

COMMUNITY CATALYST MEMORANDUM

TO: BOARD OF DIRECTORS

**FROM: ROSEMARIE BOARDMAN
DONNA PINA ROBINSON**

DATE: MAY 28, 2014

RE: FINANCIAL INFORMATION FOR THE BOARD MEETING

FY 14 Financial Statements through March 2014:

Attached are the financial statements for Community Catalyst for the first quarter of 2014. The statements are for the organization as a whole. We are currently projecting a year end surplus of \$100,000, \$167,000 less than the board approved amount of \$267,122. This change is largely due to reduced revenue and increased expenses in the Hospital Accountability Project.

FY 13 Audited Financial Statements and FY 13 Analysis Ratios:

Also attached are drafts of our audited financial statements for 2013 that show a year end surplus of \$469,784. These statements mirror those discussed at the March Board meeting. Also included are the financial analysis ratios to help us understand the organization's financials. These ratios will be used to review the year end statements provided to the Board.

Our audit team from Edelstein has met with the Finance Committee in advance of the Board meeting to discuss the findings and review the ratio analysis. Our auditor, Alfonso Perillo, along with Kate will report to the board at the meeting.

We look forward to the call next week. Please don't hesitate to contact us if you have any questions in the meantime.

Community Catalyst, Inc.
Statement of Financial Position
March 31, 2014

ASSETS

Current Assets

Cash - Operating	\$	1,429,145
Cash - Money Market		<u>5,099,691</u>

Total Cash and Cash Equivalents		<u>6,528,836</u>
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Other Current Assets

Accounts Receivable		272,320
Pledge Receivable S/T		5,769,794
Other Receivables		91
Prepaid Expense		<u>257,254</u>

Total Other Current Assets		<u>6,299,459</u>
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Other Assets

Security Deposits		3,446
Deferred Rent		112,275
Pledge Receivable L/T		<u>2,028,374</u>

Total Other Assets		<u>2,144,095</u>
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Property and Equipment

Furniture & Fixtures		25,763
Office Equipment		89,549
Less: Accum Depr & Amort		<u>(115,311)</u>

Total Property and Equipment		<u>1</u>
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Total Assets		<u>\$ 14,972,391</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	371,574
Accrued Expense		<u>155,091</u>

Total Current Liabilities		<u>526,665</u>
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Long-Term Liabilities

LT Portion of Lease Payable		<u>95,522</u>
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Total Long-Term Liabilities		<u>95,522</u>
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Total Liabilities		<u>\$ 622,187</u>
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Net Assets

Unrestricted Net Assets		\$ 1,858,502
Temporarily Restricted Assets -Community Catalyst subgr	4,678,722	
Temporarily Restricted Assets -Community Catalyst operat	6,439,845	
Temporarily Restricted Assets - Management Services Clie	1,361,686	
Temporarily Restricted Assets	12,480,253	
YTD Change in Net Assets		<u>11,449</u>

Total Net Assets		<u>14,350,204</u>
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Total Liabilities & Net Assets		<u>\$ 14,972,391</u>
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Community Catalyst, Inc.
Net Statement of Activities
For the Three Months Ending March 31, 2014

	<u>Current</u> <u>Month</u>	<u>Year to</u> <u>Date</u>	<u>Annual</u> <u>Budget</u>	<u>Balance</u> <u>Remaining</u>	<u>% to</u> <u>Complete</u>
Revenues					
Unrestricted Grants	0	0	0	0	0.00
Grants Released Prior Year	551,959	2,204,091	7,361,862	5,157,771	(70.06)
Grants Released Current Year	202,500	202,500	4,484,530	4,282,030	(95.48)
Contracts	53,016	151,760	730,443	578,683	(79.22)
Donations	8,333	30,500	223,000	192,500	(86.32)
Fees	14,412	25,433	112,723	87,290	(77.44)
Subtenant Rent & Fees	28,521	85,664	343,235	257,571	(75.04)
Investment Income	647	952	4,300	3,348	(77.86)
Total Revenues	859,388	2,700,900	13,260,093	10,559,193	(79.63)
Expenses					
Personnel					
Salaries & Wages	344,358	1,029,058	4,390,181	3,361,123	76.56
Payroll Taxes	27,599	85,438	354,667	269,229	75.91
Benefits	45,347	74,919	695,525	620,606	89.23
Total Personnel	417,304	1,189,415	5,440,373	4,250,958	78.14
Contract/Consulting					
Program Consulting	50,976	197,201	1,424,444	1,227,243	86.16
Accounting/Legal/Tech	13,576	33,427	142,720	109,293	76.58
Temporary Services	3,339	9,651	54,522	44,871	82.30
Contracted Staffing	2,240	6,719	0	(6,719)	0.00
Subgrants	219,500	774,700	3,683,917	2,909,217	78.97
Total Contract/Consulting	289,631	1,021,698	5,305,603	4,283,905	80.74
Office & Program Expenses					
Meetings & Events	16,313	70,491	461,518	391,027	84.73
Travel	43,333	105,736	539,263	433,527	80.39
Telecommunications	4,643	21,335	106,936	85,601	80.05
Occupancy	66,829	200,023	811,690	611,667	75.36
Printing & Mailing	2,005	7,344	39,428	32,084	81.37
Supplies & Misc	4,222	8,592	44,672	36,080	80.77
Staff Development	1,542	15,164	51,179	36,015	70.37
Advertising	0	382	800	418	52.25
Dues & Subscriptions	2,813	6,398	30,700	24,302	79.16
Fees	2,517	4,798	20,550	15,752	76.65
Insurance/Other	1,785	5,410	14,896	9,486	63.68
Equipment Related	5,799	12,337	37,800	25,463	67.36
Depreciation	0	6,570	16,570	10,000	60.35
Admin Fee	5,037	13,758	70,993	57,235	80.62
Net Allocations	0	0	0	0	0.00
Total Other Expenses	156,837	478,338	2,246,995	1,768,657	78.71
Total Expenses	863,772	2,689,451	12,992,971	10,303,520	79.30
Net Income	(4,384)	11,449	267,122	255,673	(95.71)

COMMUNITY CATALYST, INC.
AND AFFILIATE



Report to the Board of Directors

December 31, 2013

To the Board of Directors
Community Catalyst, Inc. and Affiliates
Boston, Massachusetts

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We are pleased to present these reports related to our audit of the combining financial statements of Community Catalyst, Inc. and Affiliate for the year ended December 31, 2013. These reports discuss certain matters required by professional standards to be communicated to you.

The contents of these reports consist of:

- *Required Communications* fulfills our obligations on communicating matters related to an entity's internal control over financial reporting that have come to our attention in the course of our audit.
- *Communications with Those Charged with Governance* is provided to: a) communicate the responsibilities of the auditor in relation to the financial statement audit and an overview of the scope and timing of the audit; b) obtain information relevant to the audit; and c) provide timely observations relevant to overseeing the financial reporting process.
- *Management representations* are obtained as part of the audit evidence we gather in the course of forming our opinion and to confirm management's ultimate responsibility for the completeness and accuracy of the financial statements.

