

# **Chrysalis Center**

Financial Statements

December 31, 2024  
(With Comparative Totals for 2023)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Chrysalis Center

### **Opinion**

We have audited the accompanying financial statements of Chrysalis Center (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chrysalis Center as of December 31, 2024, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chrysalis Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chrysalis Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Chrysalis Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chrysalis Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Chrysalis Center's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California

August 22, 2025

Chrysalis Center  
Statement of Financial Position  
December 31, 2024  
(With Comparative Totals for 2023)

	2024	2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,982,578	\$ 419,300
Accounts receivable, net	5,306,092	9,142,428
Current portion of contributions and grants receivable	3,052,275	1,128,344
Prepaid expenses	589,519	709,671
Total current assets	10,930,464	11,399,743
Non-current assets		
Contributions and grants receivable, net of current portion	-	800,000
Right-of-use lease assets - operating	2,076,613	2,395,606
Property and equipment, net	2,114,131	2,220,353
Deposits	276,532	137,003
Total non-current assets	4,467,276	5,552,962
Total assets	\$ 15,397,740	\$ 16,952,705
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 620,687	\$ 1,136,913
Accrued expenses	3,205,939	2,536,138
Deferred revenue	457,111	1,150,060
Current portion of operating lease liabilities	682,930	982,490
Current portion of note payable	50,000	-
Total current liabilities	5,016,667	5,805,601
Long-term liabilities		
Revolving line of credit	-	1,375,000
Operating lease liabilities, net of current portion	1,296,319	1,325,262
Note payable	450,000	-
Total long-term liabilities	1,746,319	2,700,262
Total liabilities	6,762,986	8,505,863
Net assets		
Without donor restrictions		
Undesignated	5,449,017	4,699,848
Board-designated	1,318,651	1,318,651
Total without donor restrictions	6,767,668	6,018,499
With donor restrictions	1,867,086	2,428,343
Total net assets	8,634,754	8,446,842
Total liabilities and net assets	\$ 15,397,740	\$ 16,952,705

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

Chrysalis Center  
Statement of Activities  
For the Year Ended December 31, 2024  
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues and other support				
Chrysalis Enterprises	\$ 37,041,954	\$ -	\$ 37,041,954	\$ 37,121,372
Contributions and grants	3,989,509	2,055,000	6,044,509	5,786,745
Governmental agencies	7,935,206	-	7,935,206	6,113,088
Special events, net	879,755	-	879,755	943,198
In-kind contributions	432,778	-	432,778	227,393
Rental fees	29,600	-	29,600	44,400
Interest income	277	-	277	3,906
Net assets released from restriction	<u>2,616,257</u>	<u>(2,616,257)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>52,925,336</u>	<u>(561,257)</u>	<u>52,364,079</u>	<u>50,240,102</u>
Functional expenses				
Program services				
Chrysalis Enterprises	34,433,595	-	34,433,595	37,232,940
Employment	<u>11,877,425</u>	<u>-</u>	<u>11,877,425</u>	<u>9,835,592</u>
Total program services	<u>46,311,020</u>	<u>-</u>	<u>46,311,020</u>	<u>47,068,532</u>
Support services				
Management and general	4,369,147	-	4,369,147	4,265,350
Fundraising	<u>1,496,000</u>	<u>-</u>	<u>1,496,000</u>	<u>1,607,748</u>
Total support services	<u>5,865,147</u>	<u>-</u>	<u>5,865,147</u>	<u>5,873,098</u>
Total functional expenses	<u>52,176,167</u>	<u>-</u>	<u>52,176,167</u>	<u>52,941,630</u>
Change in net assets	749,169	(561,257)	187,912	(2,701,528)
Net assets, beginning of year	<u>6,018,499</u>	<u>2,428,343</u>	<u>8,446,842</u>	<u>11,148,370</u>
Net assets, end of year	<u>\$ 6,767,668</u>	<u>\$ 1,867,086</u>	<u>\$ 8,634,754</u>	<u>\$ 8,446,842</u>

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

Chrysalis Center  
Statement of Functional Expenses  
For the Year Ended December 31, 2024  
(With Comparative Totals for 2023)

