

## Audited Financial Statements



December 31, 2015 and 2014

**Quigley & Miron**

**Chrysalis Center**  
**Audited Financial Statements**  
**Table of Contents**  
**December 31, 2015 and 2014**

	<u>Page Number</u>
<b>Independent Auditor's Report</b> .....	1
<b>Audited Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8

Suite 1660  
3550 Wilshire Boulevard  
Los Angeles, California 90010

Telephone: (213) 639-3550  
Facsimile: (213) 639-3555

Suite 700  
1999 South Bascom Avenue  
Campbell, California 95008

Telephone: (408) 614-0100  
Facsimile: (213) 639-3555

## Independent Auditor's Report

Board of Directors  
**Chrysalis Center**  
Los Angeles, California

### Report on the Financial Statements

We have audited the accompanying statements of financial position of Chrysalis Center (Organization), a nonprofit organization, as of December 31, 2015 and 2014, and the related statements of activities, 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, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

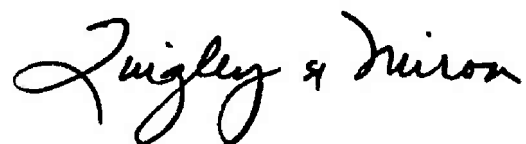
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chrysalis Center as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Zigley & Niron". The script is cursive and fluid, with the ampersand clearly visible between the two names.

Los Angeles, California  
September 12, 2016

**Chrysalis Center**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,356,552	\$ 1,527,136
Grants receivable	285,194	241,720
Accounts receivable, net— Note 2	1,547,557	1,155,970
Prepaid expenses	133,181	105,687
<b>Total Current Assets</b>	<b>3,322,484</b>	<b>3,030,513</b>
<b>Non-Current Assets</b>		
Deposits	53,012	35,392
Property and equipment, net— Note 3	4,247,098	4,603,786
<b>Total Non-Current Assets</b>	<b>4,300,110</b>	<b>4,639,178</b>
<b>Total Assets</b>	<b><u>\$ 7,622,594</u></b>	<b><u>\$ 7,669,691</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 98,827	\$ 142,719
Accrued expenses	296,663	302,895
Deferred revenue	71,795	82,052
<b>Total Liabilities</b>	<b>467,285</b>	<b>527,666</b>
<b>Commitments— Note 5</b>		
<b>Net Assets</b>		
Unrestricted		
Undesignated	3,387,222	3,103,861
Board-designated Reserve and Capital Improvement Fund— Note 6	1,203,043	1,101,584
<b>Total Unrestricted Net Assets</b>	<b>4,590,265</b>	<b>4,205,445</b>
Temporarily restricted— Note 7	2,565,044	2,936,580
<b>Total Net Assets</b>	<b>7,155,309</b>	<b>7,142,025</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,622,594</u></b>	<b><u>\$ 7,669,691</u></b>

**Chrysalis Center**  
**Statement of Activities**  
**Year Ended December 31, 2015**

	Unrestricted			Temporarily	
	Undesignated	Board-Designated	Total	Restricted	Total
<b>Public Support</b>					
Contributions	\$ 2,059,269	\$	\$ 2,059,269	\$	\$ 2,059,269
Foundations and corporations	1,136,823		1,136,823	140,000	1,276,823
Governmental agencies	702,067		702,067	357,507	1,059,574
Special events, net—Note 8	1,006,397		1,006,397		1,006,397
<b>Total Public Support</b>	<b>4,904,556</b>		<b>4,904,556</b>	<b>497,507</b>	<b>5,402,063</b>
<b>Revenue</b>					
Chrysalis Enterprises	6,970,160		6,970,160		6,970,160
Interest and other income	17,064	459	17,523		17,523
<b>Total Revenue</b>	<b>6,987,224</b>	<b>459</b>	<b>6,987,683</b>		<b>6,987,683</b>
<b>Reclassifications</b>					
Net assets released from restrictions	869,043		869,043	(869,043)	
Transfers to board-designated net assets—Note 6	(101,000)	101,000			
<b>Total Reclassifications</b>	<b>768,043</b>	<b>101,000</b>	<b>869,043</b>	<b>(869,043)</b>	
<b>Total Public Support, Revenue, and Net Assets After Reclassifications</b>	<b>12,659,823</b>	<b>101,459</b>	<b>12,761,282</b>	<b>(371,536)</b>	<b>12,389,746</b>
<b>Expenses</b>					
Program services					
Employment	3,570,950		3,570,950		3,570,950
Chrysalis Enterprises	7,499,198		7,499,198		7,499,198
<b>Total Program Services</b>	<b>11,070,148</b>		<b>11,070,148</b>		<b>11,070,148</b>
Supporting services					
Management and general	410,281		410,281		410,281
Fundraising	896,033		896,033		896,033
<b>Total Supporting Services</b>	<b>1,306,314</b>		<b>1,306,314</b>		<b>1,306,314</b>
<b>Total Expenses</b>	<b>12,376,462</b>		<b>12,376,462</b>		<b>12,376,462</b>
<b>Change in Net Assets</b>	<b>283,361</b>	<b>101,459</b>	<b>384,820</b>	<b>(371,536)</b>	<b>13,284</b>
<b>Net Assets at Beginning of Year</b>	<b>3,103,861</b>	<b>1,101,584</b>	<b>4,205,445</b>	<b>2,936,580</b>	<b>7,142,025</b>
<b>Net Assets at End of Year</b>	<b>\$ 3,387,222</b>	<b>\$ 1,203,043</b>	<b>\$ 4,590,265</b>	<b>\$ 2,565,044</b>	<b>\$ 7,155,309</b>