These reports are intended solely for the information and use of the Board of Directors and management of Community Catalyst, Inc. and Affiliate and are not intended to be and should not be used by anyone other than these specified parties. We appreciate the opportunity to provide audit services to Community Catalyst, Inc. and Affiliate.

Boston, Massachusetts
June 6, 2014

COMMUNITY CATALYST, INC. AND AFFILIATE

December 31, 2013

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To the Board of Directors
Community Catalyst, Inc. and Affiliate
Boston, Massachusetts

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We have audited the combining financial statements of Community Catalyst, Inc. and Affiliate for the year ended December 31, 2013 and have issued our report thereon dated June 6, 2014. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter dated February 22, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters prior to the commencement of fieldwork.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Community Catalyst, Inc. and Affiliate are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2013. We noted no transactions entered into by Community Catalyst, Inc. and Affiliate during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the collectability of its unconditional promises to give and the discount rate used to calculate the net present value of unconditional promises to give extending beyond one year. We evaluated the key factors and assumptions used to develop the estimate of

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collectability and discount rate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the allocation of functional expenses. We evaluated the key factors and assumptions used to develop the estimate of the allocation of expenses in their functional categories in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

- The disclosure about the relationship between Community Catalyst, Inc. and Community Catalyst Action Fund, Inc. in Note 2 and the rationale for the presentation of combining financial statements.
- The disclosure in Note 11 to the financial statements describes the commitments with Real Benefits, Inc. regarding the collection of royalty installments.
- The disclosure in Note 12 to the financial statements describes transactions with related parties.

We evaluated the methods used by management to ensure that the disclosures were complete and accurate.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No significant or material audit adjustments were proposed by us.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 6, 2014.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organizations' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organizations' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Community Catalyst, Inc. and Affiliate and is not intended to be and should not be used by anyone other than these specified parties.

Boston, Massachusetts
June 6, 2014

To the Board of Directors
Community Catalyst, Inc. and Affiliate
Boston, Massachusetts

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In planning and performing our audit of the combining financial statements of Community Catalyst, Inc. and Affiliate for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Community Catalyst, Inc. and Affiliate's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Catalyst, Inc. and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Community Catalyst, Inc. and Affiliate's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Community Catalyst, Inc. and Affiliate's financial statements will not be prevented, or detected, and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Board, management, and others within Community Catalyst, Inc. and Affiliate and is not intended to be and should not be used by anyone other than these specified parties.

Boston, Massachusetts
June 6, 2014

June 6, 2014

Edelstein & Company LLP
160 Federal Street
Boston, MA 02110

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This representation letter is provided in connection with your audits of the combining financial statements of Community Catalyst, Inc. and Affiliate (collectively the "Organizations"), which comprise the combining statements of financial position as of December 31, 2013 and 2012, and the related combining statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 6, 2014, the following representations made to you during your audits:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 22, 2014.
- The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the organization's accounts.

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- We are in agreement that the summary of passed adjustments attached to this letter are immaterial, individually and in the aggregate, to the financial statements taken as a whole.
- Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We are not aware of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.
- The Organizations have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- Community Catalyst, Inc. and Community Catalyst Action Fund, Inc. are exempt organizations under Section 501(c)(3) and 501(c)(4), respectively, of the Internal Revenue Code. Any activities of which we are aware that would jeopardize their tax-exempt status, and all activities subject to

NOTARY
tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature: _____

Title: _____

Signature: _____

Title: _____

Community Catalyst
Analysis of Key Financial Ratios

	2013	2012	2011	2010	2009	2008
Current Ratio						
Current Assets	14,834,409	7,574,716	8,286,990	7,777,066	4,519,235	7,788,881
Current Liabilities	1,098,707	463,593	456,895	373,270	265,220	487,224
	<u>13.50</u>	<u>16.34</u>	<u>18.14</u>	<u>20.83</u>	<u>17.04</u>	<u>15.99</u>

Current Ratio
Measures the ability to pay short-term liabilities with short-term assets
Current ratio = Current assets/Current liabilities

	2013	2012	2011	2010	2009	2008
Unrestricted Current Ratio						
Current Assets	2,931,621	1,870,669	1,584,728	1,475,974	1,266,675	1,469,305
Current Liabilities	1,098,707	463,593	456,895	373,270	265,220	487,224
	<u>2.67</u>	<u>4.04</u>	<u>3.47</u>	<u>3.95</u>	<u>4.76</u>	<u>3.02</u>

Unrestricted Current Ratio
Measures the ability to pay short-term liabilities with short-term assets (using only unrestricted components of the balance sheet)
Unrestricted Current Ratio = Unrestricted Current assets/Unrestricted Current liabilities

	2013	2012	2011	2010	2009	2008
Debt to Equity Ratio						
Liabilities	1,194,229	686,466	763,972	750,167	711,937	934,725
Net Assets	15,693,314	8,461,696	9,466,499	8,593,740	4,313,104	7,629,379
	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>	<u>0.09</u>	<u>0.17</u>	<u>0.12</u>

Debt to Equity Ratio
Measures how much of an organization's net assets are financed by debt
Debt to Equity Ratio = Total liabilities/Net Assets

	2013	2012	2011	2010	2009	2008
Return on Assets						
Change in unrestricted net assets	469,784	297,623	82,867	78,747	53,534	164,547
Total Assets (unrestricted)	3,052,726	2,075,179	1,855,062	1,758,390	1,641,413	1,810,725
	<u>0.15</u>	<u>0.14</u>	<u>0.04</u>	<u>0.04</u>	<u>0.03</u>	<u>0.09</u>

Return on Assets
Measures how efficiently assets are being used to generate a change in net assets
Return on Assets = Change in net assets/Total Assets

	2013	2012	2011	2010	2009	2008
Functional Expense Analysis						
Program	14,132,517	9,734,815	8,560,578	7,399,166	7,205,183	7,578,611
Management & General	340,058	591,836	612,057	489,618	241,669	394,276
Fundraising	555,079	458,220	429,083	272,293	318,772	205,025
	<u>15,027,654</u>	<u>10,784,871</u>	<u>9,601,718</u>	<u>8,161,077</u>	<u>7,765,624</u>	<u>8,177,912</u>
Program	94%	90%	89%	91%	93%	93%
Management & General	2%	5%	6%	6%	3%	5%
Fundraising	4%	4%	4%	3%	4%	3%
Expense growth	<u>0.39</u>	<u>0.12</u>	<u>0.18</u>	<u>0.05</u>	<u>(0.05)</u>	<u>0.54</u>

Functional Expense Analysis
Calculates the percentage of expense being allocated to the functional categories- program, management & general, and fundraising
Program expenses/Total expenses
Management expenses/Total expenses
Fundraising expenses/Total expenses