	Employment Services			Support Services		2024 Total	2023 Total
	Chrysalis Enterprises	Employment	Total	Management and General	Fundraising		
Expenses							
Clothing	\$ 90,599	\$ 6,235	\$ 96,834	\$ -	\$ -	\$ 96,834	\$ 125,368
Cost of direct benefits to donors	307	-	307	-	688,635	688,942	809,146
Curriculum	-	14,633	14,633	-	-	14,633	72,451
Depreciation	67,755	68,753	136,508	167,095	-	303,603	314,659
Facilities	110,239	601,670	711,909	324,341	35,386	1,071,636	825,238
Food	169	39,730	39,899	-	-	39,899	24,824
Insurance and registration	513,169	-	513,169	-	-	513,169	472,764
Insurance and utilities	334,082	289,328	623,410	330,913	31,194	985,517	994,103
Other operating expenses	720,098	1,343,345	2,063,443	105,820	106,585	2,275,848	1,394,124
Outside services	631,580	2,751	634,331	695	-	635,026	759,337
Payroll and related	3,313,184	8,303,648	11,616,832	2,529,910	1,101,327	15,248,069	16,319,984
Payroll and related - Transitional Program	25,950,607	305,374	26,255,981	75,686	-	26,331,667	24,599,104
Personal development	828	704,210	705,038	94	-	705,132	1,292,259
Postage and mailings	7,051	6,570	13,621	7,726	24,490	45,837	93,562
Professional fees and outside services	14,934	32,325	47,259	769,009	82,900	899,168	2,203,800
Publicity, travel and entertainment	31,727	85,487	117,214	36,008	114,118	267,340	341,396
Supplies and materials	728,545	-	728,545	-	-	728,545	1,026,552
Transportation	21,461	73,366	94,827	-	-	94,827	95,487
Vehicle rental and maintenance	1,507,100	-	1,507,100	-	-	1,507,100	1,579,814
Waste management	390,467	-	390,467	21,850	-	412,317	406,804
Total expenses	<u>34,433,902</u>	<u>11,877,425</u>	<u>46,311,327</u>	<u>4,369,147</u>	<u>2,184,635</u>	<u>52,865,109</u>	<u>53,750,776</u>
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	<u>(307)</u>	<u>-</u>	<u>(307)</u>	<u>-</u>	<u>(688,635)</u>	<u>(688,942)</u>	<u>(809,146)</u>
Total functional expenses	<u>\$ 34,433,595</u>	<u>\$ 11,877,425</u>	<u>\$ 46,311,020</u>	<u>\$ 4,369,147</u>	<u>\$ 1,496,000</u>	<u>\$ 52,176,167</u>	<u>\$ 52,941,630</u>
Percentage of total	<u>65.9 %</u>	<u>22.8 %</u>	<u>88.7 %</u>	<u>8.4 %</u>	<u>2.9 %</u>	<u>100.0 %</u>	

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

Chrysalis Center  
Statement of Cash Flows  
For the Year Ended December 31, 2024  
(With Comparative Totals for 2023)

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 187,912	\$ (2,701,528)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	303,603	314,659
Reduction in the carrying amount of right-of-use assets - operating	1,054,609	1,055,516
Change in allowance for expected credit losses	110,943	13,746
Changes in operating assets and liabilities		
Accounts receivable	3,725,393	966,942
Contributions and grants receivable	(1,123,931)	(1,449,556)
Prepaid expenses	120,152	(100,095)
Deposits	(139,529)	(9,696)
Accounts payable	(516,226)	(176,721)
Accrued expenses	669,801	886,863
Deferred revenue	(692,949)	919,947
Operating lease liabilities	(1,064,119)	(1,107,707)
Net cash provided by (used in) operating activities	2,635,659	(1,387,630)
Cash flows from investing activities		
Purchases of property and equipment	(197,381)	(423,180)
Net cash used in investing activities	(197,381)	(423,180)
Cash flows from financing activities		
Proceeds from revolving line of credit	2,050,000	1,225,000
Payments on revolving line of credit	(3,425,000)	(1,350,000)
Proceeds from note payable	500,000	-
Net cash used in financing activities	(875,000)	(125,000)
Net increase (decrease) in cash and cash equivalents	1,563,278	(1,935,810)
Cash and cash equivalents, beginning of year	419,300	2,355,110
Cash and cash equivalents, end of year	\$ 1,982,578	\$ 419,300