See notes to financial statements.

Chrysalis Center  
Statement of Activities  
Year Ended December 31, 2014

	Unrestricted			Temporarily	
	Undesignated	Board- Designated	Total	Restricted	Total
<b>Public Support</b>					
Contributions	\$ 1,019,624	\$	\$ 1,019,624	\$	\$ 1,019,624
Foundations and corporations	1,190,759		1,190,759	199,719	1,390,478
Capital Campaign				506,500	506,500
Governmental agencies	729,967		729,967	340,116	1,070,083
Special events, net—Note 8	1,203,933		1,203,933	3,000	1,206,933
<b>Total Public Support</b>	<b>4,144,283</b>		<b>4,144,283</b>	<b>1,049,335</b>	<b>5,193,618</b>
<b>Revenue</b>					
Chrysalis Enterprises	6,786,115		6,786,115		6,786,115
Interest and other income	13,978	386	14,364	1,371	15,735
<b>Total Revenue</b>	<b>6,800,093</b>	<b>386</b>	<b>6,800,479</b>	<b>1,371</b>	<b>6,801,850</b>
<b>Reclassifications</b>					
Net assets released from restrictions	761,291		761,291	(761,291)	
Transfers to board-designated net assets—Note 6	(200,000)	200,000			
<b>Total Reclassifications</b>	<b>561,291</b>	<b>200,000</b>	<b>761,291</b>	<b>(761,291)</b>	
<b>Total Public Support, Revenue, and Net Assets After Reclassifications</b>	<b>11,505,667</b>	<b>200,386</b>	<b>11,706,053</b>	<b>289,415</b>	<b>11,995,468</b>
<b>Expenses</b>					
Program services					
Employment	3,118,847		3,118,847		3,118,847
Chrysalis Enterprises	6,879,593		6,879,593		6,879,593
<b>Total Program Services</b>	<b>9,998,440</b>		<b>9,998,440</b>		<b>9,998,440</b>
Supporting services					
Management and general	431,682		431,682		431,682
Fundraising	868,619		868,619		868,619
<b>Total Supporting Services</b>	<b>1,300,301</b>		<b>1,300,301</b>		<b>1,300,301</b>
<b>Total Expenses</b>	<b>11,298,741</b>		<b>11,298,741</b>		<b>11,298,741</b>
<b>Change in Net Assets</b>	<b>206,926</b>	<b>200,386</b>	<b>407,312</b>	<b>289,415</b>	<b>696,727</b>
<b>Net Assets at Beginning of Year</b>	<b>2,896,935</b>	<b>901,198</b>	<b>3,798,133</b>	<b>2,647,165</b>	<b>6,445,298</b>
<b>Net Assets at End of Year</b>	<b>\$ 3,103,861</b>	<b>\$ 1,101,584</b>	<b>\$ 4,205,445</b>	<b>\$ 2,936,580</b>	<b>\$ 7,142,025</b>

See notes to financial statements.

