

Dear Chrysalis Supporter,

For nearly 40 years, Chrysalis has been a highly regarded social service provider transforming lives through jobs.

Each year, 7,000 individuals navigating barriers to employment walk through the doors of our six centers and locations across Southern California knowing that they can trust us to provide the resources and tools they need to prepare for and reconnect to the workforce. This includes transitional employment opportunities within our Employment Social Enterprise. **In 2022 alone, 1,700 Chrysalis clients were employed in transitional jobs and were paid more than \$17 million wages.**

However, bureaucratic delays in registering contracts or processing invoices compound the financial burden that we already carry as a nonprofit.

In response to this challenging reality, Chrysalis launched our Operating Reserve Initiative to cover the labor and operational costs of our contract work while we await payment. This is a self-replenishing fund, as we will be able to return funds drawn upon it each time contract payments are made. It will also ensure that we have a continual resource that provides operational and financial stability.

Our goal is to build a minimum reserve of \$5 million, representing 90 days of outstanding receivables from our Employment Social Enterprise businesses.

We seek investment partners like you, who recognize the challenges we face, understand the need to help ensure our financial stability and ongoing viability, and are committed to meeting the needs of current clients, future clients, and our community.

Service contracts with various government customers represent a significant percentage of our total annual revenue. In response to community need during the pandemic, **Chrysalis doubled in size in just three years** – and much of that growth came from fee-for-service contracts with our government customers. We also opened a new location in the Inland Empire, ramped up services for Project Roomkey, and expanded our Safekeeping business.

It often takes 60 to 90 days to collect receivables, and longer if there is a question or issue with a contract or invoice. **In the absence of alternative revenue streams or other ways of accessing cash, Chrysalis faces a true cash flow crises in these situations.**

Our main priority is to ensure that we are equipped to provide paychecks to the over 600 Chrysalis clients working transitional jobs within our Employment Social Enterprise each week. On top of that, we need funds to cover the cost of vehicle leases, fuel, supplies, equipment, and other expenses required to carry out our work.

Our monthly accounts receivables balance is frequently in the \$8-9 million range. And cashflow challenges have led to hard decisions, including lay-offs, short-term freezes on hiring for open positions, and well-deserved raises – all of which impact the effectiveness of our program.

This issue also challenges our strategic growth – including opportunities for expansion – which aligns with our mission to address the ever-expanding needs of our community. It hinders us from being the entrepreneurial, nimble organization we need to be.

Our work is vital to the large and growing marginalized population in Southern California. Chrysalis is committed to supporting individuals from low-income backgrounds, those re-entering society, and those experiencing homelessness or housing insecurity to find long-term, stable employment.

The demand for our work has never been more pressing, and we feel a great responsibility to proactively equip ourselves to respond to this need.

We know you understand the importance of this ask. This reality underscores the importance of our **Operating Reserve Initiative**, which will help make positive ripples of change throughout our community through the lives of those we serve.

Thank you,



John Sonogo
VP, Development & Communications