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 62,876	\$ 219,477
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Supplemental schedule of noncash investing and financing activities

Right-of-use lease assets obtained in exchange of lease obligations	\$ 735,616	\$ 533,356
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The accompanying notes are an integral part of these financial statements.

Chrysalis Center  
Notes to Financial Statements  
December 31, 2024  
(With Comparative Totals for 2023)

1. NATURE OF OPERATIONS

The Chrysalis Center (the "Organization") is a California non-profit corporation, established in March 1985, serving people navigating barriers to the workforce by offering a job readiness program, individualized supportive services, and paid transitional employment. The Organization empowers their clients on their pathway to stability, security, and fulfillment in their work and lives. The Organization operates centers in Downtown Los Angeles, the San Fernando Valley, Santa Monica, and Orange County and provides services as part of Developing Opportunities and Offering Reentry Solutions, a community reentry center in South Los Angeles. Program services operated by the Organization consist of the following:

*The Core Employment Program*

This program offers job-readiness and employment-related social services that strengthen clients' employability. Individuals who access services may have experienced homelessness, been impacted by the criminal justice system, or are seeking assistance in navigating a barrier to employment. Through case management, classroom instruction, and one-on-one sessions with volunteers or staff employment specialists, clients build job-readiness skills, create resumes, participate in practice interviews, apply to jobs, and receive resources and support to navigate other barriers they may be facing.

*Chrysalis Enterprises*

Chrysalis Enterprises offers paid, transitional employment with three social enterprises to get clients started on the road to permanent, outside employment. Transitional jobs deliver marketable experience and occupational skills while providing a closely supervised, supportive working environment that allows clients to demonstrate and practice their hard and soft skills. There are currently four transitional job opportunities for clients within Chrysalis Enterprises: Works, Safekeeping, Roads, and Staffing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows:

Chrysalis Center  
Notes to Financial Statements  
December 31, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors ("Board"). Donor restricted contributions whose restrictions are met in the same reporting period, are reported as without donor restrictions. This category of net assets also includes board-designated funds which have been segregated for reserves and capital improvements.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenue recognition and deferred revenue

Government grants and contracts are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided services in compliance with specific contract or grant provisions. The Organization has elected a simultaneous release option to account for these grants and contracts and thus are recorded as grants and contracts without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as deferred revenue. Deferred revenue related to government grants and contracts amounted to \$457,111 and \$1,150,060 as of December 31, 2024 and 2023. The Organization received cost-reimbursable grants of approximately \$6,500,000 and \$10,600,000 that have not been recognized at December 31, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred. No amounts have been received in advance under our federal and state contracts and grants.

The Organization recognizes public and private grants as revenue in the period awarded. Corporate contributions and donations from individuals are recognized when received.

Chrysalis Enterprises generates its revenue from services performed based on contracts with customers. Services are provided on a monthly basis and recognized over time. Once the service has been performed, Chrysalis Enterprises will recognize the revenue. Revenue from contracts with customers is recognized using the following five steps:

- a) Identify the contract(s) with a customer

Chrysalis Center  
Notes to Financial Statements  
December 31, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue (continued)

- b) Identify the performance obligations in the contract
- c) Determine the transaction price
- d) Allocate the transaction price to the performance obligations in the contract
- e) Recognize revenue when (or as) the entity satisfies a performance obligation

A contract contains a promise (or promises) to transfer services to a customer. A performance obligation is a promise (or a group of promises) that is distinct. The transaction price is the amount of consideration the Organization expects to be entitled from a customer in exchange for providing the services. Revenue is recognized when the Organization satisfies each performance obligation by performing the promised services to the customer.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accompanying financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all financial instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. Periodically, such cash and cash equivalent balances may be in excess of the FDIC insurance limits. The Organization has not experienced and does not anticipate any losses on such accounts.

