Chrysalis Center

Financial Statements

December 31, 2023
(With Comparative Totals for 2022)

armanino

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chrysalis Center
Los Angeles, California

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, 2023, 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, 2023, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-13, Topic 326, *Financial Instruments - Credit Losses: Measure of Credit Losses on Financial Instruments*, as of January 1, 2023, which alters the impairment recognition of financial assets from an "incurred loss" model to an "expected credit loss" model. Our opinion is not modified with respect to that matter.

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
Woodland Hills, California

August 26, 2024

Chrysalis Center
Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 419,300	$ 2,355,110
Accounts receivable, net	9,142,428	10,123,116
Current portion of contributions and grants receivable	1,128,344	478,788
Prepaid expenses	709,671	609,576
Total current assets	11,399,743	13,566,590
Non-current assets		
Contributions and grants receivable, net of current portion	800,000	-
Right-of-use lease assets - operating	2,395,606	2,917,766
Property and equipment, net	2,220,353	2,111,832
Deposits	137,003	127,307
Total non-current assets	5,552,962	5,156,905
Total assets	$ 16,952,705	$ 18,723,495
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,136,913	$ 1,313,634
Accrued expenses	2,536,138	1,649,275
Deferred revenue	1,150,060	230,113
Current portion of operating lease liabilities	982,490	1,041,191
Total current liabilities	5,805,601	4,234,213
Long-term liabilities		
Revolving line of credit	1,375,000	1,500,000
Operating lease liabilities, net of current portion	1,325,262	1,840,912
Total long-term liabilities	2,700,262	3,340,912
Total liabilities	8,505,863	7,575,125
Net assets		
Without donor restrictions		
Undesignated	4,699,848	8,094,943
Board-designated	1,318,651	1,318,651
Total without donor restrictions	6,018,499	9,413,594
With donor restrictions	2,428,343	1,734,776
Total net assets	8,446,842	11,148,370
Total liabilities and net assets	$ 16,952,705	$ 18,723,495

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

Chrysalis Center
Statement of Activities
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues and other support				
Chrysalis Enterprises	$ 37,121,372	$ -	$ 37,121,372	$ 34,972,743
Contributions and grants	3,508,401	2,278,344	5,786,745	5,261,229
Governmental agencies	6,113,088	-	6,113,088	4,958,643
Special events, net	943,198	-	943,198	1,596,774
In-kind contributions	227,393	-	227,393	385,355
Rental fees	44,400	-	44,400	44,400
Interest income	3,906	-	3,906	119,428
Net assets released from restriction	1,584,777	(1,584,777)	-	-
Total revenues and other support	49,546,535	693,567	50,240,102	47,338,572
Functional expenses				
Program services				
Chrysalis Enterprises	37,232,940	-	37,232,940	34,061,350
Employment	9,835,592	-	9,835,592	10,697,213
Total program services	47,068,532	-	47,068,532	44,758,563
Support services				
Management and general	4,265,350	-	4,265,350	3,084,708
Fundraising	1,607,748	-	1,607,748	1,720,219
Total support services	5,873,098	-	5,873,098	4,804,927
Total functional expenses	52,941,630	-	52,941,630	49,563,490
Change in net assets	(3,395,095)	693,567	(2,701,528)	(2,224,918)
Net assets, beginning of year	9,413,594	1,734,776	11,148,370	13,373,288
Net assets, end of year	$ 6,018,499	$ 2,428,343	$ 8,446,842	$ 11,148,370

