

CHRYSALIS MINISTRIES, INC.

Audited Financial Statements

June 30, 2019 and 2018

CHRYSALIS MINISTRIES, INC.

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June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chrysalis Ministries, Inc.
San Antonio, Texas

We have audited the accompanying financial statements of Chrysalis Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 from 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 Ministries, Inc. as of June 30, 2019 and 2018, 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.

Anderson, Johns & Yao CPAs, P.C.
San Antonio, Texas
March 2, 2020

CHRYSALIS MINISTRIES, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets :		
Cash and cash equivalents	\$ 102,262	\$ 152,626
Accounts and grants receivable	99,736	55,146
Total current assets	201,998	207,772
Property and equipment	928,700	920,076
Less: accumulated depreciation	(101,852)	(84,065)
Net property and equipment	826,848	836,011
Total assets	\$ 1,028,846	\$ 1,043,783
Liabilities and Net Assets		
Current liabilities :		
Accounts payable	\$ 16,808	\$ 4,385
Accrued expenses	71,458	58,224
Deferred revenue	937	893
Current portion of long-term debt	8,489	8,137
Total current liabilities	97,692	71,639
Long-term debt, less current portion	281,240	289,535
Total long-term liabilities	281,240	289,535
Net Assets :		
Without donor restrictions	606,713	641,808
With donor restrictions	43,201	40,801
Total net assets	649,914	682,609
Total liabilities and net assets	\$ 1,028,846	\$ 1,043,783

See notes to financial statements.

CHRYSALIS MINISTRIES, INC.
Statement of Activities
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues and support:			
Contributions	\$ 590,882	\$ 70,370	\$ 661,252
Contributions - endowment affiliate	6,150		6,150
Contributions - donation in-kind	137,344	-	137,344
Grants	329,634	-	329,634
Special events, net of expenses of \$10,423	24,629	-	24,629
Other income	19,876	-	19,876
Net assets released from restrictions	67,970	(67,970)	-
Total revenues and support	<u>1,176,485</u>	<u>2,400</u>	<u>1,178,885</u>
Expenses:			
Program services:			
General ministries	245,760	-	245,760
Outreach	751,418	-	751,418
Management and general	155,731	-	155,731
Fundraising	58,671	-	58,671
Total expenses	<u>1,211,580</u>	<u>-</u>	<u>1,211,580</u>
Change in net assets	(35,095)	2,400	(32,695)
Net assets, beginning of year	<u>641,808</u>	<u>40,801</u>	<u>682,609</u>
Net assets, end of year	<u>\$ 606,713</u>	<u>\$ 43,201</u>	<u>\$ 649,914</u>

See notes to financial statements.

CHRYSALIS MINISTRIES, INC.
Statement of Activities
For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Revenues and support:			
Contributions	\$ 626,579	\$ 62,214	\$ 688,793
Contributions - donation in-kind	136,371	-	136,371
Grants	269,372	-	269,372
Special events, net of expenses of \$10,851	34,287	-	34,287
Other income	14,782	-	14,782
Net assets released from restrictions	65,947	(65,947)	-
Total revenues and support	<u>1,147,338</u>	<u>(3,733)</u>	<u>1,143,605</u>
Expenses:			
Program services:			
General ministries	247,162	-	247,162
Outreach	690,343	-	690,343
Management and general	147,933	-	147,933
Fundraising	55,029	-	55,029
Total expenses	<u>1,140,467</u>	<u>-</u>	<u>1,140,467</u>
Change in net assets	6,871	(3,733)	3,138
Net assets, beginning of year	<u>634,937</u>	<u>44,534</u>	<u>679,471</u>
Net assets, end of year	<u>\$ 641,808</u>	<u>\$ 40,801</u>	<u>\$ 682,609</u>


See notes to financial statements.