Chrysalis Center  
Notes to Financial Statements  
December 31, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable, net

The Organization recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Organization assesses collectibility by pooling receivables where similar characteristics exist and values receivables individually when specific customer balances no longer share those characteristics and are considered at risk or uncollectible. Any balances that are considered at risk and after management has used reasonable collection efforts are recognized as allowance for credit losses. Accounts receivable in the accompanying statement of financial position is recorded net of allowance for credit losses of \$182,689 and \$71,746 at December 31, 2024 and 2023, respectively.

Accounts receivable consisted of the following:

	2024	2023	2022
Accounts receivable	\$ 5,488,781	\$ 9,214,174	\$ 10,181,116
Allowance for expected credit losses	(182,689)	(71,746)	(58,000)
	\$ 5,306,092	\$ 9,142,428	\$ 10,123,116

Contributions and grants receivable

The Organization accounts for contributions in accordance with U.S. GAAP. Contributions received are recorded as with or without donor restriction depending on the existence or nature of any donor restrictions. Donor-restricted contributions are reported as increases in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

Chrysalis Center  
Notes to Financial Statements  
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(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivable (continued)

Contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value upon receipt of the award. Contributions and grants receivable that are expected to be collected in future years are recorded at fair value at the time of the award. The Organization measures fair value of grants receivable in more than one year as the present value of expected future cash flows. Amortization of the associated discount is included in contributions and grants revenue. Management provides for probable uncollectible amounts based on its assessment of recent collection history and current donor relationships. Contributions and grants receivable consist of balances from local foundations and governmental agencies. There was no allowance for credit losses on contributions and grants receivable for the year ended December 31, 2024, as management has determined that all balances are expected to be collected.

Property and equipment, net

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. The Organization capitalizes assets with a cost or donated value of \$5,000 or more and an estimated life greater than one year.

The estimated useful lives of property and equipment by asset category is as follows:

Building improvements	40 years
Automobiles	5 years
Furniture and fixtures	5 years
Computer equipment	3 years
Leasehold improvements	Lesser of 5 years or lease term

In-kind contributions of goods and services

The Organization records various types of in-kind contributions, including services and tangible assets. Legal fees are determined based on prevailing market rates for comparable services. Facility costs are calculated using current square footage rates for similar properties. Clothing, auction, and raffle items are valued using estimated wholesale prices.

Chrysalis Center  
Notes to Financial Statements  
December 31, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions of goods and services (continued)

The fair value of in-kind contributions recognized consisted of:

	<u>2024</u>	<u>2023</u>
Clothing	\$ 11,850	\$ 12,845
Facilities	146,580	73,290
Auction and raffle	50,123	141,258
Legal	<u>224,225</u>	<u>-</u>
	<u>\$ 432,778</u>	<u>\$ 227,393</u>

In-kind contributions are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under U.S. GAAP. In order to expand the reach of its programs, the Organization utilizes the services of a substantial number of volunteers who have donated a significant number of hours to the Organization's program services, management, and fundraising activities. During the year ended December 31, 2024, the Organization's network of volunteers donated 3,955 service hours to the Organization. The Organization values these donated services at \$158,754 based on a respective estimated rate of volunteer time of \$40.14 per hour as determined specifically for California as recently as 2024 by Independent Sector, a leading resource and research organization for the nonprofit industry.

The Organization entered into an operating lease agreement with the City of Anaheim in July 2018 for facility space for a period of 24 months, at a nominal rate of \$1 for each 12-month period. The lease was renewed at the same rate in July 2020 for two 12-month period extensions, and again renewed at the same rate in July 2022 for two 12-month period extensions and again in July 2024 for two more 12-month period extensions. The lease contains language stipulating that the Organization meet certain performance requirements. The lease is accounted for as a contribution receivable and recognized as in-kind contributions on the accompanying statement of financial activities over the lease term. As of December 31, 2024, the Organization held \$73,290 in contributions receivable related to the donated use of facilities for this space. Subsequent to year end in June 2025, the Organization renewed the operating lease agreement at the same rate for 24 months with the option for one additional 12-month period extension.

