6,629,121</u>

- L. All elements of financial statements for Catalyst Canada, Catalyst Europe and Catalyst Australia 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, 2022 and 2021, the accumulated adjustments to net assets related to currency exchange rates amounted to a decrease in net assets of approximately \$569,000 and \$65,000, respectively. For the years ended August 31, 2022 and 2021, Catalyst incurred a foreign exchange loss of approximately \$416,000 and \$11,000, respectively. Through March 31, 2023, there are no significant exchange rate changes.
- M. The direct costs of special events include expenses for the benefit of the donor and are included net of contribution revenue on the accompanying consolidated statements of activities. For example, meals and facilities rental are considered direct costs of special events.
- N. 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.

- O. 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.
- P. On September 17, 2020, the FASB issued ASU No. 2020-07, that increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by, not-for-profit (“NFP”) organizations—including transparency on how those assets are used and how they are valued. Catalyst adopted ASU 2020-07 during the year ended August 31, 2022 and the adoption had no impact on the change in net assets for the year ended August 31, 2021.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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 statements of cash flows, which identify the sources and uses of Catalyst's cash and show positive cash generated by operations for fiscal years 2022 and 2021.

As of August 31, 2022 and 2021, the following tables show the total financial assets held by Catalyst and the amounts of those financial assets that could readily be made available within one year of the consolidated statements of financial position date to meet general expenditures:

Financial assets at year-end	<u>2022</u>	<u>2021</u>
Cash	\$ 9,374,720	\$ 8,748,423
Grants and contributions receivable, net	15,130,003	18,094,912
Accounts and other receivables	1,083,236	838,754
Investments	<u>26,702,217</u>	<u>27,653,532</u>
 Total financial assets	 52,290,176	 55,335,621
 Less: Contributions receivable due in more than one year, net of discount	 (5,357,891)	 (10,774,123)
Less: Investments held for endowments	<u>(9,477,864)</u>	<u>(12,717,794)</u>
 Total financial assets at year-end	 <u>\$ 37,454,421</u>	 <u>\$ 31,843,704</u>

NOTE 4 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

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

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 10,034,092	\$ 7,588,087
Amounts due in one to five years	<u>5,569,131</u>	<u>11,063,841</u>
	15,603,223	18,651,928
 Less: Allowance for doubtful accounts	 (261,980)	 (267,298)
Less: Discount on long-term pledges receivable	<u>(211,240)</u>	<u>(289,718)</u>
Grants and contributions receivable, net	<u>\$ 15,130,003</u>	<u>\$ 18,094,912</u>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 409,267	\$ 410,194	5 years
Equipment	1,789,563	1,954,692	3 years
Leasehold improvements	1,535,054	1,535,054	Lease term
 Total cost	 3,733,884	 3,899,940	
 Less: accumulated depreciation and amortization	 (2,956,133)	 (2,901,137)	
 Net book value	 <u>\$ 777,751</u>	 <u>\$ 998,803</u>	

Depreciation and amortization expense for the years ended August 31, 2022 and 2021 amounted to \$301,982 and \$327,149, respectively. During the year ended August 31, 2022, Catalyst disposed of and wrote off fixed assets of \$248,032 with accumulated depreciation of \$246,986, resulting in a loss of \$1,046 from the disposal. During the year ended August 31, 2021, \$462,346 of fully depreciated equipment was written off.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of cash held for investment and financial assets carried at fair value at August 31, 2022 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			
Money market funds	\$ -	\$ 2,451,762	\$ 2,451,762
REIT and mutual funds	13,832,404	-	13,832,404
Corporate securities	968,899	-	968,899
Municipal bonds	24,650	387,684	412,334
Equity securities	7,180,968	28,167	7,209,135
Treasury bills	<u>959,952</u>	<u>-</u>	<u>959,952</u>
Total investments at fair value	22,966,873	2,867,613	25,834,486
 Cash Investments Carried at Cost	 <u>-</u>	 <u>-</u>	 <u>867,731</u>
Total investments	<u>\$ 22,966,873</u>	<u>\$ 2,867,613</u>	<u>\$ 26,702,217</u>