Chrysalis Center
Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Employment Services			Support Services			
	Chrysalis Enterprises	Employment	Total	Management and General	Fundraising	2023 Total	2022 Total
Expenses							
Clothing	$ 99,518	$ 13,005	$ 112,523	$ -	$ 12,845	$ 125,368	$ 230,567
Cost of direct benefits to donors	-	-	-	-	809,146	809,146	774,734
Curriculum	610	71,841	72,451	-	-	72,451	69,880
Depreciation	69,756	13,484	83,240	231,419	-	314,659	463,629
Facilities	53,931	387,349	441,280	342,725	41,233	825,238	914,926
Food	251	24,573	24,824	-	-	24,824	25,469
Insurance and registration	472,764	-	472,764	-	-	472,764	325,121
Insurance and utilities	336,647	363,477	700,124	232,641	61,338	994,103	867,909
Other operating expenses	1,233,552	92,680	1,326,232	2,189	65,703	1,394,124	1,711,423
Outside services	670,616	23,742	694,358	64,979	-	759,337	1,109,883
Payroll and related	6,422,707	7,336,118	13,758,825	1,322,869	1,238,290	16,319,984	14,774,335
Payroll and related - Transitional Program	24,547,529	-	24,547,529	51,575	-	24,599,104	22,742,381
Personal development	2,131	1,290,128	1,292,259	-	-	1,292,259	1,297,107
Postage and mailings	8,894	23,021	31,915	52,673	8,974	93,562	112,939
Professional fees and outside services	271,107	63,403	334,510	1,857,833	11,457	2,203,800	2,078,184
Publicity, travel and entertainment	34,730	66,322	101,052	72,436	167,908	341,396	173,121
Supplies and materials	992,541	-	992,541	34,011	-	1,026,552	887,186
Transportation	29,038	66,449	95,487	-	-	95,487	99,308
Vehicle rental and maintenance	1,579,814	-	1,579,814	-	-	1,579,814	1,287,866
Waste management	406,804	-	406,804	-	-	406,804	392,256
Total expenses	37,232,940	9,835,592	47,068,532	4,265,350	2,416,894	53,750,776	50,338,224
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	(809,146)	(809,146)	(774,734)
Total functional expenses	$ 37,232,940	$ 9,835,592	$ 47,068,532	$ 4,265,350	$ 1,607,748	$ 52,941,630	$ 49,563,490
Percentage of total	70.3 %	18.6 %	88.9 %	8.1 %	3.0 %	100.0 %	

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

Chrysalis Center
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (2,701,528)	$ (2,224,918)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	314,659	463,629
Reduction in the carrying amount of right-of-use assets - operating	1,055,516	817,165
Changes in operating assets and liabilities		
Accounts receivable, net	980,688	(2,916,213)
Contributions and grants receivable	(1,449,556)	103,921
Prepaid expenses	(100,095)	20,324
Deposits	(9,696)	663
Accounts payable	(176,721)	865,021
Accrued expenses	886,863	119,975
Deferred revenue	919,947	-
Operating lease liabilities	(1,107,707)	(852,828)
Net cash used in operating activities	(1,387,630)	(3,603,261)
Cash flows from investing activities		
Purchases of property and equipment	(423,180)	(228,878)
Net cash used in investing activities	(423,180)	(228,878)
Cash flows from financing activities		
Proceeds from revolving line of credit	1,225,000	1,500,000
Payments on revolving line of credit	(1,350,000)	-
Net cash provided by (used in) financing activities	(125,000)	1,500,000
Net decrease in cash and cash equivalents	(1,935,810)	(2,332,139)
Cash and cash equivalents, beginning of year	2,355,110	4,687,249
Cash and cash equivalents, end of year	$ 419,300	$ 2,355,110

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 219,477	$ 20,956

Supplemental schedule of noncash investing and financing activities

Right-of-use lease assets obtained in exchange of lease obligations	$ 533,356	$ 3,734,931

Chrysalis Center
Notes to Financial Statements
December 31, 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:

- *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* ("FASB ASU 326"), which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASU 326 are accounts receivable.

The Organization adopted FASB ASU 326 effective January 1, 2023. The impact of the adoption was not considered material to the financial statements other than enhanced disclosures required by the standard.

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 $1,150,060 as of December 31, 2023. The Organization has recognized revenue for all cost-reimbursable grants earned as of December 31, 2023.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue (continued)

Chrysalis Enterprises generates its revenue from services performed based on contracts with customers. 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

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 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.

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 valuates 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.

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.

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 doubtful contributions and grants receivable for the year ended December 31, 2023, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net (continued)

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. Donations of services and tangible assets are recognized at fair value when received.

The following in-kind contributions of $227,393 for the year ended December 31, 2023, are reported at their fair value utilizing the cost method in the accompanying statement of activities:

Clothing	$ 12,845
Facilities	73,290
Cost of direct benefits to donors	141,258
	$ 227,393

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, 2023, the Organization's network of volunteers donated 11,077 service hours to the Organization. The Organization values these donated services at $370,969 based on a respective estimated rate of volunteer time of $33.49 as determined specifically for California as recently as 2023 by Independent Sector, a leading resource and research organization for the nonprofit industry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions of goods and services (continued)

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. 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, 2023, the Organization held $73,290 in contributions receivable related to the donated use of facilities for this space.