Chrysalis Center  
Notes to Financial Statements  
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(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program service or support service are allocated directly according to their natural expense classification. Expenses that are common to several functions are allocated accordingly based on the time and resources devoted to each category.

Leases

The Organization accounts for leases under Accounting Standards Codification ("ASC") 842, *Leases* ("ASC 842"). Arrangements meeting the definition of a lease under ASC 842 are classified as either operating or financing leases and recorded on the balance sheets as both a right-of-use ("ROU") asset and lease liability. The lease liability is measured at the present value of lease payments over the lease term, discounted using the rate implicit in the lease or, if not readily determinable, the risk-free rate as a practical expedient. The ROU asset is adjusted for any initial direct costs, prepayments, and incentives received. For operating leases, the Organization recognizes expense on a straight-line basis over the lease term, comprising both the amortization of the ROU asset and interest on the lease liability. Variable lease payments are expensed as incurred. Leases with a term of 12 months or less may be excluded from the statement of financial position, and the lease payments are recognized as expense on a straight-line basis over the lease term. Lease modifications or terminations that do not result in the creation of a new lease are accounted for by remeasuring the lease liability and adjusting the ROU asset accordingly.

Concentrations of credit risk

During 2024, the Organization received approximately 32% of its accounts receivable from two customers and 30% of its contributions and grants receivable from two contributors. Approximately 72% of the Organization's governmental agencies grant revenue was received from five governmental agencies. Approximately 17% of the Organization's program revenue was received from one customer.

During 2023, the Organization received approximately 25% of its accounts receivable from two customers and 76% of its contributions and grants receivable from two contributors. Approximately 66% of the Organization's governmental agencies grant revenue was received from three governmental agencies. Approximately 10% of the Organization's program revenue was received from one customer.

Chrysalis Center  
Notes to Financial Statements  
December 31, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization is a qualified organization exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The Organization recognizes the effects of its income tax positions only if those positions are more likely than not of being sustained. The Organization has evaluated its current tax positions and has concluded that as of December 31, 2024, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (State of California) years from the date of filing.

Summarized financial information

The accompanying financial statements include certain prior-year summarized comparative financial information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's accompanying financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Subsequent events

The Organization has evaluated events subsequent to December 31, 2024, to assess the need for potential recognition or disclosure in the accompanying financial statements. Such events were evaluated through August 22, 2025, the date the accompanying financial statements were available to be issued. Based upon this evaluation, no subsequent events occurred that require recognition or additional disclosure in the accompanying financial statements, except as disclosed in the in-kind contribution of goods and services in Note 2 and in Notes 6, 7, and 10.

Chrysalis Center  
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3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	2024	2023
Chrysalis Enterprises		
Chrysalis Staffing	\$ 283,226	\$ 963,793
Chrysalis Works	1,412,728	2,123,530
Chrysalis Roads	2,690,509	3,974,298
Chrysalis Safekeeping	1,080,725	1,170,862
Chrysalis Client Services	<u>21,593</u>	<u>-</u>
	5,488,781	8,232,483
 Other accounts receivable	 -	 981,691
 Less allowance for credit losses	 (182,689)	 (71,746)
	 \$ 5,306,092	 \$ 9,142,428

Chrysalis Works receivables are primarily with Business Improvement Districts in Los Angeles County. Chrysalis Roads receivables are with the City of Los Angeles and Butte County Office of Education. Chrysalis Staffing receivables are with the City and County of Los Angeles and a broad range of private sector companies in Southern California. Other accounts receivable are primarily with governmental agencies.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

	2024	2023
Contributions	\$ 1,350,000	\$ 1,713,663
Government Grants	1,628,985	141,391
Right of Use to In-Kind Facility	<u>73,290</u>	<u>73,290</u>
	 \$ 3,052,275	 \$ 1,928,344

Unconditional promises to give are estimated to be collected as follows at December 31, 2024:

	2024	2023
Within one year	\$ 3,052,275	\$ 1,128,344
In one to five years	<u>-</u>	<u>800,000</u>
	 \$ 3,052,275	 \$ 1,928,344

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5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2024	2023
Land	\$ 1,300,000	\$ 1,300,000
Automobiles	448,976	448,976
Computer equipment	599,335	489,086
Furniture and fixtures	74,515	74,515
Leasehold improvements	4,113,911	4,026,779
Building improvements	657,144	657,144
	7,193,881	6,996,500
Accumulated depreciation	(5,079,750)	(4,776,147)
	\$ 2,114,131	\$ 2,220,353

Depreciation expense was \$303,603 and \$314,659 for the years ended December 31, 2024 and 2023, respectively.

6. REVOLVING LINE OF CREDIT

In September 2018, the Organization entered into a revolving credit agreement with American Business Bank which provides for a revolving line of credit ("line of credit") for maximum borrowings up to \$2,000,000 and is secured by the Organization's real estate and personal property. The line of credit was increased to \$2,940,000 in July 2020. The line of credit bears interest at 4.50% as of the date of negotiation and is indexed at the bank's reference rate (8.5% as of December 31, 2024). Interest is payable monthly.

In May 2025, the Organization decreased their line of credit to \$2,300,000 and extended the maturity date to May 2030. There was no outstanding balance on the line of credit at December 31, 2024.

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7. NOTE PAYABLE

Note payable is detailed as follows:

	<u>2024</u>	<u>2023</u>
<p>The Organization entered into a non-interest bearing Note Payable Agreement (the "Note Payable") with a Nonprofit Finance Fund in June 2024 for an original term loan of \$500,000. The Note Payable bears 0% and was set to mature in July 2025. The Note Payable was amended in May 2025 to modify the maturity dates requiring \$50,000 to be due in December 2025, with the remainder of the loan for \$450,000 to be due in July 2026. The Note Payable is not subject to financial and nonfinancial covenants.</p>	<p><u>\$ 500,000</u></p>	<p><u>\$ -</u></p>

The future maturities of the notes payable are as follows:

<u>Year ending December 31,</u>	
2025	\$ 50,000
2026	450,000
	\$ 500,000

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization has board-designated net assets which are voluntary, board-approved segregations of net assets without donor restrictions, reserved for specific purposes, projects or investments.

The Reserve and Capital Improvement Fund (the "Fund") is to be used for major capital investments or other extraordinary purposes, such as supporting programs that have been impacted by unanticipated funding reductions. It may also be tapped as a short-term line of credit to address temporary, unanticipated cash flow needs. The Board may decide, at its discretion, to designate additional funds to the Fund based on the Organization's surplus cash position and projected cash needs.

During the year ended December 31, 2024 and 2023, no amounts were designated to or released from the Fund. At December 31, 2024 and 2023, the total of the Fund was \$1,318,651.

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9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Purpose restricted	\$ 943,796	\$ 500,000
Subject to passage of time	<u>923,290</u>	<u>1,928,343</u>
	<u>\$ 1,867,086</u>	<u>\$ 2,428,343</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2024</u>	<u>2023</u>
Leonard Green & Partners L.P.	\$ 100,000	\$ -
Cedars Sinai	50,000	-
Accenture	5,000	-
Bank of America	30,000	-
Disney Worldwide	33,333	-
Herb Alpert	20,000	-
Jewish Community Foundation	29,175	-
JP's Peace, Love, and Happiness Foundation	100,000	-
LA Care	8,695	-
Orange County Community Foundation	35,000	-
Orange County United Way	100,000	-
Sam Simon	300,000	300,000
Samueli Foundation	300,000	-
The Ahmanson Foundation	150,000	-
James Irvine Foundation	-	100,000
Walter and Holly Thomson Foundation	-	100,000
Pearlman Geller Foundation	<u>100,000</u>	<u>87,500</u>
	1,361,203	587,500
Time restricted releases	<u>1,255,054</u>	<u>997,277</u>
	<u>\$ 2,616,257</u>	<u>\$ 1,584,777</u>

10. LEASES

The Organization has operating leases for office space in downtown Los Angeles, Orange County, and the San Fernando Valley under non-cancelable operating leases with options to extend. Additionally, the Organization is a party to 74 non-cancelable operating equipment lease agreements. The leases carry separate terms and expire at various dates through December 2029. The Organization has no financing leases as of December 31, 2024.