CHRYSALIS MINISTRIES, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services			Supporting Activities		Total	
	General	Outreach	Total	Management	Fundraising		Expenses
	Ministries			and General			
Conferences, travel and staff development	\$ -	\$ 11,572	\$ 11,572	\$ 2,042	\$ -	\$ 13,614	
Depreciation	4,447	10,672	15,119	1,779	889	17,787	
In-kind expenses	48,571	79,418	127,989	3,720	5,635	137,344	
Insurance	5,390	12,937	18,327	2,156	1,078	21,561	
Interest	3,140	7,536	10,676	1,256	628	12,560	
Occupancy, telephone and office	14,922	35,813	50,735	5,969	2,984	59,688	
Other	1,911	5,393	7,304	20,337	347	27,988	
Professional fees and contract services	5,287	12,690	17,977	2,765	1,058	21,800	
Religious, children's and specific assistance	8,585	111,027	119,612	12,090	-	131,702	
Salaries and employee benefits	153,507	464,360	617,867	103,617	46,052	767,536	
Total expenses	<u>\$ 245,760</u>	<u>\$ 751,418</u>	<u>\$ 997,178</u>	<u>\$ 155,731</u>	<u>\$ 58,671</u>	<u>\$ 1,211,580</u>	

See notes to financial statements.

CHRYSALIS MINISTRIES, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services			Supporting Activities		Total Expenses
	General Ministries	Outreach	Total	Management and General	Fundraising	
Conferences, travel and staff development	\$ -	\$ 7,027	\$ 7,027	\$ 1,240	\$ -	\$ 8,267
Depreciation	4,153	9,968	14,121	1,661	831	16,613
In-kind expenses	58,957	68,402	127,359	3,720	5,292	136,371
Insurance	6,234	14,961	21,195	2,493	1,247	24,935
Interest	3,375	8,101	11,476	1,350	675	13,501
Occupancy, telephone and office	18,865	45,275	64,140	7,546	3,773	75,459
Other	2,409	5,781	8,190	15,821	482	24,493
Professional fees and contract services	4,453	10,687	15,140	1,781	890	17,811
Religious, children's and specific assistance	9,252	98,263	107,515	18,183	-	125,698
Salaries and employee benefits	139,464	421,878	561,342	94,138	41,839	697,319
Total expenses	<u>\$ 247,162</u>	<u>\$ 690,343</u>	<u>\$ 937,505</u>	<u>\$ 147,933</u>	<u>\$ 55,029</u> 	<u>\$ 1,140,467</u>

See notes to financial statements.

CHRYSALIS MINISTRIES, INC.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (32,695)	\$ 3,138
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,787	16,613
Loss on disposal of fixed assets	-	241
(Increase) decrease in:		
Accounts and grants receivable	(44,590)	(16,288)
Increase (decrease) in:		
Accounts payable	12,423	(8,009)
Accrued expenses	13,234	10,931
Deferred revenue	44	893
Net cash provided by operating activities	(33,797)	7,519
Cash flows from investing activities:		
Purchase of fixed assets	(8,624)	(16,332)
Net cash used in investing activities	(8,624)	(16,332)
Cash flows from financing activities:		
Principal payments on notes payable	(7,943)	(7,610)
Net cash used in investing activities	(7,943)	(7,610)
Net decrease in cash	(50,364)	(16,423)
Cash and cash equivalents, beginning of year	152,626	169,049
Cash and cash equivalents, end of year	\$ 102,262	\$ 152,626
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 12,642	\$ 12,976

See notes to financial statements.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 1 – Principal Activities and Significant Accounting Policies

Nature of Organization

Chrysalis Ministries, Inc. (the Organization) is a non-profit organization incorporated in the state of Texas on February 4, 1972. The Organization (formerly known as Bexar County Detention Ministries, Inc.), provides religious, educational, and social services and activities, as well as pastoral care and counseling through a nondiscriminatory multi-faith approach to facilitate the transformation of incarcerated adult and juvenile offenders into productive individuals with a new direction and meaning for their lives. The Organization also assists individuals in the successful reintegration from incarceration back into society. Additionally, the Organization provides these same social services to family members of the incarcerated.

The Organization is supported primarily by contributions from individuals, churches, foundations, and detention and treatment facilities. The Organization also receives substantial support from the United Way of San Antonio, the Archdiocese of San Antonio, local governmental City and County entities, and from federal grant funding. Additionally, the Organization receives support from its endowment affiliate, Bexar County Detention Ministries Endowment, Inc. (the Endowment Affiliate). The Endowment Affiliate was founded in 2001 for the purpose of holding quality investment assets for the support and sole benefit of Chrysalis Ministries, Inc.

Description of Programs

General Ministries: A detention-based program that assists inmates with chaplaincy services and life skill classes.

