

**THE CATALYST CENTER FOR
BUSINESS & ENTREPRENEURSHIP
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 & 2017**

Mercer & Associates, PC

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Catalyst Center for
Business & Entrepreneurship
Huntsville, Alabama

We have audited the accompanying financial statements of The Catalyst Center for Business & Entrepreneurship (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catalyst Center for Business & Entrepreneurship as of September 30, 2018, and

the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Catalyst Center for Business & Entrepreneurship's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 8 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

Mercer & Associates, PC

February 20, 2019

THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018 & 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 276,197	\$ 254,880
Accounts Receivable	34,759	68,348
Pledged Receivables, Less Allowances for Doubtful		
Accounts of \$0	52,250	39,500
Inventories	0	0
Prepaid expenses	4,997	7,419
Total Current Assets	<u>368,203</u>	<u>370,147</u>
Fixed Assets		
Furniture, Fixtures, and Equipment	65,184	52,702
Accumulated Depreciation	<u>(45,093)</u>	<u>(41,175)</u>
Total Fixed Assets	<u>20,091</u>	<u>11,527</u>
Other Current Assets		
Security Deposit	<u>774</u>	<u>774</u>
Non-Current Assets		
Pledged Receivables, Less Allowances for Doubtful		
Accounts of \$0	<u>84,184</u>	<u>74,433</u>
TOTAL ASSETS	<u>\$ 473,252</u>	<u>\$ 456,881</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 34,076	\$ 26,543
Deferred revenue	41,970	14,236
Payroll Liabilities	11,470	15,352
Total Liabilities	<u>87,516</u>	<u>56,131</u>
Net Assets		
Unrestricted	385,736	400,750
Temporarily restricted	0	0
Permanently restricted	0	0
Total Net Assets	<u>385,736</u>	<u>400,750</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 473,252</u>	<u>\$ 456,881</u>

The accompanying notes to financial statements are an integral part of these financial statements

THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 & 2017

SUPPORT AND REVENUE	<u>2018</u>	<u>2017</u>
Contributions	\$ 84,240	\$ 92,766
Program Income	137,092	527,243
Grants	182,492	177,540
In-Kind Donations	<u>120,108</u>	<u>154,415</u>
TOTAL SUPPORT AND REVENUE	<u>523,932</u>	<u>951,964</u>
 FUNCTIONAL EXPENSES		
Program services	344,112	767,038
Support services		
Fundraising	471	644
Management and general	<u>198,831</u>	<u>131,263</u>
TOTAL FUNCTIONAL EXPENSES	<u>543,414</u>	<u>898,945</u>
 OTHER INCOME (EXPENSES)		
State Unemployment Refund	4,127	0
Interest and investment earnings	341	0
Interest Expense	<u>0</u>	<u>0</u>
TOTAL OTHER INCOME (EXPENSES)	<u>4,468</u>	<u>0</u>
 CHANGE IN NET ASSETS	(15,014)	53,019
 NET ASSETS, BEGINNING	<u>400,750</u>	<u>347,731</u>
 NET ASSETS, ENDING	<u>\$ 385,736</u>	<u>\$ 400,750</u>

The accompanying notes to financial statements are an integral part of these financial statements

THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 & 2017

CASH FLOWS FROM OPERATING ACTIVITIES

**Reconciliation of Increase in Net Assets to Net Cash
 Provided (Used) by Operating Activities**

	2018	2017
Increase (Decrease) in net assets	\$ (15,014)	\$ 53,019
Adjustment to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	3,918	4,550
Decrease (increase) in:		
Pledges receivables	11,088	(62,811)
Inventory	0	1,674
Prepaid expenses	2,422	(3,516)
Security Deposit	0	0
Increase (decrease) in:		
Accounts payable	7,532	8,444
Payroll Payables	(3,882)	1,334
Deferred revenues	27,734	(7,078)
	<u>33,798</u>	<u>(4,384)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	(12,481)	0
Net cash provided (used) by investing activities	<u>(12,481)</u>	<u>0</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net payments on line of credit	0	0
Net cash provided (used) by financing activities	<u>0</u>	<u>0</u>

Net decrease in cash and cash equivalents	21,317	(4,384)
Cash and cash equivalents at beginning of year	254,880	259,264
Cash and cash equivalents at end of year	\$ 276,197	\$ 254,880

Supplemental Information:

Interest Expense	\$ 0	\$ 0
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The accompanying notes are an integral part of these financial statements.

THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 & 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Catalyst Center for Business & Entrepreneurship (the “Organization”) was organized on January 22, 2003 in Huntsville, Alabama to promote and increase business opportunities for small businesses in the northern Alabama area by promoting, supporting, fostering, and encouraging small business owners.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The measurement focus is on the flow of economic resources. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted, Temporarily restricted and Permanently restricted. In addition, the Organization is required to present a statement of cash flows. Accordingly, all financial transactions have been recorded and reported by the following groups:

- The Unrestricted net assets include the combination of assets which are not restricted by any third party donor and which are available for use by the Organization without restriction.
- The Temporarily Restricted net assets represent donations that are available for donor-specified purposes as ratified by the Board of Directors. The Temporarily Restricted assets are released to unrestricted assets when restricted purposes have been satisfied.
- The Permanently Restricted net assets represents resources permanently restricted by donors to be used only for restricted purposes by the Organization. Currently, the Organization has no permanently restricted net assets.