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 2023, the Organization received approximately 22% of its accounts receivable from two governmental agencies 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 agencies.

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, 2023, 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 audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Subsequent events

The Organization has evaluated events subsequent to December 31, 2023, to assess the need for potential recognition or disclosure in the accompanying financial statements. Such events were evaluated through August 26, 2024, the date the financial statements were available to be issued. Based upon this evaluation, no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as discussed in the in-kind contribution of goods and services section in Note 2.

3. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

Chrysalis Enterprises	
Chrysalis Staffing	$ 963,793
Chrysalis Works	2,123,530
Chrysalis Roads	3,974,298
	7,061,621
Other accounts receivable	2,152,553
	9,214,174
Less allowance for credit losses	(71,746)
	$ 9,142,428

3. ACCOUNTS RECEIVABLE, NET (continued)

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

Unconditional promises to give are estimated to be collected as follows at December 31, 2023 and 2022:

	2023	2022
Within one year	$ 1,128,344	$ 478,788
In one to five years	800,000	-
	$ 1,928,344	$ 478,788

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Land	$ 1,300,000
Automobiles	448,976
Computer equipment	489,086
Furniture and fixtures	74,515
Leasehold improvements	4,026,779
Building improvements	657,144
	6,996,500
Accumulated depreciation	(4,776,147)
	$ 2,220,353

Depreciation expense for the year ended December 31, 2023 was $314,659.

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, 2023). Interest is payable monthly and the line of credit matures in May 2025. The outstanding balance of the line of credit was $1,375,000 at December 31, 2023.

7. 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, 2023, no amounts were designated to or released from the Fund. At December 31, 2023, the total of the Fund was $1,318,651.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2023:

Purpose restricted	$ 500,000
Subject to passage of time	1,928,343
	$ 2,428,343

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

Sam Simon	$ 300,000
James Irvine Foundation	100,000
Walter and Holly Thomson Foundation	100,000
Pearlman Geller Foundation	87,500
	587,500
Time restricted releases	997,277
	$ 1,584,777

9. 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. Additionally, the Organization is a party to 78 non-cancelable operating equipment lease agreements. The leases carry separate terms and expire at various dates through August 2028. The Organization has no financing leases as of December 31, 2023.

9. LEASES (continued)

Right-of-use lease assets are as follows:

Right-of-use lease assets - operating	$ 2,395,606

The operating lease liability is detailed as follows:

Operating lease liability, current	$ 982,490
Operating lease liability, net of current portion	1,325,262
	$ 2,307,752

Lease costs for the year consisted of the following:

Operating lease costs	
Monthly scheduled rent	$ 1,109,905
	$ 1,109,905

The weighted-average remaining lease terms and discount rates are as follows:

Weighted-average remaining lease term - operating lease	3 years
Weighted-average discount rate - operating lease	2.3%

Future maturities of the operating lease liability are as follows:

Year ending December 31,	
2024	$ 1,021,735
2025	543,953
2026	400,103
2027	386,226
2028	36,379
	2,388,396
Less: imputed interest	(80,644)
Total operating lease liabilities	2,307,752
Current portion	(982,490)
	$ 1,325,262

10. COMMITMENTS AND CONTINGENCIES

The Organization is involved in legal proceedings arising in the ordinary course of operations. In accordance with FASB ASC 450, *Contingencies* ("FASB ASC 450"), 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. As a result, the Organization has accrued $1,000,000 for all legal matters that meet the criteria of FASB ASC 450, which is included in accrued expenses in the accompanying statement of financial position as of December 31, 2023. There is no assurance that the ultimate resolution of these matters will not significantly exceed, or be less than, the amounts that the Organization has currently accrued.

11. 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.

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

Financial assets:	
Cash and cash equivalents	$ 419,300
Accounts receivable, net	9,142,428
Contributions and grants receivable	1,128,344
	10,690,072
Less amounts unavailable for general expenditure within one year:	
Net assets with donor restrictions	(1,628,343)
Board-designated	(1,318,651)
Accounts receivable related to Chrysalis Enterprises not used for operating purposes	(7,061,621)
	(10,008,615)
	$ 681,457

The Organization's goal is generally to maintain financial assets to meet at least 90 days of general operating expenses (approximately $3.3 million, not including Chrysalis Enterprises labor and related expenses). The Organization has a $2.9 million revolving line of credit available to meet cash flow needs with $1.6 million available to draw as of December 31, 2023. 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.