



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

FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

CATALYST INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Basic Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements	6-13
Supplemental Information:	
Consolidated Schedules of Functional Expenses	14-15

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, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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, 2017 and 2016 of Catalyst Canada, Inc. a controlled subsidiary, whose financial statements reflect total assets of fourteen and eleven percent of consolidated assets at August 31, 2017 and 2016, respectively, and total revenues constituting nine and eleven percent of consolidated revenues for the years then ended. 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, 2017 and 2016, 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 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 financial position of Catalyst Inc. as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marko Paveth LLP

New York, NY
February 22, 2018

CATALYST INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash (Note 10)	\$ 3,676,379	\$ 3,584,763
Grants and contributions receivable, net (Notes 2F and 3)	3,878,304	4,976,497
Accounts and other receivables (Note 2F)	844,061	791,481
Investments (Notes 2D, 5 and 10)	16,456,342	15,727,104
Prepaid expenses and other assets	700,755	667,246
Property and equipment, net (Notes 2G, 4 and 7)	1,647,518	2,063,715
TOTAL ASSETS	\$ 27,203,359	\$ 27,810,806
 LIABILITIES		
Accounts payable and accrued expenses	\$ 1,305,120	\$ 1,319,331
Deferred revenue (Note 2I)	339,033	297,458
Deferred rent obligation (Notes 2H and 9)	1,249,766	1,313,923
TOTAL LIABILITIES	2,893,919	2,930,712
 COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Notes 2C and 6)		
Unrestricted:		
Invested in property and equipment	1,647,518	2,063,715
Operations	11,162,605	10,362,392
Total unrestricted	12,810,123	12,426,107
Temporarily restricted	898,172	2,687,491
Permanently restricted	10,601,145	9,766,496
TOTAL NET ASSETS	24,309,440	24,880,094
TOTAL LIABILITIES AND NET ASSETS	\$ 27,203,359	\$ 27,810,806

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

CATALYST INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	For the Year Ended August 31, 2017				For the Year Ended August 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
REVENUE AND SUPPORT:								
Contributions and grants	\$ 7,299,544	\$ 977,070	\$ 5,637	\$ 8,282,251	\$ 7,578,864	\$ 896,977	\$ 10,957	\$ 8,486,798
Special events revenue (net of direct donor benefit costs of \$447,088 in 2017 and \$499,541 in 2016)	3,864,920	207,500	-	4,072,420	3,395,349	497,500	-	3,892,849
Donated services and assets (Notes 2E and 7)	999,430	-	-	999,430	393,272	-	-	393,272
Advisory fee income	578,195	-	-	578,195	529,872	-	-	529,872
Conference and other events	444,831	-	-	444,831	373,962	-	-	373,962
Honoraria and other	654,031	-	-	654,031	717,987	-	-	717,987
Workshops and Learning Programs	881,099	-	-	881,099	1,219,967	-	-	1,219,967
Interest and dividend income (Note 5)	129,960	-	174,133	304,093	114,057	-	136,675	250,732
Realized and unrealized gain on investments (Note 5)	70,432	-	654,879	725,311	17,798	-	533,996	551,794
Net assets released from restrictions (Notes 2C and 6)	2,973,889	(2,973,889)	-	-	3,395,185	(3,395,185)	-	-
TOTAL SUPPORT AND REVENUE	17,896,331	(1,789,319)	834,649	16,941,661	17,736,313	(2,000,708)	681,628	16,417,233
EXPENSES:								
Program services:								
National education	2,184,032	-	-	2,184,032	1,710,760	-	-	1,710,760
Global communications	530,592	-	-	530,592	-	-	-	-
Research	2,538,471	-	-	2,538,471	2,809,788	-	-	2,809,788
Marketing	2,689,176	-	-	2,689,176	3,136,363	-	-	3,136,363
Advisory Services	2,901,296	-	-	2,901,296	2,649,733	-	-	2,649,733
Information center and services	1,760,283	-	-	1,760,283	1,770,465	-	-	1,770,465
Total program services	12,603,850	-	-	12,603,850	12,077,109	-	-	12,077,109
Supporting services:								
Finance and administration	2,404,918	-	-	2,404,918	2,344,386	-	-	2,344,386
Development	2,503,547	-	-	2,503,547	2,651,265	-	-	2,651,265
Total supporting services	4,908,465	-	-	4,908,465	4,995,651	-	-	4,995,651
TOTAL EXPENSES	17,512,315	-	-	17,512,315	17,072,760	-	-	17,072,760
CHANGE IN NET ASSETS	384,016	(1,789,319)	834,649	(570,654)	663,553	(2,000,708)	681,628	(655,527)
Net assets - beginning of year	12,426,107	2,687,491	9,766,496	24,880,094	11,762,554	4,688,199	9,084,868	25,535,621
NET ASSETS - END OF YEAR	\$ 12,810,123	\$ 898,172	\$ 10,601,145	\$ 24,309,440	\$ 12,426,107	\$ 2,687,491	\$ 9,766,496	\$ 24,880,094