The financial statements include certain prior year summarized comparative information in total but Not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended September 30, 2018, from which the summarized information was derived.

Significant Estimates

These financial statements of the Organization are prepared in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on management’s best estimates and judgments. The most significant estimates relate to depreciation and useful lives. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Functional Expenses

The organization accounts for its expenses on a functional basis among its program and supporting services. Expenses that can be directly identified with a program or supporting service are directly charged according to their natural expenditure classification. Any indirect expenses which benefit both program and supporting services are allocated based upon various direct costs, between program and supporting services.

Donated Material and Services

Donated materials, if there are any material amounts, are reflected as contributions in the accompanying financial statements at their estimated fair values on the date of receipt. No amounts have been included in the financial statements for donated services as there were no material donated services.

Cash and Cash Equivalents

The organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable

The organization includes in its accounts receivable federal grant reimbursements receivable, grant support from affiliates, state, and third party reimbursements. All accounts are viewed by management as being collectible. Therefore, no allowance for uncollectible receivables has been provided. Pledges are considered as collectible, therefore they are included.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Capitalization and Depreciation

Land, buildings and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of operations. Estimated useful lives are 5-7 years for furniture and fixtures, 15-30 years for buildings and improvements, and 20 year for land improvements.

Income Taxes

The Organization is exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation by the Internal Revenue Service. Accordingly, these financial statements do not contain a provision for income taxes. Tax years after September 30, 2014 remain subject to examination by taxing authorities.

Inventory

Inventory is valued at the lower of cost or market if purchased and at fair market value on the date of donation if donated. Inventory on hand was valued at \$0 at September 30, 2017 & \$0 at September 30, 2018.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for year ended September 30, 2017 was \$11,935 & September 30, 2018 was \$4,930

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Center maintains its cash balances in financial institutions located in Huntsville, Alabama. The Center had no cash deposited with financial institutions in excess of federal insured limits as of September 30, 2018 & 2017.

NOTE 3 - PROPERTY AND EQUIPMENT

The following schedule details the property and equipment for the Organization:

	<u>9/30/2017</u>	<u>Additions (Deletions)</u>	<u>9/30/2018</u>
Furniture, Fixtures, and Equipment	\$52,702	\$12,482	\$65,184

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE 3 – PROPERTY AND EQUIPMENT - CONTINUED

Property and equipment are stated at the recorded value, less accumulated depreciation. Depreciation and amortization are provided at rates intended to distribute the cost over their estimated useful life.

Depreciation expense for the period ended September 30, 2018 was \$3,918. Depreciation expense for the period ended September 30, 2017 was \$4,550.

NOTE 4 – PLEDGES RECEIVABLE

Pledges Receivable consist primarily of unconditional promises to give from various donors. Management is of the opinion that all pledges receivable are collectible, and that the fair value of the receivables approximates the carrying value shown on the statement of financial position.

The anticipated timing of future cash flows related to pledges receivable are as follows as of September 30, 2018 & 2017:

	2018	2017
Amounts due in less than one year	\$52,250	\$39,500
Amounts due in one to five years	69,184	57,433
Amounts due in five or more years	15,000	17,000
	<u>\$136,434</u>	<u>113,933</u>

NOTE 5 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is February 20, 2019. The financial statements were available to be issued at that time.

THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 & 2017

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries and wages	\$ 127,273	\$ 77,282	\$ -	\$ 204,555	\$ 287,778
Employee benefits	19,982	25,358	-	45,340	68,181
Payroll taxes	10,809	6,797	-	17,606	28,407
Subcontractors	20,583	-	-	20,583	161,033
Business Coaches	-	-	-	0	7,875
Travel Expenses	2,983	3,609	-	6,592	12,869
Office Space	5,200	7,308	-	12,508	9,288
VISTA	13,431	-	-	13,431	-
Miscellaneous	-	1,366	-	1,366	2,234
Bank Fees	-	5,855	-	5,855	6,697
Other Program Expenses	18,579	-	-	18,579	42,398
Sponsorship expense	3,259	-	-	3,259	2,223
Scholarships and Workshops	12,113	-	-	12,113	39,276
Accounting	-	3,500	-	3,500	4,530
Website	3,500	2,272	-	5,772	8,444
Social Media Marketing	-	-	-	0	2,948
Office Expenses	12,628	5,111	-	17,739	17,081
Insurance	3,179	3,179	-	6,358	5,897
Advertising	3,052	1,878	-	4,930	11,935
Fundraising	-	-	471	471	644
Computer Expense	8,201	3,700	-	11,901	15,824
Program Expenses	-	-	-	0	-
Dues and Memberships	400	6,526	-	6,926	7,960
In-Kind Expenses	75,022	45,090	-	120,112	150,873
Depreciation Expense	3,918	-	-	3,918	4,550
TOTAL FUNCTIONAL EXPENSES	\$ 344,112	\$ 198,831	\$ 471	\$ 543,414	\$ 898,945