



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

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

CATALYST INC.

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

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, of Catalyst Canada, Inc., a controlled subsidiary, whose financial statements reflect total assets of 12% and 13% of consolidated assets at August 31, 2020 and 2019, respectively, and total revenues constituting 7% of consolidated revenues for the years 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 years ended August 31, 2020 and 2019, 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, 2020 and 2019, 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.

Marks Paneth LLP

New York, NY
February 10, 2021

CATALYST INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash (Notes 2G and 12)	\$ 6,154,282	\$ 5,873,895
Grants and contributions receivable, net (Notes 2F and 4)	20,088,710	13,970,636
Accounts and other receivables (Note 2F)	510,656	1,400,754
Investments (Notes 2D, 6 and 12)	25,235,168	20,136,035
Prepaid expenses and other assets	343,391	334,247
Restricted cash (Notes 2G and 11D)	112,086	112,086
Property and equipment, net (Notes 2E, 2H, 5 and 9)	1,191,909	1,261,538
TOTAL ASSETS	\$ 53,636,202	\$ 43,089,191
LIABILITIES		
Accounts payable and accrued expenses (Note 11F)	\$ 1,972,299	\$ 1,435,385
Deferred revenue (Note 2J)	723,284	305,287
Deferred rent obligation (Notes 2I and 11)	996,885	1,079,571
Paycheck Protection Program refundable advance (Note 7)	1,560,812	-
TOTAL LIABILITIES	5,253,280	2,820,243
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (Notes 2C and 8)		
Without Donor Restrictions		
Invested in property and equipment	1,191,909	1,261,538
Operations	11,514,326	11,729,751
	12,706,235	12,991,289
With Donor Restrictions	35,676,687	27,277,659
TOTAL NET ASSETS	48,382,922	40,268,948
TOTAL LIABILITIES AND NET ASSETS	\$ 53,636,202	\$ 43,089,191

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

CATALYST INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	For the Year Ended August 31, 2020			For the Year Ended August 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Without Donor Restrictions	With Donor Restrictions	Total 2019
REVENUE AND SUPPORT:						
Contributions and grants (Note 2C)	\$ 8,664,117	\$ 13,300,795	\$ 21,964,912	\$ 7,976,124	\$ 16,216,494	\$ 24,192,618
Special events revenue (net of direct donor benefit costs of \$0 in 2020 and \$415,198 in 2019) (Note 2M)	3,663,200	170,000	3,833,200	4,040,583	275,000	4,315,583
Donated services and assets (Notes 2E, 2H and 9)	1,014,326	-	1,014,326	886,285	-	886,285
Consulting income (Note 2K)	380,776	-	380,776	319,532	-	319,532
Conference and other events (Note 2K)	236,694	-	236,694	501,720	-	501,720
Honoraria and other (Note 2K)	427,511	-	427,511	520,461	-	520,461
UBIL Workshops and Learning Programs (Note 2K)	663,545	-	663,545	916,569	-	916,569
MARC Workshops (Note 2K)	1,757,733	-	1,757,733	2,017,919	-	2,017,919
Interest and dividend income (Notes 2D and 6)	206,802	227,413	434,215	94,536	318,219	412,755
Realized and unrealized income on investments, net (Notes 2D and 6)	280,029	1,214,585	1,494,614	8,280	185,907	194,187
Net assets released from restrictions (Notes 2C and 8)	6,513,765	(6,513,765)	-	1,347,413	(1,347,413)	-
TOTAL SUPPORT AND REVENUE	<u>23,808,498</u>	<u>8,399,028</u>	<u>32,207,526</u>	<u>18,629,422</u>	<u>15,648,207</u>	<u>34,277,629</u>
EXPENSES (Note 2N):						
Program services:						
National education	1,828,121	-	1,828,121	1,677,037	-	1,677,037
Global brand and strategic communications	3,951,271	-	3,951,271	2,282,245	-	2,282,245
Research	2,242,729	-	2,242,729	1,379,914	-	1,379,914
Global events	1,356,563	-	1,356,563	1,557,036	-	1,557,036
Learning and advisory services	3,917,854	-	3,917,854	4,719,361	-	4,719,361
Information center and services	2,150,059	-	2,150,059	1,831,986	-	1,831,986
Total program services	<u>15,446,597</u>	<u>-</u>	<u>15,446,597</u>	<u>13,447,579</u>	<u>-</u>	<u>13,447,579</u>
Supporting services:						
Finance and administration	4,598,141	-	4,598,141	3,215,526	-	3,215,526
Development	4,048,814	-	4,048,814	2,255,230	-	2,255,230
Total supporting services	<u>8,646,955</u>	<u>-</u>	<u>8,646,955</u>	<u>5,470,756</u>	<u>-</u>	<u>5,470,756</u>
TOTAL EXPENSES	<u>24,093,552</u>	<u>-</u>	<u>24,093,552</u>	<u>18,918,335</u>	<u>-</u>	<u>18,918,335</u>
CHANGE IN NET ASSETS	(285,054)	8,399,028	8,113,974	(288,913)	15,648,207	15,359,294
Net assets - beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 12,706,235</u>	<u>\$ 35,676,687</u>	<u>\$ 48,382,922</u>	<u>\$ 12,991,289</u>	<u>\$ 27,277,659</u>	<u>\$ 40,268,948</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, 2020
(With Comparative Totals for 2019)