Investments consist of cash held for investment and financial assets carried at fair value at August 31, 2021 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			
Mutual funds	\$ 26,327,891	\$ -	\$ 26,327,891
Certificates of deposit	<u>-</u>	<u>248,604</u>	<u>248,604</u>
Total investments at fair value	26,327,891	248,604	26,576,495
 Cash Investments Carried at Cost	 <u>-</u>	 <u>-</u>	 <u>1,077,037</u>
Total investments	<u>\$ 26,327,891</u>	<u>\$ 248,604</u>	<u>\$ 27,653,532</u>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

	<u>2022</u>	<u>2021</u>
Realized (loss) gain	\$ (118,981)	\$ 3,668,090
Unrealized loss	(3,443,038)	(1,036,297)
Interest and dividend income	472,605	363,301
Less: Investment fees	<u>(156,779)</u>	<u>(160,055)</u>
	<u>\$ (3,246,193)</u>	<u>\$ 2,835,039</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 – PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration ("SBA") sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven. Catalyst applied for this loan through an SBA authorized lender. The loan, amounting to \$1,560,812, was approved and received on May 1, 2020.

In accounting for the terms of the PPP loan, Catalyst is guided by FASB Accounting Standards Codification ("ASC") topic 958-605, *Revenue Recognition - Contributions*. Accordingly, Catalyst has accounted for this under ASC 958-605 as a conditional contribution. As of August 31, 2020, \$1,560,812 was recorded as a refundable advance as the conditions are not met. For the year ended August 31, 2021, Catalyst met the conditions and recognized a contribution of \$1,560,812 in the accompanying consolidated statements of activities. Catalyst received full forgiveness on the loan on March 18, 2021.

During the year ended August 31, 2021, Catalyst applied for a second round PPP loan through an SBA authorized lender. The loan, amounting to \$1,560,812, was approved and received on March 14, 2021. As of August 31, 2021, the loan was recorded as a refundable advance. On November 9, 2021, Catalyst received full forgiveness and recognized a contribution of \$1,560,812 in the accompanying consolidated statements of activities during the year ended August 31, 2022.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 8 – NET ASSETS

Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
<u>Purpose Restricted:</u>		
Major Gifts Campaign – Lead for Equity and Inclusion	\$ 5,027,661	\$ 5,999,475
Major Gifts Campaign – MARC	3,360,715	3,738,499
Major Gifts Campaign – Future of Work	3,983,074	5,061,443
Women on Board	-	324,392
Major Gifts Campaign – Advancing Women	3,494,307	1,920,005
Major Gifts Campaign – Global Expansion	172,970	173,906
MARC	-	63,817
Sponsorship	-	162,164
Major Gifts Campaign – Women on Board	-	939,391
Canada Honours 2022	287,008	279,951
Awards Dinner 2023 Sponsorship	150,000	-
Catalyst Archives – Hagley Museum & Library	148,519	-
In Good Company	131,054	-
Miscellaneous (less than \$100,000)	<u>25,486</u>	<u>42,939</u>
	16,780,794	18,705,982
Time restricted	376,214	296,544
Unappropriated endowment earnings	457,589	3,697,519
Felice N. Schwartz Endowment	3,924,122	3,924,122
Major Gift Campaign Endowment	<u>5,096,153</u>	<u>5,096,153</u>
	9,477,864	12,717,794
	<u>\$ 26,634,872</u>	<u>\$ 31,720,320</u>

Net assets with donor restrictions of \$6,154,095 and \$8,116,997 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, 2022 and 2021, respectively.

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, 2022 and 2021. During the year ended August 31, 2021, the Catalyst Board of Directors approved the appropriation \$1 million of accumulated earnings in excess of inflation in accordance with the donor letter.

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, 2022 and 2021.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 8 – NET ASSETS (Continued)

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, 2022 and 2021, 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 the 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 fund 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, 2022:

	<u>Donor-Restricted Endowment Funds</u>		
	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Investment loss	\$ (3,239,930)	\$ -	\$ (3,239,930)
Total endowment activity	(3,239,930)	-	(3,239,930)
Endowment net assets, beginning of year	<u>3,697,519</u>	<u>9,020,275</u>	<u>12,717,794</u>
Endowment net assets, end of year	<u>\$ 457,589</u>	<u>\$ 9,020,275</u>	<u>\$ 9,477,864</u>

The following table summarizes changes in endowment net assets for the year ended August 31, 2021:

	<u>Donor-Restricted Endowment Funds</u>		
	<u>Endowment Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Investment earnings	\$ 694,492	\$ -	\$ 694,492
Amount appropriated	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Total endowment activity	(305,508)	-	(305,508)
Endowment net assets, beginning of year	<u>4,003,027</u>	<u>9,020,275</u>	<u>13,023,302</u>
Endowment net assets, end of year	<u>\$ 3,697,519</u>	<u>\$ 9,020,275</u>	<u>\$ 12,717,794</u>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 8 – NET ASSETS (Continued)

Endowment net assets of \$9,477,864 and \$12,717,794 are included with investments and grants and contributions receivable on the consolidated statements of financial position as of August 31, 2022 and 2021, 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, 2022 and 2021.