Chrysalis Center  
Statements of Functional Expenses  
Years Ended December 31, 2015 and 2014

	Program Services			Supporting Services			
	Employment	Chrysalis Enterprises	Total	Management and General	Fundraising	Total	Total
<b>2015:</b>							
Payroll and related	\$ 1,994,105	\$ 1,503,275	\$ 3,497,380	\$ 285,379	\$ 694,663	\$ 980,042	\$ 4,477,422
Chrysalis Enterprises labor and related		5,611,424	5,611,424				5,611,424
Facilities	348,709	75,751	424,460	22,881	27,594	50,475	474,935
Client services	420,599	25,920	446,519				446,519
Depreciation	272,906	54,152	327,058	10,459	22,637	33,096	360,154
Utilities and insurance	158,743	56,549	215,292	21,195	19,627	40,822	256,114
Professional fees	52,664	51,947	104,611	30,280	31,885	62,165	166,776
Publicity, travel, and entertainment	26,992	17,515	44,507	5,199	11,322	16,521	61,028
Postage and mailings	7,414	7,723	15,137	225	37,842	38,067	53,204
Other operating expenses	288,818	94,942	383,760	34,663	50,463	85,126	468,886
<b>Total Expenses</b>	<b>\$ 3,570,950</b>	<b>\$ 7,499,198</b>	<b>\$ 11,070,148</b>	<b>\$ 410,281</b>	<b>\$ 896,033</b>	<b>\$ 1,306,314</b>	<b>\$ 12,376,462</b>
<b>Percentage of Total Expenses</b>	<b><u>29%</u></b>	<b><u>61%</u></b>	<b><u>90%</u></b>	<b><u>3%</u></b>	<b><u>7%</u></b>	<b><u>10%</u></b>	<b><u>100%</u></b>
	Program Services			Supporting Services			
	Employment	Chrysalis Enterprises	Total	Management and General	Fundraising	Total	Total
<b>2014:</b>							
Payroll and related	\$ 1,760,874	\$ 1,221,644	\$ 2,982,518	\$ 307,882	\$ 684,070	\$ 991,952	\$ 3,974,470
Chrysalis Enterprises labor and related		5,341,964	5,341,964				5,341,964
Facilities	277,263	58,499	335,762	19,006	29,651	48,657	384,419
Client services	375,613	3,935	379,548				379,548
Depreciation	202,765	53,974	256,739	12,745	23,044	35,789	292,528
Utilities and insurance	149,942	49,612	199,554	21,473	16,304	37,777	237,331
Professional fees	23,708	22,108	45,816	16,231	16,830	33,061	78,877
Publicity, travel, and entertainment	19,316	17,761	37,077	4,532	13,283	17,815	54,892
Postage and mailings	12,627	6,578	19,205	1,250	32,413	33,663	52,868
Other operating expenses	296,739	103,518	400,257	48,563	53,024	101,587	501,844
<b>Total Expenses</b>	<b>\$ 3,118,847</b>	<b>\$ 6,879,593</b>	<b>\$ 9,998,440</b>	<b>\$ 431,682</b>	<b>\$ 868,619</b>	<b>\$ 1,300,301</b>	<b>\$ 11,298,741</b>
<b>Percentage of Total Expenses</b>	<b><u>28%</u></b>	<b><u>60%</u></b>	<b><u>88%</u></b>	<b><u>4%</u></b>	<b><u>8%</u></b>	<b><u>12%</u></b>	<b><u>100%</u></b>

See notes to financial statements.



**Chrysalis Center**  
**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 13,284	\$ 696,727
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	360,154	292,528
Changes in operating assets and liabilities:		
Transfers to board-designated net assets	(101,000)	(200,000)
Grants receivable	(43,474)	(27,581)
Accounts receivable, net	(391,587)	(396,099)
Prepaid expenses	(27,494)	6,479
Deposits	(17,620)	500
Accounts payable	(43,892)	53,223
Accrued expenses	(6,232)	39,255
Deferred revenue	(10,257)	(10,256)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(268,118)</b>	<b>454,776</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(3,466)	(1,022,109)
<b>Net Cash Used in Investing Activities</b>	<b>(3,466)</b>	<b>(1,022,109)</b>
<b>Cash Flows from Financing Activities</b>		
Transfers to board-designated net assets	101,000	200,000
<b>Net Cash Provided by Financing Activities</b>	<b>101,000</b>	<b>200,000</b>
<b>Decrease in Cash and Cash Equivalents</b>	<b>(170,584)</b>	<b>(367,333)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,527,136</b>	<b>1,894,469</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,356,552</b>	<b>\$ 1,527,136</b>
<b>Supplementary Disclosures</b>		
Cash paid during the year for:		
Income taxes	\$	\$
Interest on line of credit	\$	\$

See notes to financial statements.

**Chrysalis Center**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**Note 1—Nature of Activities and Significant Accounting Policies**

Nature of Activities—The Chrysalis Center (Organization) is a California non-profit corporation, established in 1985, dedicated to creating a pathway to self-sufficiency for homeless and low income individuals by providing the resources and support needed to find and retain employment. The Organization operates centers in Downtown Los Angeles, Santa Monica, and the northeast San Fernando Valley. Program services offered by the Organization consist of the following:

The Employment Program offers a curriculum of job search classes, case management, resume and interview preparation, the use of phone and computer facilities, and clothing and transportation resources.