	2013	2012	2011	2010	2009	2008
Working Capital Ratio						
Current assets - Current liabilities	13,735,702	7,111,123	7,830,095	7,403,796	4,254,015	7,301,657
Total expenses*	8,384,401	7,397,021	6,715,598	6,362,083	6,084,651	7,061,763
	<u>1.64</u>	<u>0.96</u>	<u>1.17</u>	<u>1.16</u>	<u>0.70</u>	<u>1.03</u>

Working Capital Ratio
Indicates the proportion of total current assets less current liabilities to total expenses
Working Capital Ratio = Current assets/Total expenses
** Excludes subgrants and in-kind*

	2013	2012	2011	2010	2009	2008
Burn Rate						
Cash *	2,464,369	2,336,451	2,326,548	1,687,949	1,528,132	4,901,601
Total expenses*	8,384,401	7,397,021	6,715,598	6,362,083	6,084,651	7,061,763
	<u>0.29</u>	<u>0.32</u>	<u>0.35</u>	<u>0.27</u>	<u>0.25</u>	<u>0.69</u>
Multiplied x months/year	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
	<u>3.53</u>	<u>3.79</u>	<u>4.16</u>	<u>3.18</u>	<u>3.01</u>	<u>8.33</u>

Burn Rate
The rate at which cash is used on a monthly basis
*Burn Rate = Cash/Total Expenses * month/year*
** includes restricted cash*
** Excludes subgrants and in-kind*

	2013	2012	2011	2010	2009	2008
Fundraising Efficiency						
Contributions	20,672,870	8,163,212	10,679,147	11,698,596	3,761,841	4,336,208
Fundraising expense	555,079	458,220	429,083	272,293	318,772	205,025
	<u>37.24</u>	<u>17.82</u>	<u>24.89</u>	<u>42.96</u>	<u>11.80</u>	<u>21.15</u>

Fundraising Efficiency
Amount of contributions raised per \$1 spent on fundraising
Fundraising Efficiency = Total contributions/Total fundraising expenses

COMMUNITY CATALYST, INC.
AND AFFILIATE

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Combining Financial Statements

December 31, 2013 and 2012

COMMUNITY CATALYST, INC. AND AFFILIATE

December 31, 2013 and 2012

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Independent Auditors' Report

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To the Board of Directors
Community Catalyst, Inc. and Affiliate
Boston, Massachusetts

We have audited the accompanying combining financial statements of Community Catalyst, Inc. and Affiliate (nonprofit organizations), which comprise the combining statements of financial position as of December 31, 2013 and 2012, and the related combining statements of activities and changes in net assets, functional expenses, 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Catalyst, Inc. and Affiliate as of December 31, 2013 and 2012, and the changes in their net assets, functional expenses, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
June 6, 2014

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Financial Position
December 31, 2013

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Assets	Community Catalyst, Inc.	Community Catalyst Action Fund, Inc.	Eliminations	Combining Total
Current assets:				
Cash and cash equivalents	\$ 2,464,369	\$ 200,632	\$ -	\$ 2,665,001
Certificates of deposit	2,559,836	100,000	-	2,659,836
Accounts receivable	581,621	-	(9,394)	572,227
Unconditional promises to give	8,978,180	500,000	-	9,478,180
Prepaid expenses	250,403	-	-	250,403
Total current assets	<u>14,834,409</u>	<u>800,632</u>	<u>(9,394)</u>	<u>15,625,647</u>
Unconditional promises to give	1,932,029	1,425,349	-	3,357,378
Property and equipment	6,571	-	-	6,571
Deferred rent	112,275	-	-	112,275
Deposits	2,259	-	-	2,259
Total assets	<u>\$ 16,887,543</u>	<u>\$ 2,225,981</u>	<u>\$ (9,394)</u>	<u>\$ 19,104,130</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 956,872	\$ 19,894	\$ (9,394)	\$ 967,372
Accrued benefits	141,835	-	-	141,835
Total current liabilities	<u>1,098,707</u>	<u>19,894</u>	<u>(9,394)</u>	<u>1,109,207</u>
Deferred rent	95,522	-	-	95,522
Total liabilities	<u>1,194,229</u>	<u>19,894</u>	<u>(9,394)</u>	<u>1,204,729</u>
Net assets:				
Unrestricted	1,858,497	4,215	-	1,862,712
Temporarily restricted	13,834,817	2,201,872	-	16,036,689
Total net assets	<u>15,693,314</u>	<u>2,206,087</u>	<u>-</u>	<u>17,899,401</u>
Total liabilities and net assets	<u>\$ 16,887,543</u>	<u>\$ 2,225,981</u>	<u>\$ (9,394)</u>	<u>\$ 19,104,130</u>

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

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Financial Position
December 31, 2012

DRAFT

Assets	Community Catalyst, Inc.	Community Catalyst Action Fund, Inc.	Eliminations	Combining Total
Current assets:				
Cash and cash equivalents	\$ 2,336,451	\$ 189,400	\$ -	\$ 2,525,851
Certificates of deposit	2,305,250	100,000	-	2,405,250
Accounts receivable	481,948	13,273	(8,663)	486,558
Unconditional promises to give	2,233,715	500,000	-	2,733,715
Prepaid expenses	217,352	-	-	217,352
Total current assets	<u>7,574,716</u>	<u>802,673</u>	<u>(8,663)</u>	<u>8,368,726</u>
Unconditional promises to give	1,368,936	-	-	1,368,936
Property and equipment	31,074	-	-	31,074
Deferred rent	172,377	-	-	172,377
Deposits	1,059	-	-	1,059
Total assets	<u>\$ 9,148,162</u>	<u>\$ 802,673</u>	<u>\$ (8,663)</u>	<u>\$ 9,942,172</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 325,749	\$ 8,202	\$ (8,663)	\$ 325,288
Accrued benefits	137,844	-	-	137,844
Total current liabilities	<u>463,593</u>	<u>8,202</u>	<u>(8,663)</u>	<u>463,132</u>
Deferred rent	222,873	-	-	222,873
Total liabilities	<u>686,466</u>	<u>8,202</u>	<u>(8,663)</u>	<u>686,005</u>
Net assets:				
Unrestricted	1,388,713	8,535	-	1,397,248
Temporarily restricted	7,072,983	785,936	-	7,858,919
Total net assets	<u>8,461,696</u>	<u>794,471</u>	<u>-</u>	<u>9,256,167</u>
Total liabilities and net assets	<u>\$ 9,148,162</u>	<u>\$ 802,673</u>	<u>\$ (8,663)</u>	<u>\$ 9,942,172</u>