CATALYST INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (570,654)	\$ (655,527)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	510,336	569,532
Realized (gain) loss on investment sales	(199,087)	19,689
Unrealized gain on investments	(526,224)	(571,483)
Bad debt expense	228,806	255,700
Change in discount on contributions receivable	(23,348)	(40,850)
Write off of property and equipment	-	36,000
Contributed property and equipment	-	(99,595)
Subtotal	(580,171)	(486,534)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants and contributions receivable	892,735	2,658,741
Accounts and other receivables	(52,580)	(340,617)
Prepaid expenses and other assets	(33,509)	(32,683)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(14,211)	393,043
Deferred revenue	41,575	(181,260)
Deferred rent obligation	(64,157)	16,705
Net Cash Provided by Operating Activities	189,682	2,027,395
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,945,900)	(4,489,149)
Proceeds from investment sales	4,941,973	3,208,981
Purchases of property and equipment	(94,139)	(353,891)
Net Cash Used in Investing Activities	(98,066)	(1,634,059)
NET INCREASE IN CASH	91,616	393,336
Cash - beginning of the year	3,584,763	3,191,427
CASH - END OF YEAR	\$ 3,676,379	\$ 3,584,763

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

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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.

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.
- **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.
- **Marketing and Global Communications** – The Marketing Department creates and executes strategies to increase Catalyst’s visibility in the United States, Canada, Europe, India, Australia and Japan by developing strategic partnerships and strengthening its brand, products, and services. The Department is responsible for editing, designing, and producing all product, publications, and collateral materials, and for public education activities such as media relations and speaking engagements. The department manages special events, including the Catalyst Awards Dinner and conferences to disseminate Catalyst research and advisory knowledge.
- **Advisory Services** – Advisory 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.
- **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.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Catalyst reports contributions as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets; such assets are considered temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets were released from donor restrictions by incurring expenses and satisfying time restrictions, thereby satisfying the restricted purposes of providing program services as specified by the donors.

Catalyst reports gifts of cash and other assets as permanently restricted support 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 permanently restricted net assets can be borrowed for research projects, as described in Note 6. Additionally, interest earned on permanently restricted research project center earnings can be used to support the activities on the research centers as described in Note 6.

- 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, 2017 and 2016, there were no transfers.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 \$221,300 and \$200,047, respectively, was necessary for uncollectible grants and contributions receivable and no allowance for accounts and other receivables was necessary as of August 31, 2017 and 2016. 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. 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.
- H. 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, 2017 and 2016 (decreased) increased the deferred rent obligation by \$(64,157) and \$16,705, respectively.
- I. Catalyst receives cash in advance of special events that are to be held after the date of the consolidated statements of financial position. It is Catalyst's policy to record the contribution portion of the events as revenue when received and the exchange portion as deferred revenue until earned. Additionally, advisory fee, honoraria and miscellaneous income are reported as revenue when expenses are incurred in accordance with the terms of the agreement. Deferred revenue balances include special event, advisory fee, honoraria and miscellaneous receipts applicable to the next fiscal year.
- J. All elements of financial statements for Catalyst Canada, Catalyst Europe, Catalyst India, Catalyst Australia and Catalyst Japan are translated by using a currency exchange rate. For assets and liabilities, the exchange rate as of the consolidated statement of financial position date is used. For revenues, support and expenses, an average exchange rate for the period is used. As of August 31, 2017 and 2016, the accumulated adjustments to net assets related to currency exchange rates amounted to a (decrease) and increase in net assets of approximately \$(380,000) and \$11,000, respectively. For the years ended August 31, 2017 and 2016, Catalyst incurred a foreign exchange loss of \$(391,000) and \$(162,000), respectively. Through January 2018, there are no significant exchange rate changes.
- K. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 3 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