Outreach: A community based program that assists the formerly incarcerated and family members of the incarcerated with chaplaincy services, life skills, and job search assistance.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

Cash consists of cash deposits which are held in checking, savings, and money market accounts, all readily available sources of cash. All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash that is Board designated to a permanent endowment, or other long-term purposes are excluded from this definition.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 1 – Principal Activity and Significant Accounting Policies – continued

Receivables

Accounts and grants receivables consist primarily of amounts due on cost-reimbursable grants and contractual agreements. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. No allowance for uncollectible receivables was required at June 30, 2019 and 2018, respectively.

Property and Equipment

It is the Organization's policy to capitalize property and equipment costing more than \$1,000 with a useful life extending beyond one year. Lesser amounts are expensed as incurred. Property and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 39 years.

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful life of assets are expensed currently.

Net Assets

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of the Organization generally are not considered "restricted" under Generally Accepted Accounting Principles (GAAP), though for internal reporting of the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than the Organization's general mission and purpose. Some donor imposed restrictions may be temporary in nature, such as those that will be met with the passage of time, while others require resources to be used for specific programs or for the purchase of specific items. Other donor restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the purpose for which the resource was restricted has been fulfilled, when the stipulated time has elapsed, or both. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 1 – Principal Activity and Significant Accounting Policies – continued

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts are recognized in the period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Income Taxes

The Organization is a not-for-profit entity exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Additionally, the Internal Revenue Service has determined that the Organization is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. The Organization is not subject to the Texas margin tax. The Organization is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities unrelated to their exempt purpose. We have determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Management is not aware of any tax positions that would have a significant impact on its financial position. The Organization’s federal tax returns for the last four years remain subject to examination.

Use of Estimates

The preparation of financial statements 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.

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization occasionally maintains cash balances in financial institutions that exceed the amounts insured by the FDIC. The Organization periodically assesses the financial condition of the financial institutions and believes the risk of loss is minimal.

Advertising Costs

Advertising costs are expenses as incurred, and approximated \$6,426 and \$6,640 during the years ended June 30, 2019 and 2018, respectively.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 1 – Principal Activity and Significant Accounting Policies – continued

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be specifically identified with a program or supporting service are charged directly to that function. Certain costs have been allocated among the programs and supporting services benefited based on management estimates.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Contract services	Time and effort
Depreciation	Square footage
Insurance	Time and effort
Occupancy	Square footage
Office	Time and effort
Other	Time and effort
Professional fees	Time and effort
Salaries and employee benefits	Time and effort

New Accounting Pronouncements

Recently Adopted Accounting Pronouncement: In August 2016, the FASB issued Accounting Standards Updated 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early adoption permitted. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification for all not-for-profit organizations, enhances disclosures on liquidity and availability of resources, and includes, several other less significant reporting enhancements. The Organization has adopted this new pronouncement effective July 1, 2017.

New Accounting Pronouncement: In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

New Accounting Pronouncement: In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. Generally, leases with terms of more than 12 months will be recognized on the balance sheet as an asset (right to use leased asset) and a liability (lease liability). The impact to operations is expected to be minimal. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 2 – Liquidity and Availability of Financial Resources

As of June 30, 2019, financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, such as operating expenses, scheduled payments on debt, and program service costs, were as follows:

	2019
Cash and cash equivalents	\$ 102,262
Accounts and grants receivable	99,736
	<u>\$ 201,998</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts and grants receivable are subject to implied time restrictions, but are expected to be collected within one year. The Organization monitors its financial assets to ensure that financial assets are available as general expenditures, liabilities, and other obligations become due.

NOTE 3 – Fair Value Measurements

In accordance with GAAP, the Organization utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value of certain assets and liabilities. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2:* Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization utilizes Level 1 inputs to measure the fair value for the following financial instruments: cash, cash equivalents, current accounts receivable, and current liabilities.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 4 – Property and Equipment

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 526,509	\$ 526,509
Buildings and building improvements	262,632	262,632
Leasehold improvements	99,761	96,555
Furniture and fixtures	8,267	8,267
Computer equipment and software	24,610	19,192
Machinery and equipment	<u>6,921</u>	<u>6,921</u>
	928,700	920,076
Less accumulated depreciation	<u>(101,852)</u>	<u>(84,065)</u>
Total property and equipment - net	<u>\$ 826,848</u>	<u>\$ 836,011</u>

Depreciation expense for the years ended June 30, 2019 and 2018, totaled \$17,787 and \$16,613, respectively.