Chrysalis Enterprises is a division of the Organization that provides transitional employment programs through operating social enterprises. Chrysalis Works is a social enterprise that contracts with Business Improvement Districts for street maintenance. Chrysalis Staffing is a temporary staffing agency that provides experience and temp-to-perm opportunities for work-ready clients.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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' revenue is recognized when earned. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose, at any time, in performing the primary objectives of the Organization.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Temporarily restricted net assets at December 31, 2015 and 2014 consisted of amounts restricted to funding specific expenses in future periods.

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of the Organization's programs and operations. The Organization had no permanently restricted net assets at December 31, 2015 and 2014.

Income Taxes—Chrysalis Center is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

**Chrysalis Center**  
**Notes to Financial Statements—Continued**

**Note 1—Nature of Activities and Significant Accounting Policies—Continued**

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered “*more likely than not*” to be upheld under a tax authority examination. Management has evaluated its tax positions and concluded that a provision for a tax liability was not necessary at December 31, 2015 and 2014. 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.

Government Grants and Contracts—Revenues from government grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Cash and Cash Equivalents—The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Grants Receivable—Grants receivable that are expected to be collected within one year are recorded at net realizable value upon receipt of the award. 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 grants revenue. Management provides for probable uncollectible amounts based on its assessment of recent collection history and current donor relationships. Conditional grants are not included as support until the conditions on which they depend are substantially met.

Accounts Receivable—Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment—Property and equipment are stated at cost when purchased, or at estimated fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the related asset, as follows:

Furniture	5 years
Office equipment	7 years
Computer equipment	3 years
Vehicles	5 years
Leasehold improvements	5 years or term of lease ( <i>whichever is longer</i> )
Buildings and improvements	40 years

It is the Organization’s policy to expense items under \$5,000.

**Chrysalis Center**  
**Notes to Financial Statements—Continued**

**Note 1—Nature of Activities and Significant Accounting Policies—Continued**

Concentrations of Credit Risk—The Organization maintains cash balances at a high quality financial institution, American Business Bank, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In the normal course of business, such cash balances are in excess of the FDIC insurance limits, but management deems the risk of loss due to these concentrations to be minimal. Grants receivable are principally with local foundations and government agencies. Accounts receivable are principally with local corporations and business improvement districts. Collection losses related to receivables have historically been immaterial, but management has concluded that, based on its review of balances outstanding, a valuation allowance from selected receivable balances is appropriate.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Functional expenses have been allocated between program services, management and general, and fundraising expenses, based on an analysis of personnel time utilized for the related activities.

Donated Services—Donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under generally accepted accounting principles. However, a substantial number of volunteers have donated a significant number of hours devoted to the Organization's program services, management and general, and fundraising activities.

Use of Estimates—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.

Reclassifications—Certain 2014 amounts have been reclassified to conform with the 2015 financial statement presentation.

**Note 2—Accounts Receivable, Net**

Accounts receivable, net consists of the following at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Chrysalis Enterprises		
Chrysalis Staffing	\$ 257,888	\$ 220,722
Chrysalis Works	967,485	638,753
Non-Chrysalis Enterprises	332,184	306,495
	<u>1,557,557</u>	<u>1,165,970</u>
Less allowance for uncollectible accounts	(10,000)	(10,000)
<b>Net</b>	<b><u>\$ 1,547,557</u></b>	<b><u>\$ 1,155,970</u></b>

**Chrysalis Center**  
**Notes to Financial Statements—Continued**

**Note 3—Property and Equipment, Net**

Net property and equipment consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,300,000	\$ 1,300,000
Building and improvements	653,705	652,879
Furniture and equipment	110,675	110,675
Leasehold improvements	3,277,410	3,274,770
Vehicles	30,283	30,283
	<u>5,372,073</u>	<u>5,368,607</u>
Less accumulated depreciation	(1,124,975)	(764,821)
<b>Net</b>	<b><u>\$ 4,247,098</u></b>	<b><u>\$ 4,603,786</u></b>

**Note 4—Line of Credit**

In November 2009, the Organization negotiated a bank line of credit at American Business Bank that provided a maximum of \$500,000 and was secured by the Organization's real and personal property. The borrowing bore interest at 3.75%, payable monthly, as of the date of negotiation and was indexed at the bank's reference rate plus 0.50%. In October 2013, the Organization renegotiated this bank line of credit, increasing the maximum borrowing amount to \$1,000,000. The new line of credit bears interest at 3.25% as of the date of negotiation and is indexed at the bank's reference rate. Interest is payable monthly and the loan matures on October 1, 2018. As of December 31, 2015, the Organization had not drawn any funds on the line since the loan's inception and paid no interest during the years ended December 31, 2015 and 2014.