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

DRAFT

	Community Catalyst, Inc.				Community Catalyst Action Fund, Inc.				
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Eliminations	Combining Total	
Support and revenue:									
Contributions and grants	\$ 308,763	\$ 20,364,107	\$ 20,672,870	\$ 100	1,925,349	\$ 1,925,449	\$ -	\$ 22,598,319	
Service fees	1,023,053	-	1,023,053	-	-	-	(37,500)	985,553	
Rent	304,278	-	304,278	-	-	-	-	304,278	
Royalties	150,000	-	150,000	-	-	-	-	150,000	
In-kind contributions	100,000	-	100,000	-	-	-	-	100,000	
Dividends and interest	9,071	-	9,071	500	-	500	-	100,000	
Net assets released from restrictions	13,602,273	(13,602,273)	-	509,413	(509,413)	-	-	9,571	
Total support and revenue	15,497,438	6,761,834	22,259,272	510,013	1,415,936	1,925,949	(37,500)	24,147,721	
Expenses:									
Program services	14,132,517	-	14,132,517	476,833	-	476,833	-	14,609,350	
Management and general	340,058	-	340,058	37,500	-	37,500	(37,500)	340,058	
Fundraising	555,079	-	555,079	-	-	-	-	555,079	
Total expenses	15,027,654	-	15,027,654	514,333	-	514,333	(37,500)	15,504,487	
Total change in net assets	469,784	6,761,834	7,231,618	(4,320)	1,415,936	1,411,616	-	8,643,234	
Net assets - beginning of year	1,388,713	7,072,983	8,461,696	8,535	785,936	794,471	-	9,256,167	
Net assets - end of year	\$ 1,858,497	\$ 13,834,817	\$ 15,693,314	\$ 4,215	\$ 2,201,872	\$ 2,206,087	\$ -	\$ 17,899,401	

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

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012

DRAFT

	Community Catalyst, Inc.		Community Catalyst Action Fund, Inc.					
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Eliminations	Combining Total
Support and revenue:								
Contributions and grants	\$ 137,813	\$ 8,025,399	\$ 8,163,212	\$ 27,096	\$ 12,109	\$ 39,205	\$ -	\$ 8,202,417
Service fees	1,041,007	-	1,041,007	-	-	-	(47,820)	993,187
Rent	314,815	-	314,815	-	-	-	-	314,815
Royalties	150,000	-	150,000	-	-	-	-	150,000
In-kind contributions	100,000	-	100,000	-	-	-	-	100,000
Dividends and interest	11,034	-	11,034	1,087	-	1,087	-	12,121
Net assets released from restrictions	9,327,825	(9,327,825)	-	339,020	(339,020)	-	-	-
Total support and revenue	11,082,494	(1,302,426)	9,780,068	367,203	(326,911)	40,292	(47,820)	9,772,540
Expenses:								
Program services	9,734,815	-	9,734,815	333,749	-	333,749	-	10,068,564
Management and general	591,836	-	591,836	30,000	-	30,000	(47,820)	574,016
Fundraising	458,220	-	458,220	-	-	-	-	458,220
Total expenses	10,784,871	-	10,784,871	363,749	-	363,749	(47,820)	11,100,800
Total change in net assets	297,623	(1,302,426)	(1,004,803)	3,454	(326,911)	(323,457)	-	(1,328,260)
Net assets - beginning of year	1,091,090	8,375,409	9,466,499	5,081	1,112,847	1,117,928	-	10,584,427
Net assets - end of year	\$ 1,388,713	\$ 7,072,983	\$ 8,461,696	\$ 8,535	\$ 785,936	\$ 794,471	\$ -	\$ 9,256,167

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Cash Flows
For the Year Ended December 31, 20

DRAFT

	Community Catalyst, Inc.	Community Catalyst Action Fund, Inc.	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ 7,231,618	\$ 1,411,616	\$ -	\$ 8,643,234
Adjustments to reconcile change in net assets to cash flows provided by operating activities:				
Depreciation and amortization	24,503	-	-	24,503
Change in operating assets and liabilities:				
Accounts receivable	(99,673)	13,273	731	(85,669)
Unconditional promises to give	(7,307,558)	(1,425,349)	-	(8,732,907)
Prepaid expenses	(33,051)	-	-	(33,051)
Accounts payable and accrued expenses	631,123	11,692	(731)	642,084
Accrued benefits	3,991	-	-	3,991
Deferred rent	(67,249)	-	-	(67,249)
Net cash provided by operating activities	<u>383,704</u>	<u>11,232</u>	<u>-</u>	<u>394,936</u>
Cash flows from investing activities:				
Payment of rental deposits	(1,200)	-	-	(1,200)
Purchases of certificates of deposit	(21,579,586)	(1,775,000)	-	(23,354,586)
Proceeds from redemptions of certificates of deposit	21,325,000	1,775,000	-	23,100,000
Net cash (used in) investing activities	<u>(255,786)</u>	<u>-</u>	<u>-</u>	<u>(255,786)</u>
Net increase in cash and cash equivalents	127,918	11,232	-	139,150
Cash and cash equivalents - beginning of year	<u>2,336,451</u>	<u>189,400</u>	<u>-</u>	<u>2,525,851</u>
Cash and cash equivalents - end of year	<u>\$ 2,464,369</u>	<u>\$ 200,632</u>	<u>\$ -</u>	<u>\$ 2,665,001</u>

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

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Cash Flows
For the Year Ended December 31, 2012

DRAFT

	Community Catalyst, Inc.	Community Catalyst Action Fund, Inc.	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ (1,004,803)	\$ (323,457)	\$ -	\$ (1,328,260)
Adjustments to reconcile change in net assets to cash flows provided by operating activities:				
Depreciation and amortization	24,503	-	-	24,503
Change in operating assets and liabilities:				
Accounts receivable	(125,204)	(13,273)	8,663	(129,814)
Unconditional promises to give	492,579	487,891	-	980,470
Prepaid expenses	(434)	-	-	(434)
Accounts payable and accrued expenses	(7,446)	8,202	(8,663)	(7,907)
Accrued benefits	14,144	-	-	14,144
Deferred rent	(43,968)	-	-	(43,968)
Net cash (used in) provided by operating activities	<u>(650,629)</u>	<u>159,363</u>	<u>-</u>	<u>(491,266)</u>
Cash flows from investing activities:				
Payment of rental deposits	(1,829)	-	-	(1,829)
Refund from rental deposits	2,914	-	-	2,914
Purchases of certificates of deposit	(3,466,553)	(100,000)	-	(3,566,553)
Proceeds from redemptions of certificates of deposit	4,126,000	-	-	4,126,000
Purchase of office equipment	-	-	-	-
Net cash provided by (used in) investing activities	<u>660,532</u>	<u>(100,000)</u>	<u>-</u>	<u>560,532</u>
Net increase in cash and cash equivalents	9,903	59,363	-	69,266
Cash and cash equivalents - beginning of year	<u>2,326,548</u>	<u>130,037</u>	<u>-</u>	<u>2,456,585</u>
Cash and cash equivalents - end of year	<u>\$ 2,336,451</u>	<u>\$ 189,400</u>	<u>\$ -</u>	<u>\$ 2,525,851</u>

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Functional Expenses
For the Year Ended December 31, 2013

DRAFT

COMMUNITY CATALYST, INC.

