

**THE CATALYST CENTER FOR
BUSINESS & ENTREPRENEURSHIP
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 & 2018**

Mercer & Associates, PC

CONTENTS

Independent Auditor's Report	Page	1
Statement of Financial Position		3
Statement of Activities		4
Statements of Functional Expenses		5
Statement of Cash Flows		6
Notes to the Financial Statements		7

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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, 2019, and the related statements of activities, functional expenses, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercer & Associates, PC

January 22, 2020

THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019 & 2018

ASSETS

Current Assets	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 250,508	\$ 276,197
Accounts Receivable	43,445	34,759
Pledged Receivables, Less Allowances for Doubtful Accounts of \$0	47,000	52,250
Prepaid Expenses	<u>8,523</u>	<u>4,997</u>
Total Current Assets	<u>349,476</u>	<u>368,203</u>
 Fixed Assets		
Furniture, Fixtures, and Equipment	75,821	65,184
Accumulated Depreciation	<u>(51,584)</u>	<u>(45,093)</u>
Total Fixed Assets	<u>24,237</u>	<u>20,091</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>49,693</u>	<u>84,184</u>
 TOTAL ASSETS	<u>\$ 424,180</u>	<u>\$ 473,252</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts Payable	\$ 26,742	\$ 34,076
Unearned Revenue	46,337	41,970
Payroll Liabilities	<u>14,014</u>	<u>11,470</u>
Total Liabilities	<u>87,093</u>	<u>87,516</u>
 Net Assets		
Without Donor Restrictions	<u>337,087</u>	<u>385,736</u>
Total Net Assets	<u>337,087</u>	<u>385,736</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 424,180</u>	<u>\$ 473,252</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, 2019 & 2018

SUPPORT AND REVENUE	<u>2019</u>	<u>2018</u>
Contributions	\$ 47,259	\$ 84,240
Program Income	208,785	137,092
Grants	234,638	182,492
In-Kind Donations	<u>136,371</u>	<u>120,108</u>
TOTAL SUPPORT AND REVENUE	<u>627,053</u>	<u>523,932</u>
 FUNCTIONAL EXPENSES		
Program Services	603,011	344,112
Support Services		
Fundraising	387	471
Management and General	<u>73,567</u>	<u>198,831</u>
TOTAL FUNCTIONAL EXPENSES	<u>676,965</u>	<u>543,414</u>
 OTHER INCOME (EXPENSES)		
State Unemployment Refund	0	4,127
Interest and Investment Earnings	<u>1,263</u>	<u>341</u>
TOTAL OTHER INCOME (EXPENSES)	<u>1,263</u>	<u>4,468</u>
 CHANGE IN NET ASSETS	(48,649)	(15,014)
 NET ASSETS, BEGINNING	<u>385,736</u>	<u>400,750</u>
 NET ASSETS, ENDING	<u>\$ 337,087</u>	<u>\$ 385,736</u>

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

THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 & 2018

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries and Wages	\$ 231,485	\$ 5,702	\$ -	\$ 237,187	\$ 204,555
Employee Benefits	50,884	598	-	51,482	45,340
Payroll Taxes	18,932	779	-	19,711	17,606
Subcontractors	78,162	-	-	78,162	20,583
Travel Expenses	8,864	-	-	8,864	6,592
Office Space	15,127	-	-	15,127	12,508
VISTA	-	-	-	0	13,431
Miscellaneous	-	4,573	-	4,573	1,366
Bank Fees	-	4,745	-	4,745	5,855
Other Program Expenses	33,548	-	-	33,548	18,579
Sponsorship Expense	7,081	-	-	7,081	3,259
Scholarships and Workshops	11,182	-	-	11,182	12,113
Accounting	-	3,500	-	3,500	3,500
Website	4,158	-	-	4,158	5,772
Office Expenses	22,817	-	-	22,817	17,739
Insurance	3,179	3,629	-	6,808	6,358
Advertising	3,393	-	-	3,393	4,930
Fundraising	-	-	387	387	471
Computer Expense	16,760	-	-	16,760	11,901
Dues and Memberships	400	4,219	-	4,619	6,926
In-Kind Expenses	90,548	45,822	-	136,370	120,112
Depreciation Expense	6,491	-	-	6,491	3,918
TOTAL FUNCTIONAL EXPENSES	\$ 603,011	\$ 73,567	\$ 387	\$ 676,965	\$ 543,414

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, 2019 & 2018

CASH FLOWS FROM OPERATING ACTIVITIES

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

	<u>2019</u>	<u>2018</u>
Increase (Decrease) in net assets	\$ (48,649)	\$ (15,014)
Adjustment to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	6,491	3,918
Decrease (increase) in:		
Pledges receivables	31,055	11,088
Prepaid expenses	(3,526)	2,422
Increase (decrease) in:		
Accounts payable	(7,335)	7,532
Payroll Payables	2,544	(3,882)
Deferred revenues	4,367	27,734
Net cash provided (used) by operating activities	<u>(15,053)</u>	<u>33,798</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	<u>(10,636)</u>	<u>(12,481)</u>
Net cash provided (used) by investing activities	<u>(10,636)</u>	<u>(12,481)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash provided (used) by financing activities	<u>0</u>	<u>0</u>
Net change in cash and cash equivalents	<u>(25,689)</u>	<u>21,317</u>
Cash and cash equivalents at beginning of year	<u>276,197</u>	<u>254,880</u>
Cash and cash equivalents at end of year	<u>\$ 250,508</u>	<u>\$ 276,197</u>

Supplemental Information:

Interest Expense	<u>\$ 0</u>	<u>\$ 0</u>
In-Kind Donations	<u>\$ 136,371</u>	<u>\$ 120,108</u>

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

**THE CATALYST CENTER FOR BUSINESS & ENTREPRENEURSHIP
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 & 2018**

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 financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Occupancy	Square Footage
All Other	Time and Effort

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence and or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

The Organization has elected to report donor-restricted contributions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as unrestricted support.

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, 2015 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, 2018 & \$0 at September 30, 2019.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for year ended September 30, 2018 was \$4,930 & September 30, 2019 was \$3,393.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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, 2019 & 2018.

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>9/30/2018</u>	<u>Additions (Deletions)</u>	<u>9/30/2019</u>
Furniture, Fixtures, and Equipment	\$65,184	\$10,637	\$75,821
	<u>9/30/2017</u>	<u>Additions (Deletions)</u>	<u>9/30/2018</u>
Furniture, Fixtures, and Equipment	\$52,702	\$12,482	\$65,184

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, 2019 was \$6,491. Depreciation expense for the period ended September 30, 2018 was \$3,918.

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, 2019 & 2018:

	<u>2018</u>	<u>2019</u>
Amounts due in less than one year	\$52,250	\$47,000
Amounts due in one to five years	69,184	49,693
Amounts due in five or more years	<u>15,000</u>	<u>0</u>
	<u>\$136,434</u>	<u>\$96,693</u>

NOTE 5- LIQUIDITY

The Organization’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2018	2019
Cash and Cash Equivalents	\$276,197	\$250,508
Accounts Receivable	34,759	43,445
Pledges Receivable	52,250	47,000
Prepaid Expenses	4,997	8,523
	<u>\$368,203</u>	<u>\$349,476</u>

The Organization’s financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

Part of the Organization’s liquidity management is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE 6 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is January 22, 2020. The financial statements were available to be issued at that time.