	For the Year Ended August 31, 2020											
	Program Services						Supporting Services					
	National Education	Global Brand and Strategic Communications	Research	Global Events	Learning and Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development	Total Supporting Services	Total 2020	Total 2019
OPERATING EXPENSES:												
Salaries, benefits and payroll taxes	\$ 865,933	\$ 1,782,604	\$ 1,445,561	\$ 872,599	\$ 2,231,213	\$ 1,196,314	\$ 8,394,224	\$ 3,178,393	\$ 2,931,026	\$ 6,109,419	\$ 14,503,643	\$ 11,199,636
Professional fees (Notes 2E and 9)	784,634	1,694,685	332,731	113,961	1,117,987	156,213	4,200,211	554,495	457,027	1,011,522	5,211,733	3,188,575
Pension expense (Note 10)	59,393	84,599	85,166	59,167	97,589	66,207	452,121	146,119	180,687	326,806	778,927	637,215
Occupancy (Note 11C)	27,981	117,956	101,582	51,414	142,430	85,500	526,863	164,788	179,977	344,765	871,628	855,963
Printing, typesetting and design	-	5,740	550	61,008	48,000	550	115,848	-	-	-	115,848	202,522
Supplies	1,925	2,450	1,933	2,968	3,557	12,520	25,353	3,115	4,353	7,468	32,821	47,412
Postage and shipping	311	3,359	1,675	4,029	2,352	1,523	13,249	2,770	2,593	5,363	18,612	13,302
Books and subscriptions	17,887	51,604	1,955	2,866	2,696	34,713	111,721	54,082	8,877	62,959	174,680	69,833
Meetings, conferences and travel	50,975	33,328	111,313	20,077	63,424	19,933	299,050	7,666	105,032	112,698	411,748	944,009
Repairs and maintenance	2,528	6,170	61,115	2,883	6,878	368,848	448,422	59,863	8,612	68,475	516,897	360,722
Telephone	1,695	1,091	1,302	2,003	1,703	74,795	82,589	1,224	5,528	6,752	89,341	129,991
Depreciation and amortization (Note 5)	11,989	48,796	41,195	17,418	63,331	39,338	222,067	74,480	64,412	138,892	360,959	383,165
Conference expense	-	-	27,104	102,621	-	-	129,725	-	-	-	129,725	386,234
Uncollectable contributions	-	-	-	-	-	-	-	219,859	46,367	266,226	266,226	85,728
Other	2,870	118,889	29,547	43,549	136,694	93,605	425,154	131,287	54,323	185,610	610,764	829,226
TOTAL EXPENSES	1,828,121	3,951,271	2,242,729	1,356,563	3,917,854	2,150,059	15,446,597	4,598,141	4,048,814	8,646,955	24,093,552	19,333,533
Less: Direct cost of special events reported net of revenue on the consolidating statements of activities	-	-	-	-	-	-	-	-	-	-	-	(415,198)
TOTAL EXPENSES	\$ 1,828,121	\$ 3,951,271	\$ 2,242,729	\$ 1,356,563	\$ 3,917,854	\$ 2,150,059	\$ 15,446,597	\$ 4,598,141	\$ 4,048,814	\$ 8,646,955	\$ 24,093,552	\$ 18,918,335