Grants and contributions receivable consist of the following as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	\$ 3,720,724	\$ 4,011,012
Amounts due in one to five years	<u>405,000</u>	<u>1,215,000</u>
	4,125,724	5,226,012
Less: allowance for doubtful accounts	(221,300)	(200,047)
Less: Discount on long-term pledges receivable	<u>(26,120)</u>	<u>(49,468)</u>
Grants and contributions receivable, net	<u>\$ 3,878,304</u>	<u>\$ 4,976,497</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property, equipment and leasehold improvements consist of the following as of August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Life</u>
Furniture and fixtures	\$ 407,671	\$ 406,246	5 years
Equipment	3,030,059	2,937,344	5 years
Leasehold improvements	<u>1,528,634</u>	<u>1,528,635</u>	Lease term
Total cost	4,966,364	4,872,225	
Less: accumulated depreciation and amortization	<u>(3,318,846)</u>	<u>(2,808,510)</u>	
Net book value	<u>\$ 1,647,518</u>	<u>\$ 2,063,715</u>	

Depreciation and amortization expense for the years ended August 31, 2017 and 2016 amounted to \$510,336 and \$569,532, respectively. During the year ended August 31, 2016, equipment with a cost of \$40,000 and accumulated depreciation of \$4,000 was written off.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments consist of financial assets carried at fair value at August 31, 2017 and 2016 and are classified as level 1 in the table below as follows:

	<u>2017</u>	<u>2016</u>
INVESTMENTS CARRIED AT FAIR VALUE		
Certificates of deposit	\$ 4,236,887	\$ 4,558,222
Domestic equities	170,625	316,825
Mutual funds	<u>11,296,535</u>	<u>9,408,080</u>
	15,704,047	14,283,127
Cash investments	<u>752,295</u>	<u>1,443,977</u>
TOTAL INVESTMENTS AT FAIR VALUE	<u>\$ 16,456,342</u>	<u>\$ 15,727,104</u>

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

Investment income consists of the following for the years ended August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Realized gain (loss)	\$ 199,087	\$ (19,689)
Unrealized gain	526,224	571,483
Interest and dividend income	<u>304,093</u>	<u>250,732</u>
	<u>\$ 1,029,404</u>	<u>\$ 802,526</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 6 – NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets as of August 31, 2017 and 2016 are restricted as follows:

	<u>2017</u>	<u>2016</u>
Major Gifts Campaign - Global Expansion	\$ 266,978	\$ 882,448
Major Gifts Campaign - Inclusive Leadership Initiative	-	578,869
Major Gifts Campaign - Preservation of Catalyst Archives at Hagley Museum	159,947	188,380
Major Gifts Campaign - Longitudinal Research Initiative	-	557,006
Miscellaneous (less than \$100,000)	<u>251,287</u>	<u>266,855</u>
	678,212	2,473,558
Time restricted	<u>219,960</u>	<u>213,933</u>
	<u>\$ 898,172</u>	<u>\$ 2,687,491</u>

Temporarily restricted net assets of \$2,973,889 and \$3,395,185 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, 2017 and 2016.

Permanently Restricted Net Assets

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, 2017 and 2016.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 6 – NET ASSETS (Continued)

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, 2017 and 2016.

Contributions made to the Major Gifts Campaign - Longitudinal Research Initiative through August 31, 2013, were allocated 70% for permanent endowment and 30% as temporarily restricted contributions subject to purpose and time restrictions. For the years ended August 31, 2017 and 2016, contributions made to the Major Gifts Campaign - Longitudinal Research Initiative are allocated 50% for permanent endowment and 50% as temporarily restricted contributions subject to purpose and time restrictions. All other Major Gift Campaign program contributions are temporarily 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 temporarily restricted until appropriated for expenditure by the Board of Directors.