	Voices for Better Health	New England Alliance for Children's Health	External Affairs	Roadmaps to Health	Prescription Access & Quality Programs	Hospital Account- ability Project	State Consumer Advocacy Programs	Dental Access Project	Community Builder Incubator	Manage- ment Services	Commun- ications
Salaries and wages	\$ 324,184	\$ 92,620	\$ 100,112	\$ 254,209	\$ 211,403	\$ 127,173	\$ 1,029,355	\$ 290,855	\$ -	\$ 501,442	\$ 158,608
Payroll taxes	26,919	7,691	8,574	21,108	17,554	10,560	85,472	24,151	-	38,259	13,170
Employee benefits	52,343	14,955	16,164	41,045	34,134	20,533	166,201	46,962	-	85,823	25,609
Program consulting	82,385	9,750	127,136	198,030	50,497	17,750	230,914	48,500	-	370,909	80,808
Professional fees	3,800	401	710	2,675	1,319	-	68	488	-	18,177	32,285
Temporary services	662	-	-	-	-	-	732	-	-	24,346	-
Contracted staffing	-	-	-	-	-	-	-	-	-	-	-
Subgrants	550,000	25,000	-	-	-	30,000	5,598,133	-	-	340,120	-
Meetings and events	37,018	5,279	893	27,267	2,207	1,692	102,077	62,066	149	8,721	378
Travel	43,809	11,767	27,052	32,948	17,756	6,710	122,707	125,871	-	71,112	4,225
Telecommunications	4,966	1,474	1,342	11,757	4,342	829	19,070	7,686	-	9,427	3,700
Occupancy	-	-	2,713	-	-	-	3,600	-	616,225	27,908	-
Printing and mailing	2,202	786	3,481	1,234	1,508	506	9,591	1,289	-	4,728	272
Supplies	1,200	432	1,252	908	275	304	3,827	533	309	9,002	613
Staff development	6,159	445	416	2,238	1,428	2,585	13,046	1,701	-	5,837	878
Advertising	235	-	420	375	100	140	437	-	-	994	-
Dues and subscriptions	979	18	894	180	832	126	714	30	450	2,289	12,087
Fees	536	15	141	19	1,172	536	635	-	-	898	5,718
Insurance	812	-	-	-	2,812	812	18	-	-	-	-
Equipment and maintenance	4,777	-	4,020	2,672	2,130	1,641	8,746	2,173	1,124	5,200	29
Depreciation	-	-	-	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-	-	136,519	-
Royalty fees	-	-	-	-	-	-	-	-	-	-	-
Facility allocation	-	-	-	-	-	-	-	-	-	-	-
Communication allocation	45,260	14,952	31,521	33,945	25,055	17,781	132,548	29,500	(389,156)	-	-
Administrative allocation	153,359	50,663	97,959	115,020	84,896	60,248	431,424	99,957	-	-	(362,891)
Total expenses	\$1,341,605	\$ 236,248	\$ 424,800	\$ 745,630	\$ 459,420	\$ 299,926	\$ 7,959,315	\$ 741,762	\$ 229,101	\$ 1,661,711	\$ 32,999

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

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**COMMUNITY CATALYST ACTION
FUND, INC.**

Total Program	Management and		Total	Program	Management and		Total	Eliminations	Combining Totals
	General	Fundraising			General	Fundraising			
\$ 3,089,961	\$ 602,123	\$ 175,074	\$ 3,867,158	\$ -	\$ -	\$ -	\$ -	\$ 3,867,158	
253,458	49,374	14,537	317,369	-	-	-	-	317,369	
503,769	55,776	28,268	587,813	-	-	-	-	587,813	
1,216,679	10,946	116,432	1,344,057	-	-	-	-	1,344,057	
59,923	114,285	6,859	181,067	4,751	-	4,751	-	185,818	
25,740	24,337	4,450	54,527	-	-	-	-	54,527	
-	26,875	-	26,875	-	-	-	-	26,875	
6,543,253	-	-	6,543,253	471,913	-	471,913	-	7,015,166	
247,747	15,937	42,855	306,539	100	-	100	-	306,639	
463,957	32,104	3,570	499,631	-	-	-	-	499,631	
64,593	8,894	3,352	76,839	-	-	-	-	76,839	
650,446	-	-	650,446	-	-	-	-	650,446	
25,597	6,525	5,590	37,712	-	-	-	-	37,712	
18,655	25,275	2,093	46,023	-	-	-	-	46,023	
34,733	23,601	40	58,374	-	-	-	-	58,374	
2,701	435	885	4,021	-	-	-	-	4,021	
18,599	7,487	825	26,911	19	-	19	-	26,930	
9,670	7,849	5,959	23,478	50	-	50	-	23,528	
4,454	11,428	-	15,882	-	-	-	-	15,882	
32,512	13,726	2,419	48,657	-	-	-	-	48,657	
-	24,503	-	24,503	-	-	-	-	24,503	
136,519	-	-	136,519	-	37,500	37,500	(37,500)	136,519	
(389,156)	389,156	-	150,000	-	-	-	-	150,000	
(32,329)	-	32,329	-	-	-	-	-	-	
1,151,036	(1,260,578)	109,542	-	-	-	-	-	-	
\$ 14,132,517	\$ 340,058	\$ 555,079	\$ 15,027,654	\$ 476,833	\$ 37,500	\$ 514,333	\$ (37,500)	\$ 15,504,487	

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

COMMUNITY CATALYST, INC. AND AFFILIATE

Combining Statement of Functional Expenses
For the Year Ended December 31, 2012

DRAFT

COMMUNITY CATALYST, INC.

	Voices for Better Health	New England Alliance for Children's Health	Roadmaps to Health	Prescription Access & Quality Programs	Hospital Accountability Project	State Consumer Advocacy Programs	Dental Access Project	Community Builder Incubator	Management Services	Communications	Total Program
Salaries and wages	\$ 233,018	\$ 103,839	\$ 250,720	\$ 217,298	\$ 123,287	\$ 968,152	\$ 250,162	\$ -	\$ 379,123	\$ 143,070	\$ 2,668,669
Payroll taxes	18,312	8,160	19,666	17,077	9,689	76,085	19,660	-	31,868	11,244	211,761
Employee benefits	37,380	16,657	40,143	34,857	19,777	155,306	40,130	-	85,735	22,951	452,936
Program consulting	93,945	11,573	196,981	70,268	12,262	277,280	96,343	-	94,933	67,409	920,994
Professional fees	3,107	263	71	-	726	7,496	-	-	64,129	2,417	78,209
Temporary services	-	1,000	-	13,871	-	-	-	-	25,045	-	39,916
Contracted staffing	-	-	-	-	-	-	-	-	-	-	-
Subgrants	200,000	-	-	-	-	2,531,636	-	-	493,714	-	3,225,350
Meetings and events	26,173	3,484	22,817	4,527	16,576	71,305	64,123	-	9,129	160	218,294
Travel	38,021	9,055	35,321	11,779	16,767	111,197	86,590	-	75,971	7,034	391,735
Telecommunications	4,228	1,510	16,134	5,664	1,743	24,317	11,160	-	8,921	2,814	76,491
Occupancy	-	-	-	-	-	-	-	613,788	24,001	-	637,789
Printing and mailing	1,601	895	1,299	7,128	1,541	5,447	1,336	2	7,682	1,058	27,989
Supplies	755	1,077	1,752	315	132	4,546	860	65	5,308	257	15,067
Staff development	3,139	1,435	4,031	1,203	1,731	14,363	1,959	-	6,240	1,223	35,324
Dues and subscriptions	50	50	140	1,676	418	325	556	550	734	9,244	13,743
Fees	-	95	-	85	-	120	-	-	78	-	7,409
Insurance	1,024	-	-	3,024	1,024	-	-	-	-	-	5,072
Equipment and maintenance	1,425	699	2,181	349	-	2,399	3,180	2,034	3,073	744	16,084
Depreciation	-	-	-	-	-	-	-	-	-	-	-
Administrative fee	-	-	-	-	-	-	-	-	-	-	-
Royalty fees	-	-	-	-	-	-	-	-	131,569	-	-
Facility allocation	-	-	-	-	-	-	-	-	-	-	-
Communication allocation	30,933	18,460	31,931	25,944	16,963	145,685	36,421	(355,369)	-	-	(355,369)
Administrative allocation	89,476	53,397	92,362	75,044	49,068	421,404	105,351	-	-	(337,269)	(30,932)
Total expenses	\$ 782,587	\$ 231,649	\$ 715,549	\$ 490,109	\$ 271,704	\$ 4,817,063	\$ 717,831	\$ 261,070	\$ 1,447,253	\$ 60,613	\$ 9,734,815