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

For the Year Ended August 31, 2019

	Program Services						Supporting Services				Total 2019	
	National Education	Global Brand and Strategic Communications	Research	Global Events	Learning and Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development	Total Supporting Services		
OPERATING EXPENSES:												
Salaries, benefits and payroll taxes	\$ 880,359	\$ 1,308,390	\$ 993,568	\$ 690,161	\$ 2,872,250	\$ 1,029,820	\$ 7,774,548	\$ 2,078,371	\$ 1,346,717	\$ 3,425,088	\$ 11,199,636	
Professional fees (Notes 2E and 9)	647,325	606,067	2,841	38,647	857,015	47,247	2,199,142	684,283	305,150	989,433	3,188,575	
Pension expense (Note 10)	18,048	71,699	67,627	45,820	164,679	72,742	440,615	123,541	73,059	196,600	637,215	
Occupancy (Note 11C)	32,609	115,662	84,394	58,675	131,906	107,365	530,611	156,607	168,745	325,352	855,963	
Printing, typesetting and design	-	7,742	-	194,780	-	-	202,522	-	-	-	202,522	
Supplies	2,292	4,844	3,044	6,280	5,499	14,225	36,184	5,421	5,807	11,228	47,412	
Postage and shipping	299	804	526	5,686	1,331	1,471	10,117	1,758	1,427	3,185	13,302	
Books and subscriptions	4,526	14,657	405	558	747	26,569	47,462	6,118	16,253	22,371	69,833	
Meetings, conferences and travel	51,400	19,421	88,385	47,011	132,116	21,074	359,407	8,477	576,125	584,602	944,009	
Repairs and maintenance	1,284	4,552	63,861	1,779	5,401	249,176	326,053	26,314	8,355	34,669	360,722	
Telephone	1,921	1,164	1,066	2,593	3,340	112,715	122,799	1,545	5,647	7,192	129,991	
Depreciation and amortization (Note 5)	8,993	33,037	32,835	12,630	176,992	32,520	297,007	44,670	41,488	86,158	383,165	
Conference expense	-	-	-	386,234	-	-	386,234	-	-	-	386,234	
Uncollectable Contributions	-	-	-	-	-	-	-	9,150	76,578	85,728	85,728	
Other	27,981	94,206	41,362	66,182	368,085	117,062	714,878	69,271	45,077	114,348	829,226	
Total Costs	1,677,037	2,282,245	1,379,914	1,557,036	4,719,361	1,831,986	13,447,579	3,215,526	2,670,428	5,885,954	19,333,533	
Less: Direct cost of special events reported net of revenue on the consolidating statements of activities	-	-	-	-	-	-	-	-	(415,198)	(415,198)	(415,198)	
TOTAL EXPENSES	\$ 1,677,037	\$ 2,282,245	\$ 1,379,914	\$ 1,557,036	\$ 4,719,361	\$ 1,831,986	\$ 13,447,579	\$ 3,215,526	\$ 2,255,230	\$ 5,470,756	\$ 18,918,335	

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,113,974	\$ 15,359,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	360,959	383,165
Realized (gain) loss on investment sales	(596,344)	95,624
Unrealized gain on investments	(1,018,924)	(382,024)
Write off of uncollectable contributions	266,226	85,728
Change in discount on contributions receivable	79,174	318,402
Contributed property and equipment	(119,259)	-
Subtotal	7,085,806	15,860,189
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants and contributions receivable	(6,463,474)	(11,776,593)
Accounts and other receivables	890,098	(160,202)
Prepaid expenses and other assets	(9,144)	312,486
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	536,914	19,181
Deferred revenue	417,997	18,149
Deferred rent obligation	(82,686)	(82,932)
Paycheck Protection Program refundable advance	1,560,812	-
Net Cash Provided by Operating Activities	3,936,323	4,190,278
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(13,590,363)	(9,012,533)
Proceeds from investment sales	10,106,498	6,205,289
Purchases of property and equipment	(172,071)	(154,751)
Net Cash Used in Investing Activities	(3,655,936)	(2,961,995)
NET INCREASE IN CASH AND RESTRICTED CASH	280,387	1,228,283
Cash and restricted cash - beginning of year	5,985,981	4,757,698
CASH AND RESTRICTED CASH - END OF YEAR	\$ 6,266,368	\$ 5,985,981
Supplemental Disclosure of Cash Flow Information:		
Taxes Paid	\$ -	\$ 76,922
Non-Cash Investing and Financing Activities:		
Contributed property and equipment	\$ 119,259	\$ -

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

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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 Catalyst India was closed during the year ended August 31, 2020.

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. During the year ended August 31, 2020, expenses related to this program were added to Learning and Advisory Services.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **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.
- **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 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 donor 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.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019, Catalyst had no conditional contributions that have not been recorded in the accompanying consolidated financial statements.

- 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.

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, 2020 and 2019, 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 \$267,028 and \$214,609, respectively, was necessary for uncollectible grants and contributions receivable and no allowance for accounts and other receivables was necessary as of August 31, 2020 and 2019. 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. Restricted cash consists of collateral for the letter of credit issued to the landlord and maintained at the bank (Note 11D). 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.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	2020	2019
Cash	\$ 6,154,282	\$ 5,873,895
Restricted cash	112,086	112,086
Total cash and restricted cash shown in the consolidated statements of cash flows	\$ 6,266,368	\$ 5,985,981

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.