NOTE 5 – Long-Term Debt

Long-term debt consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
A note payable to a bank in monthly installments of \$1,715, including interest at 4.24%, final balloon payment estimated at \$280,670, secured by a deed of trust on real property and maturing February 2021	\$ 289,729	\$ 297,672
Less current portion	<u>(8,489)</u>	<u>(8,137)</u>
Total	<u>\$ 281,240</u>	<u>\$ 289,535</u>

Required principal payments on notes payable outstanding as of June 30, 2019, are as follows:

Year Ending	
<u>June 30,</u>	
2020	\$ 8,489
2021	<u>281,240</u>
	<u>\$ 289,729</u>

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 6 – Net Assets With Donor Restrictions

Net assets with donor restrictions consists of the following at June 30, 2019 and 2018:

<u>By Specific Purpose</u>	<u>2019</u>	<u>2018</u>
Catholic Emergency Fund	\$ 2,923	\$ 3,153
Lions Club Glasses	3,201	1,422
Technology	5	5,951
Children's Programs General	14,944	5,000
Happy Feet	728	3,291
Stuff the Backpack	21,323	21,305
Christmas	19	577
Mato's Birthday Wish	58	102
Total	<u>\$ 43,201</u>	<u>\$ 40,801</u>

Net assets amounting to \$67,970 and \$65,947 were released from net assets with donor restrictions during the years ended June 30, 2019 and 2018, respectively, and were for used for various programs and purposes as stipulated by the donors.

NOTE 7 – Employee Benefits and Retirement Plan

Employees are entitled to paid leave depending on length of service and other factors. Accrued paid time-off wages of \$25,730 and \$22,863 are reflected as a current liability in the statement of financial position at June 30, 2019 and 2018, respectively.

The Organization sponsors a tax-deferred retirement plan qualified under Section 403(b) of the Internal Revenue Code. Eligible employees may make voluntary pre-tax contributions up to the maximum annual contribution amount allowed by the IRS. Employer contributions may be made on the behalf of eligible employees based on the number of annual service hours worked and after completion of one year of service. Employer contributions are comprised of a non-elective (non-matching) component calculated at 1% of covered salaries, and a discretionary matching rate as determined by the Board of Directors. The discretionary matching rate for the current and prior year was 2% of covered wages. During the years ended June 30, 2019 and 2018, employer retirement plan contributions totaled \$13,040 and \$14,163, respectively.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 8 – Leases

The Organization leases certain office equipment under non-cancelable operating lease agreements. In accordance with the lease agreement, the required minimum annual lease payments are as follows:

Year Ending		
<u>June 30,</u>		
2020	\$	12,636
2021		12,636
2022		12,100
2023		9,420
2024 and thereafter		10,205
	<u>\$</u>	<u>56,997</u>

Total equipment lease expense for the years ended June 30, 2019 and 2018 totaled \$13,236 and \$18,360, respectively.

NOTE 9 – Donated Services, Materials and Facilities

Contributions of donated non-cash assets are recorded at their fair values in the period received. During the years ended June 30, 2019 and 2018, the Organization received donated supplies and materials with a fair market value of \$36,968 and \$34,814, respectively.

Contributions of certain donated services that the Organization would typically need to purchase if not provided by donation, such as those services that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those specialized skills, are recorded at their fair values in the period received.

Licensed counselors, ordained ministers, and social workers donated professional services with a fair market value of \$13,519 and \$14,700 during the years ended June 30, 2019 and 2018, respectively. The value of donated professional services is reported by the Organization in the statement of activities as revenues. A corresponding amount is charged to program expenses in the statement of activities.

During the years ended June 30, 2019, approximately 163 non-professional volunteers contributed 6,870 hours of their time to assist in the Organization's outreach programs, counseling programs, and to provide assistance with administrative tasks, which on a minimum wage basis amounts to a value of more than \$49,808. During the year ended June 30, 2018, approximately 170 non-professional volunteers contributed 8,313 hours of their time with a minimum wage value of more than \$60,269. The value of these services, although substantial, has not been recorded in the accompanying financial statements because these services do not meet the criteria for recognition under GAAP.