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

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**COMMUNITY CATALYST ACTION
FUND, INC.**

Management and General	Fundraising		Total	Program	Management and General		Fundraising	Total	Eliminations	Combining Totals
\$ 605,038	\$ 155,177	\$ 3,428,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,428,884
62,824	12,195	286,780	-	-	-	-	-	-	-	286,780
57,349	24,893	535,178	-	-	-	-	-	-	-	535,178
85,674	119,194	1,125,862	17,820	-	17,820	-	-	(17,820)	-	1,125,862
72,506	-	150,715	13,800	-	13,800	-	-	-	-	164,515
50,474	-	90,390	-	-	-	-	-	-	-	90,390
14,086	-	14,086	-	-	-	-	-	-	-	14,086
62,500	-	3,287,850	301,520	-	301,520	-	-	-	-	3,589,370
21,856	2,454	242,604	-	-	-	-	-	-	-	242,604
22,960	8,500	423,195	-	-	-	-	-	-	-	423,195
5,469	3,878	85,838	-	-	-	-	-	-	-	85,838
-	-	637,789	-	-	-	-	-	-	-	637,789
10,213	3,236	41,438	296	-	296	-	-	-	-	41,734
13,302	1,515	29,884	-	-	-	-	-	-	-	29,884
6,083	1,300	42,707	-	-	-	-	-	-	-	42,707
6,427	804	20,974	-	-	-	-	-	-	-	20,974
7,183	3,939	18,531	313	-	313	-	-	-	-	18,844
11,657	-	16,729	-	-	-	-	-	-	-	16,729
12,384	727	29,195	-	-	-	-	-	-	-	29,195
24,503	-	24,503	-	-	-	-	-	-	-	24,503
-	-	131,569	-	30,000	30,000	-	-	(30,000)	-	131,569
120,170	-	120,170	-	-	-	-	-	-	-	120,170
355,369	-	-	-	-	-	-	-	-	-	-
-	30,932	-	-	-	-	-	-	-	-	-
(1,036,191)	89,476	-	-	-	-	-	-	-	-	-
<u>\$ 591,836</u>	<u>\$ 458,220</u>	<u>\$ 10,784,871</u>	<u>\$ 333,749</u>	<u>\$ 30,000</u>	<u>\$ 363,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,820)</u>	<u>\$ -</u>	<u>\$ 11,100,800</u>

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

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statements

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1. Organization Purpose

Community Catalyst

Community Catalyst, Inc. is a national non-profit advocacy organization dedicated to quality affordable health care for all. Since 1997, Community Catalyst has been working to build the consumer and community leadership required to transform the American health system. With the belief that this transformation will happen when consumers are fully engaged and have an organized voice, Community Catalyst works in partnership with national, state, and local consumer organizations, policymakers, and foundations, providing leadership and support to change the health care system so it serves everyone- especially vulnerable members of society.

Community Catalyst Action Fund

Community Catalyst Action Fund (the "Action Fund") was incorporated on May 12, 2011. The Action fund was created as an organization described under IRS section 501(c)(4) (social welfare organization) in order to assist in the implementation of the Affordable Care Act (ACA). The Action Fund provides support for state-based health advocacy to ensure that health reform reflects consumer interests and concerns, especially those of low-income and vulnerable populations. Thus, the combining financial statements reflect the Action Fund's activities, cash flows, and functional expenses.

The by-laws of the Action Fund provide that its Board of Directors shall be appointed by the Board of Community Catalyst, Inc. In addition, The Action Fund has entered into a resource sharing agreement with Community Catalyst whereby Community Catalyst employees provide programmatic and support services, including accounting, fundraising, and other administrative services. It also reimburses Community Catalyst for shared office space and office equipment use.

Community Catalyst Programs:

Community Catalyst operates a variety of programs as follows:

Voices for Better Health (VBH) (formerly Integrated Care Advocacy Project) works to promote models of integrated care that place individuals and families at the center of care planning and delivery and that coordinates care across medical and non-medical services, from acute to long-term settings.

New England Alliance for Children's Health (NEACH) works to expand coverage and improve access to quality health care for children in all six New England States. The project is a regional partnership of hospitals, advocates, healthcare providers, business leaders, interfaith organizations, and consumers. NEACH weaves together an innovative model for expanding children's public and private health care coverage through proactive policy development, information sharing and public outreach at both the federal and state levels.

External Affairs focuses on working with Community Catalyst's external interactions with many national organizations and federal policymakers. It includes all of our government affairs work and the support we need to be effective in managing our external presence in Washington, DC. It also includes some additional projects that lie outside the scope of our larger project areas. One of these projects is *In the Loop*, a national online community of enrollment specialists from across the country who work problem-solve enrollment issues together and provide critical feedback to policymakers.

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statements

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1. Organization Purpose (continued)

Community Catalyst Programs (continued)

Roadmaps to Health (R2H) is a grant program managed by Community Catalyst and is part of the *County Health Rankings & Roadmaps* program, a collaboration of the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute. The program currently provides 30 grants of up to \$200,000 to organizations working as part of a coalition or network and pursuing policy or systems change that addresses key social or economic factors that influence health- such as education, income and employment, family and social support, and community safety.

Prescription Access & Quality (PAQ) program, which consists of Prescription Project and Prescription Access Litigation, works to improve prescription drug policies to ensure that consumers have access to safe, affordable and appropriate drugs. Prescription drug benefits are essential to any health care program, but inappropriate marketing and prescribing – as well as a lack of manufacturing safeguards – undermines quality of care and affordability. This program develops model public policies, legal tools and campaign strategies for consumers, physician organizations and health plans to deploy in their advocacy work.