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, 2020, Catalyst received \$119,259 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, 2020 and 2019 decreased the deferred rent obligation by \$82,686 and \$82,932, 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. 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, 2020. 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, 2020 AND 2019

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>2020</u>	<u>2019</u>
Consulting income	\$ 380,776	\$ 319,532
Conference and other events	236,694	501,720
Honoraria and other	427,511	520,461
UBIL Workshops and Learning Programs	663,545	916,569
MARC Workshops	<u>1,757,733</u>	<u>2,017,919</u>
	<u>\$ 3,466,259</u>	<u>\$ 4,276,201</u>

- L. All elements of financial statements for Catalyst Canada, Catalyst Europe, Catalyst India (closed as of August 31, 2020), Catalyst Australia and Catalyst Japan (closed as of August 31, 2019) 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, 2020 and 2019, the accumulated adjustments to net assets related to currency exchange rates amounted to an increase (decrease) in net assets of approximately \$72,000 and \$(50,000), respectively. For the years ended August 31, 2020 and 2019, Catalyst incurred a foreign exchange gain (loss) of approximately \$32,000 and \$(98,000), respectively. Through February 10, 2021, 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. Certain line items in the August 31, 2019 consolidated financial statements have been reclassified to conform to the August 31, 2020 presentation. Such reclassifications had no effect on net assets previously reported.
- Q. FASB ASU 2014-09, “*Revenue from Contracts with Customers*” (Topic 606) was adopted by Catalyst for the year ended August 31, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as further described in Note 2K.

FASB ASU 2018-08, “*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*” (Topic 958) was also adopted by Catalyst for the year ended August 31, 2020. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further described in Note 2C.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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 identifies the sources and uses of the organization's cash and shows positive cash generated by operations for fiscal years 2020 and 2019.

As of August 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash	\$ 6,154,282	\$ 5,873,895
Grants and contributions receivable, net	20,088,710	13,970,636
Accounts and other receivables	510,656	1,400,754
Investments	<u>25,235,168</u>	<u>20,136,035</u>
 Total financial assets	 51,988,816	 41,381,320
 Less: Contributions receivable due in more than one year, net of discount	 (13,896,672)	 (8,898,742)
Less: Investments held for endowments	<u>(13,023,302)</u>	<u>(11,581,304)</u>
 Total financial assets at year-end	 <u>\$ 25,068,842</u>	 <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>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ 6,459,066	\$ 5,286,503
Amounts due in one to five years	<u>14,294,248</u>	<u>9,217,144</u>
	20,753,314	14,503,647
 Less: Allowance for doubtful accounts	 (267,028)	 (214,609)
Less: Discount on long-term pledges receivable	<u>(397,576)</u>	<u>(318,402)</u>
Grants and contributions receivable, net	<u>\$ 20,088,710</u>	<u>\$ 13,970,636</u>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 409,200	\$ 408,934	5 years
Equipment	2,283,989	2,146,604	5 years
Leasehold improvements	<u>1,535,054</u>	<u>1,533,251</u>	Lease term
 Total cost	 4,228,243	 4,088,789	
 Less: accumulated depreciation and amortization	 <u>(3,036,334)</u>	 <u>(2,827,251)</u>	
 Net book value	 <u>\$ 1,191,909</u>	 <u>\$ 1,261,538</u>	

Depreciation and amortization expense for the years ended August 31, 2020 and 2019 amounted to \$360,959 and \$383,165, respectively. During the years ended August 31, 2020 and 2019, \$151,876 and \$335,783 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, 2020 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	\$ 20,278,381	\$ -	\$ 20,278,381
Certificates of deposit	<u>-</u>	<u>4,467,361</u>	<u>4,467,361</u>
Total investments at fair value	20,278,381	4,467,361	24,745,742
 Cash Investments Carried at Cost	 <u>-</u>	 <u>-</u>	 <u>489,426</u>
Total investments	<u>\$ 20,278,381</u>	<u>\$ 4,467,361</u>	<u>\$ 25,235,168</u>

Investments consist of cash held for investment and financial assets carried at fair value at August 31, 2020 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 Carried at Cost	 <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>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

	<u>2020</u>	<u>2019</u>
Realized gain (loss)	\$ 596,344	\$ (95,624)
Unrealized gain	1,018,924	382,024
Interest and dividend income	434,215	412,755
Less: Investment fees	<u>(120,654)</u>	<u>(92,213)</u>
	<u>\$ 1,928,829</u>	<u>\$ 606,942</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 – REFUNDABLE ADVANCE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability 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 until the conditions are substantially met.