**Note 5—Commitments**

The Organization rents office space in downtown Los Angeles and the San Fernando Valley under non-cancelable operating leases. Additionally, the Organization is a party to fifteen non-cancelable operating equipment lease agreements. Future minimum rental payments due on all operating leases with remaining terms of one year or more, by year, are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 337,490
2017	355,518
2018	343,685
2019	295,904
2020	266,456
Thereafter	<u>773,480</u>
<b>Total</b>	<b><u>\$ 2,372,533</u></b>

Rental expense related to the above leases for the years ended December 31, 2015 and 2014 was approximately \$350,000 and \$325,000, respectively.

**Chrysalis Center**  
**Notes to Financial Statements—Continued**

**Note 6—Board-Designated Net Assets**

Board-designated net assets are voluntary, board-approved segregations of unrestricted net assets for specific purposes, projects or investments.

The Reserve and Capital Improvement 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 of Directors may decide, at its discretion, to designate additional funds to the Reserve and Capital Improvement Fund based on the Organization's surplus cash position and projected cash needs.

During the years ended December 31, 2015 and 2014, the Board of Directors approved designations to the Fund of an additional \$101,000 and \$200,000, respectively. No releases from the Fund were approved during 2015 or 2014. At December 31, 2015 and 2014, the total of the Fund, including earned interest, was \$1,203,043 and \$1,101,584, respectively.

**Note 7—Temporarily Restricted Net Assets**

For contributions that have been temporarily restricted by donors for major capital projects, the Organization's Board of Directors has adopted the policy of reclassifying these restricted contributions to unrestricted net assets over the depreciable life of the capital project.

During 2011 through 2013, the Organization raised \$1,869,231 for leasehold improvements to its Downtown Los Angeles facilities. Construction began in 2012, and was completed in 2013. In 2013, in accordance with its policy regarding contributions restricted to capital projects, the Organization began to release the related temporarily restricted contributions for this project to unrestricted net assets, over the 117 months of the remaining estimated life of the leasehold improvements. During the years ended December 31, 2015 and 2014, net assets released from temporary restrictions related to this capital project totaled \$207,692 each year, respectively.

During 2013 through 2014, the Organization raised \$956,500 for leasehold improvements to its San Fernando Valley facilities. Construction began in 2013 and was completed in 2014. In 2014, in accordance with its policy regarding contributions restricted to capital projects, the Organization began to release the related temporarily restricted contributions for this project to unrestricted net assets over the 117 months of the remaining estimated life of the leasehold improvements. During the years ended December 31, 2015 and 2014, net assets released from temporary restrictions related to this capital project totaled \$98,109 and \$32,703, respectively.

The reclassifications of restricted contributions to unrestricted net assets over the depreciable life of the Downtown Los Angeles and San Fernando Valley capital projects are reported on the statement of activities as net assets released from restrictions.

**Chrysalis Center**  
**Notes to Financial Statements—Continued**

**Note 7—Temporarily Restricted Net Assets—Continued**

Temporarily restricted net assets at December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Capital projects	\$ 2,279,535	\$ 2,585,336
Program services support	285,509	351,244
<b>Totals</b>	<b><u>\$ 2,565,044</u></b>	<b><u>\$ 2,936,580</u></b>

**Note 8—Special Events, Net**

Net special events income related to the annual Butterfly Ball for the years ended December 31, 2015 and 2014, consists of the following:

	<u>2015</u>	<u>2014</u>
Event income	\$ 1,369,644	\$ 1,493,820
Less related expenses	(363,247)	(286,887)
<b>Net</b>	<b><u>\$ 1,006,397</u></b>	<b><u>\$ 1,206,933</u></b>

Total fundraising expenses for the years ended December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Fundraising expenses per statement of functional expenses	\$ 896,033	\$ 868,619
Special event expenses	363,247	286,887
<b>Totals</b>	<b><u>\$ 1,259,280</u></b>	<b><u>\$ 1,155,506</u></b>

Expenses, including special events expenses, amounted to \$12,739,709 and \$11,585,628, for the years ended December 31, 2015 and 2014, respectively.

**Note 9—Subsequent Events**

Management evaluated all activities of Chrysalis Center through September 12, 2016, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.