Hospital Accountability Project (HAP) works with advocates across the country to implement hospital practices that protect families from financial devastation due to medical debt, allow the uninsured and underinsured to seek and receive needed health care services, and regularly involve the community in health planning. HAP also works nationally to promote public policies that set clear standards for hospital community benefits and financial assistance.

State Consumer Health Advocacy Program (SCHAP) provides a broad range of support to build local consumer advocacy and change state health policy. SCHAP consists of two main projects, Consumer Voices for Coverage (CVC) and the Affordable Care Act Implementation Fund (ACAIF). CVC began in 2008, laying the groundwork for a successful advocacy environment before, during and after passage of the ACA. Initiated in 2011, ACAIF funds state based groups to work on implementing the ACA. States will play a critical role in the implementations of the national health reform law, and have long been a laboratory for health care reform policies, paving the way for national reform. Community Catalyst manages and provides (with assistance from national partners) comprehensive technical assistance to states involved in the SCHAP program, including policy, communications, evaluation, and capacity-building support. In 2013, the CVC program received additional resources to facilitate outreach and enrollment campaigns among the grantees, in preparation for the beginning of open enrollment of the Affordable Care Act health insurance Marketplaces.

The Dental Access Project is focused on expanding access to oral health care by working with state advocates to promote innovative workforce solutions. The project aims to expand the successful deployment of dental therapists to provide care to rural and low-income populations without access to dental care.

Through the **Community Builder Incubator**, Community Catalyst administers shared office space and services in downtown Boston for several Massachusetts-based organizations. Proximity to each other facilitates programmatic collaboration among several of these organizations and Community Catalyst.

Management Services provides management support to projects on their way to becoming stand alone nonprofit organizations. In 2013 and 2012, Community Catalyst provided services to the Community Learning Partnership and MergerWatch.

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statements

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1. Organization Purpose (continued)

Organizational Development is Community Catalyst's effort to increase its effectiveness and viability through communications and development, while its **Communications** department works to promote the work of the Organization and its projects and partners through public relations, publications, web and online tools, and traditional and new media. The department also provides communications support and tools to assist and build the capacity of state consumer organizations working with Community Catalyst to change the health care system so it serves everyone.

Community Catalyst Action Fund Program:

Affordable Care Act Implementation Fund (ACAIF) provides new support to state-based health advocates in the form of grants which will be used to ensure effective and consumer-focused implementation of the Affordable Care Act.

2. Summary of Significant Accounting Policies

Basis of Combination

The members of the Board of Directors of Community Catalyst appoint the members of the Board of Directors of the Action Fund (referred to Community Catalyst's affiliate in these financial statements). Accordingly, these combining financial statements include the accounts of Community Catalyst, Inc. and Affiliate. Intercompany accounts and transactions have been eliminated. Community Catalyst, Inc. and Affiliate are referred to as "the Organizations" in these financial statements, unless otherwise indicated.

Financial Statement Presentation

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Organizations, the Organizations determine the classification of their net assets and their revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

The net assets of the Organizations are reported in three categories as follows:

1. Unrestricted net assets represent the portion of expendable resources available for support of the Organization's general operations.
2. Temporarily restricted net assets represent resources restricted by donors for a specific period or purpose.
3. Permanently restricted net assets represent the principal invested which cannot be expended. Income on these invested endowment funds is utilized in accordance with the donors' stipulations.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts at banks and money market accounts. Certificates of deposits having maturities of three months or less are also reported as cash and cash equivalents.

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statement

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2. Summary of Significant Accounting Policies (continued)

Certificates of Deposit

Certificates of deposit having maturities of greater than 90 days and less than one year are separately reported. The carrying amounts of certificates of deposit approximate fair value due to the short term nature of the items.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost. Expenditures for maintenance, repairs, and renewals are charged to expense when incurred, whereas major additions are capitalized.

Provisions for depreciation are made using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows:

Furniture	5 years
Equipment	3 – 5 years
Leasehold improvements	Lease term

Revenue and Support

All contributions and grants 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.

The Organizations receive various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of marketable securities and other tangible assets, such as property, equipment and inventory, are recognized at fair market value when received.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are due to be received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Service fee revenue is earned for consulting services provided by Community Catalyst.

Rent income and expense are recognized on the straight line basis over the lease term. Deferred rent represents the cumulative difference between escalating rents due over the lease term and rent recognized on the straight line basis.

Functional Allocation of Expenses

The costs of operating the various programs of the Organizations have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain indirect costs have been allocated among programs and supporting services benefited.

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statements

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2. Summary of Significant Accounting Policies (continued)

Use of Estimates and Subsequent Events

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Organizations' management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on June 6, 2014, the date these financial statements became available to be issued. No events have occurred subsequent to the balance sheet date and through the date of evaluation that meet the criteria required for disclosure or accrual.

Income Taxes

Community Catalyst Inc.'s activities are described in Internal Revenue Code Section 501(c)(3), and therefore it is exempt from federal income taxes. Community Catalyst Action Fund, Inc. operates as a social welfare organization described in Internal Revenue Code Section 501(c)(4), and it is exempt from federal income taxes. The Organizations are also exempt from Massachusetts income tax under Massachusetts General Law Chapter 180.

The Organizations have evaluated the tax positions taken on returns for open years and those expected to be taken on returns for the year ended December 31, 2013. It is management's belief that such tax positions are more likely than not to be sustained upon examination by tax authorities. Accordingly, no liability for uncertain tax positions has been reflected in these financial statements. Tax returns for tax years beginning with those filed for 2010 are open to examination.

Reclassification

Certain amounts from 2012 have been reclassified on these financial statements in order to conform to 2013 presentation.

3. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and a corresponding reserve based on its assessment of the current status of individual accounts. Balances that were still outstanding after management had used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. As of December 31, 2013 and 2012, no bad debt reserves were deemed necessary.

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statements

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4. Unconditional Promises to Give

Unconditional promises to give at December 31, 2013 and 2012 are as follows:

	2013			2012		
	Community Catalyst	Action Fund	Total	Community Catalyst	Action Fund	Total
Receivable in one year or less	\$ 8,978,180	\$ 500,000	\$ 9,478,180	\$ 2,233,715	\$ 500,000	\$ 2,733,715
Between one and three years	2,001,528	1,500,000	3,501,528	1,405,331	-	1,405,331
Net present value discount	(69,499)	(74,651)	(144,150)	(36,395)	-	(36,395)
	<u>\$ 1,932,029</u>	<u>\$ 1,425,349</u>	<u>\$ 3,357,378</u>	<u>\$ 1,368,936</u>	<u>\$ -</u>	<u>\$ 1,368,936</u>

The present value of estimated future cash flows has been determined utilizing a discount rate of approximately 3% for the years ended December 31, 2013 and 2012. Unconditional promises to give are reported at the amount management expects to collect on outstanding balances. As of December 31, 2013 and 2012, no bad debt reserves were deemed necessary.