NOTE 8 – NET ASSETS

Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
<u>Purpose Restricted:</u>		
Major Gifts Campaign – Lead for Equity and Inclusion	\$ 6,674,777	\$ 4,712,663
Major Gifts Campaign – MARC	5,818,040	4,640,601
Major Gifts Campaign – Future of Work	5,988,955	4,025,094
Women on Board	648,076	1,095,637
Major Gifts Campaign – Advancing Women	1,545,788	241,774
Major Gifts Campaign - Global Expansion	204,331	205,831
MARC	118,667	166,667
Sponsorship	162,164	162,164
Major Gifts Campaign – Women on Board	1,048,979	145,000
Canada Sponsorships	-	109,409
Awards Dinner 2021 Sponsorship	150,000	-
Miscellaneous (less than \$100,000)	<u>233,608</u>	<u>73,038</u>
	22,593,385	15,577,878

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 8 – NET ASSETS (Continued)

Net Assets with Donor Restrictions (Continued)

	2020	2019
Time restricted	\$ 60,000	\$ 118,477
Unappropriated endowment earnings	4,003,027	2,561,029
Felice N. Schwartz Endowment	3,924,122	3,924,122
Major Gift Campaign Endowment	5,096,153	5,096,153
	\$ 35,676,687	\$ 27,277,659

Net assets with donor restrictions of \$6,513,765 and \$1,347,413 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, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019, 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.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 8 – NET ASSETS (Continued)

The following table summarizes changes in endowment net assets for the year ended August 31, 2020:

	Donor-Restricted Endowment Funds		
	Endowment Earnings	Endowment Corpus	Total
Investment earnings	\$ 1,441,998	\$ -	\$ 1,441,998
Total endowment activity	1,441,998	-	1,441,998
Endowment net assets, beginning of year	2,561,029	9,020,275	11,581,304
Endowment net assets, end of year	\$ 4,003,027	\$ 9,020,275	\$ 13,023,302

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

Endowment net assets of \$13,023,302 and \$11,581,304 are included with investments and grants and contributions receivable on the consolidated statements of financial position as of August 31, 2020 and 2019, 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, 2020 and 2019.

NOTE 9 – DONATED SERVICES AND ASSETS AND RELATED PARTY

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

	2020	2019
Legal	\$ 533,152	\$ 407,825
Other services	361,915	478,460
Capitalized computer equipment	119,259	-
	\$ 1,014,326	\$ 886,285

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 9 – DONATED SERVICES AND ASSETS AND RELATED PARTY (Continued)

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, 2020 and 2019, Catalyst recorded contributed goods and services as noted above which are included in revenue, expenses and property and equipment for capitalized property and equipment 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, 2020 and 2019 amounted to \$702,419 and \$576,844, 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. 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 future minimum annual lease payments for the years ended after August 31, 2020, as follows:

2021	\$	740,168
2022		800,754
2023		790,320
2024		745,216
2025		745,216
Thereafter		1,428,331
		\$ 5,250,005

Occupancy expense for the years ended August 31, 2020 and 2019, amounted to \$871,628 and \$855,963, 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, 2020 and 2019, 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 2001 as a not-for-profit organization and is exempt from tax under Division 50 of The Income Tax Assessment Act 1997. Catalyst India and Catalyst Europe were subject to local income taxes and income tax expenses amounted to approximately \$0 and \$77,000 during the years ended August 31, 2020 and 2019.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Catalyst Inc. believes that it has no uncertain tax positions as of August 31, 2020 and 2019 in accordance with FASB ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

- F. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Catalyst's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, Catalyst is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. Catalyst's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the countries that it operates. Catalyst continues to monitor evolving economic and general business conditions and the actual and potential impacts on our financial position and results.

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 \$68,000 as of August 31, 2020 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 – 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, 2020 and 2019, there was approximately \$3,581,000 and \$3,152,000, 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 \$900,000 and \$1,896,000 as of August 31, 2020 and 2019, respectively, at one bank. India Deposit Insurance and Credit Guarantee Program ("DICGC") insurance limits of 100,000 INR were exceeded by approximately \$7,000 as of August 31, 2019 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 \$738,000 and \$2,208,000 as of August 31, 2020 and 2019, respectively, at one bank. Financial Claims Scheme in Australia limits deposits up to 250,000 AUD. Catalyst Australia exceeded the limits by approximately \$562,000 and \$254,000 as of August 31, 2020 and 2019, respectively, at one bank.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through February 10, 2021, the date the consolidated financial statements were available to be issued.