NOTE 9 – DONATED SERVICES AND ASSETS AND RELATED PARTY

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

	<u>2022</u>	<u>2021</u>
Legal	\$ 404,732	\$ 493,729
Consulting	<u>1,890,156</u>	<u>416,866</u>
	<u>\$ 2,294,888</u>	<u>\$ 910,595</u>

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. Catalyst also received consulting services primarily for strategic planning.

Contributed legal and consulting services are valued and reported at the estimated fair value in the consolidated financial statements based on current rates for similar services. These services were utilized to benefit the National Education program and general operations at Catalyst. For the years ended August 31, 2022 and 2021, Catalyst recorded contributed services as noted above, which are included in revenue and expenses in the accompanying consolidated financial statements.

NOTE 10 – 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, 2022 and 2021 amounted to \$914,607 and \$938,461, respectively.

NOTE 11 – 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. Catalyst Canada has a lease for office space which expires on 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.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

- C. Catalyst is obligated, pursuant to lease agreements, to future minimum annual lease payments for the years ended after August 31, 2022, as follows:

2023	\$	791,949
2024		745,216
2025		745,216
2026		745,216
2027		683,115
	\$	<u>3,710,712</u>

Occupancy expense for the years ended August 31, 2022 and 2021, amounted to \$830,400 and \$831,479, 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, 2022 and 2021, the landlord has the right to draw down \$112,086 against the Letter of Credit.
- 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 Australia was incorporated under the Corporations Act of 2001 as a not-for-profit organization and is exempt from tax under Division 50 of The Income Tax Assessment Act 1997. Catalyst Europe was subject to local income taxes and income tax expenses amounting to \$15,585 and \$8,606 during the years ended August 31, 2022 and 2021, respectively.

Catalyst Inc. believes that it has no uncertain tax positions as of August 31, 2022 and 2021 in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

- F. Under the CARES Act, certain payroll tax deferrals have been granted to companies. Included in the payroll tax deferral is the Federal Insurance Contributions Act ("FICA") tax. Catalyst has decided to defer the employer portion of the FICA tax, which amounted to approximately \$125,000 and \$250,000 as of August 31, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses. Under the CARES Act the deferred amount would be due in two equal installments on December 31, 2021 and December 31, 2022.

NOTE 12 – EMPLOYEE RETENTION CREDIT

During the year ended August 31, 2021, Catalyst benefited from credits related to the passage of the CARES Act on March 27, 2020, in response to the COVID-19 crisis. Under the CARES Act, Catalyst qualified for an Employee Retention Credit for revenue loss due to the COVID-19 crisis. As a result of the CARES Act, Catalyst recorded an Employee Retention Credit of \$309,543, which is included in the accompanying consolidated statements of activities.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 13 – 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, 2022 and 2021, there was approximately \$5,029,000 and \$4,963,000, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits. Such excess includes outstanding checks. Canada Deposit Insurance Corporation (“CDIC”) insurance limits of \$79,300 (which is 100,000 Canadian Dollars) were exceeded by approximately \$3,768,000 and \$2,260,000 as of August 31, 2022 and 2021, respectively, at one bank. The Deposit Protection of Swiss Banks and Securities Dealers limits of deposits of up to \$110,200 (which is 100,000 Swiss Franc) were exceeded by approximately \$1,547,000 and \$1,114,000 as of August 31, 2022 and 2021, respectively, at one bank. Financial Claims Scheme in Australia limits deposits up to \$182,900 (which is 250,000 Australian Dollars). Catalyst Australia exceeded the limits by approximately \$360,000 and \$367,000 as of August 31, 2022 and 2021, respectively, at one bank.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through March 31, 2023, the date the consolidated financial statements were available to be issued.