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10. LEASES (continued)

During 2024, the Organization entered into two new leases for operating equipment under non-cancelable operating agreements that expire at various dates through December 2029. In addition, during 2024 the Organization exercised their options to extend two of their office space operating lease agreements.

In March 2025, the Organization entered into a new 24 month lease agreement for office space through April 2027 with monthly rent of \$6,920 due beginning May 1, 2025.

Additionally, the Organization has various other month-to-month leases that do not qualify for recognition as a right-of-use asset, and are expensed as incurred.

Right-of-use lease assets are as follows:

	2024	2023
Right-of-use lease assets - operating	\$ 2,076,613	\$ 2,395,606

The operating lease liabilities are detailed as follows:

	2024	2023
Operating lease liabilities, current	\$ 682,930	\$ 982,490
Operating lease liabilities, net of current portion	1,296,319	1,325,262
	\$ 1,979,249	\$ 2,307,752

Lease costs for the year consisted of the following:

	2024	2023
Operating lease costs		
Monthly scheduled rent	\$ 1,114,364	\$ 1,109,905
Month to month costs	12,000	-
Variable costs	63,892	-
	\$ 1,190,256	\$ 1,109,905

The weighted-average remaining lease term and discount rate are as follows:

	2024	2023
Weighted-average remaining lease term - operating lease	2.99 years	3 years
Weighted-average discount rate - operating lease	2.85%	2.3%

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10. LEASES (continued)

Future maturities of the operating lease liabilities are as follows:

Year ending December 31,

2025	\$	727,316
2026		560,672
2027		551,128
2028		205,745
2029		<u>27,580</u>
		2,072,441
Less: imputed interest		<u>(93,192)</u>
Total operating lease liabilities		1,979,249
Current portion		<u>(682,930)</u>
		<u>\$ 1,296,319</u>

11. COMMITMENTS AND CONTINGENCIES

Subsequent to year-end, the Organization entered into a settlement agreement resolving an employment and labor code claim filed in 2022 for \$1,450,000. The court has scheduled a hearing for preliminary approval of the settlement and it is expected that the court will approve the settlement. As a result, the Organization has accrued this amount in accrued expenses in the accompanying statement of financial position as of December 31, 2024.

The Organization is involved in legal proceedings arising in the ordinary course of operations. In accordance with FASB ASC 450, *Contingencies*, the Organization establishes accruals for legal matters when potential losses associated with the actions become probable and the amount of loss can be reasonably estimated. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Organization.

12. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization utilizes cash and cash equivalents and receivables that are considered current and will be collected from funders within the applicable period.

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12. LIQUIDITY AND FUNDS AVAILABLE (continued)

The Organization's financial assets available within one year of the accompanying statement of financial position date for general expenditures were as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 1,982,578	\$ 419,300
Accounts receivable, net	5,306,092	9,142,428
Contributions and grants receivable	<u>3,052,275</u>	<u>1,128,344</u>
	<u>10,340,945</u>	<u>10,690,072</u>
Less amounts unavailable for general expenditure within one year:		
Net assets with donor restrictions	(1,867,086)	(1,628,343)
Board-designated	<u>(1,318,651)</u>	<u>(1,318,651)</u>
	<u>(3,185,737)</u>	<u>(2,946,994)</u>
	<u>\$ 7,155,208</u>	<u>\$ 7,743,078</u>

The Organization's goal is generally to maintain financial assets to meet at least 90 days of general operating expenses. The Organization has a \$2.3 million revolving line of credit available to meet cash flow needs with \$2.3 million available to draw. The board-designated reserve fund is intended by the Board to be used for future major capital investments and to support programs that have been impacted by unanticipated funding reductions.