5. Property and Equipment

At December 31, 2013 and 2012, property and equipment consisted of the following:

	2013			2012		
	Community Catalyst	Action Fund	Total	Community Catalyst	Action Fund	Total
Furniture and equipment	\$ 115,312	\$ -	\$ 115,312	\$ 115,312	\$ -	\$ 115,312
Less: accumulated depreciation	(108,741)	-	(108,741)	(84,238)	-	(84,238)
	<u>\$ 6,571</u>	<u>\$ -</u>	<u>\$ 6,571</u>	<u>\$ 31,074</u>	<u>\$ -</u>	<u>\$ 31,074</u>

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statements

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6. Line of Credit

Community Catalyst has a revolving line-of-credit with its bank permitting advances up to \$250,000. Advances bear interest at the prime rate plus 1.25% (or 4.5%). The line of credit is secured and collateralized by the assets of the Community Catalyst. There were no borrowings on the line during the years ended December 31, 2013 and 2012.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 and 2012 consisted of the following:

	2013			2012		
	Community Catalyst	Action Fund	Total	Community Catalyst	Action Fund	Total
Voices for Better Health	\$ 2,238,678	\$ -	\$ 2,238,678	\$ -	\$ -	\$ -
New England Alliance for Children's Health	395,897	-	395,897	141,500	-	141,500
External Affairs	310,436	-	310,436	-	-	-
Roadmaps to Health	369,617	-	369,617	346,425	-	346,425
Prescription Access & Quality	327,858	-	327,858	641,472	-	641,472
Hospital Accountability Project	138,707	-	138,707	269,652	-	269,652
State Consumer Advocacy	7,736,669	2,201,872	9,938,541	3,213,325	785,936	3,999,261
Dental Access Project	314,250	-	314,250	874,829	-	874,829
Management Services	2,002,705	-	2,002,705	1,585,780	-	1,585,780
	<u>\$13,834,817</u>	<u>\$2,201,872</u>	<u>16,036,689</u>	<u>\$7,072,983</u>	<u>\$785,936</u>	<u>\$7,858,919</u>

Net assets released from restrictions during the years ended December 31, 2013 and 2012 were as follows:

	2013			2012		
	Community Catalyst	Action Fund	Total	Community Catalyst	Action Fund	Total
Voices for Better Health	\$ 1,354,928	\$ -	\$ 1,354,928	\$ 680,594	\$ -	\$ 680,594
New England Alliance for Children's Health	185,603	-	185,603	219,829	-	219,829
External Affairs	442,184	-	442,184	-	-	-
Roadmaps to Health	750,336	-	750,336	711,502	-	711,502
Prescription Access & Quality	340,020	-	340,020	516,331	-	516,331
Hospital Accountability Project	230,945	-	230,945	243,348	-	243,348
State Consumer Advocacy	8,270,961	509,413	8,780,374	5,098,392	339,020	5,437,412
Dental Access Project	567,239	-	567,239	528,333	-	528,333
Management Services	1,435,033	-	1,435,033	1,329,496	-	1,329,496
Organizational Development	25,024	-	25,024	-	-	-
	<u>\$13,602,273</u>	<u>\$509,413</u>	<u>\$13,669,502</u>	<u>\$9,327,825</u>	<u>\$339,020</u>	<u>\$9,666,845</u>

COMMUNITY CATALYST, INC. AND AFFILIATE

Notes to Financial Statements

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7. Temporarily Restricted Net Assets (continued)

From time to time indirect costs are allocated to the respective programs as provided in the grant agreements. Accordingly, amounts released from restrictions for programmatic purposes may differ from amounts reported in the statement of functional expenses.

8. Retirement Plan

Community Catalyst provides a defined contribution retirement plan covering all eligible employees. Community Catalyst's contributions to the plan totaled \$166,136 and \$157,781 for the years ended December 31, 2013 and 2012, respectively.

9. Concentration Risks

Community Catalyst received 41% of total revenue and support from three funders for the year ended December 31, 2013 and 38% of total revenue and support from two funders for the year ended December 31, 2012.

The Action Fund received 100% of total revenue and support from one funder for the year ended December 31, 2013 and 31% of total revenue and support from two funders for the year ended December 31, 2012.

Community Catalyst and the Action Fund have a potential concentration of credit risk in that they maintain deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount is \$250,000 for interest-bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category.

10. Lease Commitments

Community Catalyst rents office space in Boston, Massachusetts under a ten-year lease expiring September 30, 2014. Future minimum annual lease payments are as follows:

2014	\$	483,252
Less: sublease payments		220,629
	\$	<u>262,623</u>

Community Catalyst also leases office space in New York City and St. Louis on either a tenant-at-will basis or with agreements having terms of short duration.

Rent expense totaled \$551,206 and \$540,986 for the years ended December 31, 2013 and 2012.

Notes to Financial Statements

11. Commitments and Royalties

In 2008, Community Catalyst sold the assets of its former subsidiary, RealBenefits, Inc., (currently named "Transengen") a software sales company, in exchange for \$600,000 receivable in future annual royalty installments of \$150,000, commencing in 2010 and terminating in 2013. In addition, in order to prepare RealBenefits, Inc. for sale, RealBenefits restructured its long-term debt whereby the lender and the software developer released Community Catalyst from its obligation under its former loan and intellectual property agreements in exchange for future royalty payments that Community Catalyst receives from the buyer. Accordingly, during the years ended December 31, 2013 and 2012, royalty payments received from the buyer were remitted to the developer and lenders

The debt restructuring agreements provide for the obligations to the developer and lender to be contingent solely upon receipt of the installment payments from the buyer. Accordingly, a receivable for the installment payments as well as the corresponding liability for the purchase of the intellectual property and debt restructuring have not been recorded in these financial statements.

12. Related Party Transactions

For the years ended December 31, 2013 and 2012, Community Catalyst recorded in-kind contributions of \$100,000 for the services provided by the President of the Board of Directors.

Additionally, during the year ended December 31, 2012, Community Catalyst paid salary expenses of \$74,699 to an individual who was a staff member of the Community Learning Partnership and who also serves on the Board of Directors of Community Catalyst.

The President of the Board of Directors is one of the former lenders to RealBenefits, Inc, and is entitled to receive a pro rata share of installment payments and royalties as described in Note 11. Accordingly, amounts payable to the President of the Board of Directors as of December 31, 2013 and 2012 were \$75,000 and \$12,315, respectively.

13. Subsequent Event

In April 2014, the Community Catalyst entered into a sublease for new office space. The ten year lease, estimated to begin on or about October 1, 2014, provides for the lease by Community Catalyst of approximately 19,900 square feet of space in Boston, Massachusetts. Base annual rent is initially set at approximately \$53,100 per month. Total base rent payable over the lease period is \$7,263,500. In addition, Community Catalyst is in the process of negotiating new sublease agreements with its current sublessees.