Changes in permanently restricted endowment net assets for year ended August 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Investment activity:		
Interest and dividends	\$ 174,133	\$ 136,675
Unrealized gain on investments	530,558	553,685
Realized gain (loss) on investments	<u>124,321</u>	<u>(19,689)</u>
Total investment activity	829,012	670,671
Contributions	<u>5,637</u>	<u>10,957</u>
Change in endowment net assets	834,649	681,628
Endowment net assets, beginning of year	<u>9,766,496</u>	<u>9,084,868</u>
Endowment net assets, end of year	<u>\$ 10,601,145</u>	<u>\$ 9,766,496</u>

Endowment net assets of \$10,601,145 and \$9,766,496 are included with investments and grants and contributions receivable on the consolidated statements of financial position as of August 31, 2017 and 2016, 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. In accordance with Catalyst's policy, deficiencies of this nature are reported as a reduction of unrestricted net assets. There were no deficiencies for the years ended August 31, 2017 and 2016.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 7 – DONATED SERVICES AND ASSETS

Catalyst received the following donated services and assets for the years ended August 31, 2017 and 2016:

	2017	2016
Legal	\$ 139,931	\$ 173,579
Other services	859,499	120,098
Capitalized computer equipment	-	99,595
	\$ 999,430	\$ 393,272

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, 2017 and 2016, Catalyst recorded contributed goods and services as noted above which are included in revenue, expenses and fixed assets for capitalized property and equipment in the accompanying consolidated financial statements.

NOTE 8 – 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, 2017 and 2016 amounted to \$744,160 and \$739,696, respectively.

NOTE 9 – 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 9 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 9 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 further extended and expires in April 30, 2018. In connection with the lease, Catalyst Canada received three months of free rent that has been recorded as a deferred rent obligation and is being amortized over the lease term. Under the lease, Catalyst Canada is obligated to pay for rent and other occupancy costs.
- C. Catalyst is obligated, pursuant to lease agreements, to approximate future minimum annual lease payments for the years ended after August 31, 2017 as follows:

2018	\$ 716,170
2019	672,512
2020	672,512
2021	672,512
2022	733,099
Thereafter	3,663,978
	\$ 7,130,783

Occupancy expense for the years ended August 31, 2017 and 2016 amounted to \$912,203 and \$990,499, respectively.

CATALYST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

- 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, 2017 and 2016, the landlord has the right to draw down \$199,936 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 Inc. believes that it has no uncertain tax positions as of August 31, 2017 and 2016 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – 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, 2017 and 2016 there was approximately \$385,000 and \$1,580,000, respectively, of cash and cash equivalents held by 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 \$478,000 and \$506,000 as of August 31, 2017 and 2016, respectively. India Deposit Insurance and Credit Guarantee Program (“DICGC”) insurance limits of 100,000 INR were exceeded by approximately \$11,000 and \$58,000 as of August 31, 2017 and 2016, respectively. The Deposit Protection of Swiss Banks and Securities Dealers limits of deposits of up to 100,000 CHF were exceeded by approximately \$1,969,000 and \$1,456,000 as of August 31, 2017 and 2016, respectively. Financial Claims Scheme in Australia limits deposits up to 250,000 AUD. Catalyst Australia exceeded the limits by approximately \$169,000 and \$89,000 as of August 31, 2017 and 2016. Catalyst Japan did not exceed insurance limits as of August 31, 2017 and 2016.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to year end, Catalyst determined that it intends to cease the operations in Catalyst Japan and Catalyst India effective January 31, 2018. Offices in these two countries will be winding down for closure during fiscal year 2018.

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through February 22, 2018, the date the consolidated financial statements were available to be issued.

CATALYST INC.
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2017
(With Comparative Totals for 2016)

For the Year Ended August 31, 2017

	Program Services						Supporting Services					Total 2017	Total 2016
	National Education	Global Communications	Research	Marketing	Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development	Total Supporting Services			
OPERATING EXPENSES:													
Salaries, benefits, and payroll taxes	\$ 969,086	\$ 287,339	\$ 1,736,096	\$ 1,395,299	\$ 2,312,263	\$ 1,096,215	\$ 7,796,298	\$ 1,718,210	\$ 1,542,572	\$ 3,260,782	\$ 11,057,080	\$ 10,747,376	
Professional fees	1,000,808	211,870	315,652	280,555	8,496	17,653	1,835,034	312,864	168,934	481,798	2,316,832	1,536,656	
Pension expense	59,928	7,743	121,799	93,811	158,018	73,749	515,048	122,560	106,552	229,112	744,160	739,696	
Occupancy	92,761	21,734	126,096	146,086	100,757	101,277	588,711	143,279	180,213	323,492	912,203	990,499	
Printing, typesetting and design	2,685	-	1,948.0	222,646	1,207	-	228,486	-	-	-	228,486	194,637	
Supplies	1,579	666	2,439	10,111	2,857	17,251	34,903	3,294	4,919	8,213	43,116	40,266	
Postage and shipping	637	350	1,527	8,956	642	1,211	13,323	2,268	2,855	5,123	18,446	20,383	
Books and subscriptions	15,724	89	470	3,994	5,907	33,953	60,137	2,058	5,537	7,595	67,732	104,918	
Meetings, conferences and travel	35,349	4,139	99,428	48,400	50,273	15,426	253,015	7,919	161,475	169,394	422,409	525,084	
Repairs and maintenance	2,388	715	62,966	5,152	4,297	249,174	324,692	17,753	9,849	27,602	352,294	370,882	
Telephone	3,090	565	336	4,703	2,486	43,253	54,433	2,528	8,709	11,237	65,670	78,267	
Depreciation and amortization	22,679	7,110	86,113	49,068	180,048	42,597	387,615	62,072	60,649	122,721	510,336	569,532	
Conference expense	-	-	-	362,754	21,088	-	383,842	-	-	-	383,842	414,780	
Uncollectable Contributions	-	-	-	-	-	-	-	-	228,806	228,806	228,806	255,700	
Other	(22,682)	(11,728)	(16,399)	57,641	52,957	68,524	128,313	10,113	22,477	32,590	160,903	484,084	
TOTAL EXPENSES	\$ 2,184,032	\$ 530,592	\$ 2,538,471	\$ 2,689,176	\$ 2,901,296	\$ 1,760,283	\$ 12,603,850	\$ 2,404,918	\$ 2,503,547	\$ 4,908,465	\$ 17,512,315	\$ 17,072,760	

CATALYST INC.
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016

For the Year Ended August 31, 2016

	Program Services					Supporting Services					Total 2016
	National Education	Research	Marketing	Advisory Services	Information Center and Services	Total Program Services	Finance and Administration	Development	Total Supporting Services		
OPERATING EXPENSES:											
Salaries, benefits, and payroll taxes	\$ 1,167,071	\$ 1,961,459	\$ 1,571,351	\$ 1,900,824	\$ 965,514	\$ 7,566,219	\$ 1,617,058	\$ 1,564,099	\$ 3,181,157	\$ 10,747,376	
Professional fees	220,197	213,931	436,588	174,017	750	1,045,483	313,121	178,052	491,173	1,536,656	
Pension expense	62,756	134,538	113,208	140,397	68,521	519,420	115,461	104,815	220,276	739,696	
Occupancy	123,936	176,930	160,134	89,088	121,871	671,959	135,618	182,922	318,540	990,499	
Printing, typesetting and design	-	919	190,841	2,877	-	194,637	-	-	-	194,637	
Supplies	1,573	3,966	8,523	3,488	14,268	31,818	3,451	4,997	8,448	40,266	
Postage and shipping	683	361	11,071	1,619	1,054	14,788	1,585	4,010	5,595	20,383	
Books and subscriptions	17,163	725	5,452	6,276	67,522	97,138	2,191	5,589	7,780	104,918	
Meetings, conferences and travel	49,841	87,556	73,919	73,338	18,066	302,720	10,305	212,059	222,364	525,084	
Repairs and maintenance	2,952	69,879	5,752	3,522	261,829	343,934	16,940	10,008	26,948	370,882	
Telephone	4,703	322	5,399	2,558	54,361	67,343	3,307	7,617	10,924	78,267	
Depreciation and amortization	33,839	121,473	63,582	152,686	60,916	432,496	64,872	72,164	137,036	569,532	
Conference expense	-	-	397,485	17,295	-	414,780	-	-	-	414,780	
Uncollectable Contributions	-	-	-	-	-	-	-	255,700	255,700	255,700	
Other	26,046	37,729	93,058	81,748	135,793	374,374	60,477	49,233	109,710	484,084	
TOTAL EXPENSES	\$ 1,710,760	\$ 2,809,788	\$ 3,136,363	\$ 2,649,733	\$ 1,770,465	\$ 12,077,109	\$ 2,344,386	\$ 2,651,265	\$ 4,995,651	\$ 17,072,760	