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 9 – Donated Services, Materials and Facilities - continued

The Organization leases an office building, located at 503 San Pedro Avenue, San Antonio, Texas, from the Endowment Affiliate under a cancelable operating lease dated January 1, 2003. The lease requires an annual payment of \$1 and expires on December 31, 2023. Property improvements and renovations, real and personal property taxes, utilities, and certain fire and casualty insurance policies are required to be paid by the Organization. Management estimates the fair market value of the 3,100 square feet of office and meeting space to be \$1.00 per square foot, or \$37,200 per year for the years ended June 30, 2019 and 2018.

The Organization also receives rent free meeting space and office facilities from the Bexar County Jail, the Bexar County Juvenile Detention Center, the Krier Juvenile Correctional Treatment Center, and two GEO Group Correctional Facilities. Management estimates that the fair market value of these rent free facilities to be \$1.00 per square foot, or \$49,657 per year for the years ended June 30, 2019 and 2018. These donations are reported by the Organization in the statement of activities as revenues. A corresponding amount is charged to program expenses in the statement of activities.

Donated professional services, materials, and facilities are recorded in the Organization's statement of functional expenses as follows:

	Program Services			Supporting Activities		Total Expenses
	General Ministries	Outreach	Total	Management and General	Fundraising	
<u>June 30, 2019</u>						
Donated Facilities	\$ 46,543	\$ 34,734	\$ 81,277	\$ 3,720	\$ 1,860	\$ 86,857
Professional Services	2,028	11,491	13,519	-	-	13,519
Books and Publications	-	904	904	-	-	904
Food	-	4,259	4,259	-	3,000	7,259
Gift Cards	-	3,163	3,163	-	775	3,938
School Supplies	-	8,427	8,427	-	-	8,427
Toys	-	16,440	16,440	-	-	16,440
	\$ 48,571	\$ 79,418	\$ 127,989	\$ 3,720	\$ 5,635	\$ 137,344
<u>June 30, 2018</u>						
Donated Facilities	\$ 58,957	\$ 22,320	\$ 81,277	\$ 3,720	\$ 1,860	\$ 86,857
Professional Services	-	14,700	14,700	-	-	14,700
Clothing/Goods	-	494	494	-	-	494
Food	-	4,010	4,010	-	3,215	7,225
Supplies	-	4,140	4,140	-	217	4,357
Toys	-	22,738	22,738	-	-	22,738
	\$ 58,957	\$ 68,402	\$ 127,359	\$ 3,720	\$ 5,292	\$ 136,371

CHRYSALIS MINISTRIES, INC.
Notes to Financial Statements
For the Years Ended June 30, 2019 and 2018

NOTE 10 – Sublease Agreement

On June 27, 2017, the Endowment Affiliate authorized the Organization to execute a sublease agreement with San Antonio Metropolitan Ministry, Inc. for the sublease of the office building located at 503 San Pedro Avenue. The thirty-six month cancelable operating lease term began on September 18, 2017, and ends on September 17, 2020. Base monthly rates under the sublease are as follows:

September 18, 2017 to September 17, 2018	\$1,575 Monthly
September 18, 2018 to September 17, 2019	\$1,654 Monthly
September 18, 2019 to September 17, 2020	\$1,736 Monthly

Payments received by the Organization under the sublease are passed through to the Endowment Affiliate. Monthly rental receipts are recorded as other income on the Organization's statement of activities, and a corresponding expense is recognized to record the disbursement of the pass-through funds to the Endowment Affiliate. Total revenues, along with a corresponding expense, recorded under the sublease agreement for the years ending June 30, 2019 and 2018 totaled \$19,643 and \$14,858, respectively.

NOTE 11 – Business Concentrations and Economic Dependency

The Organization receives a substantial portion of its financial support from the United Way of San Antonio, the City of San Antonio, and certain local governmental agencies. These agreements are negotiated on an annual basis and depend upon the availability of grantor funds, possible changes in the allocation of the agencies' resources, and the donor agencies' continued confidence in the programs that they support. The Organization would suffer a severe economic impact should they experience a reduction in funding from these sources.

NOTE 12 – Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on previously reported net assets.

NOTE 13 - Subsequent Events

Subsequent events have been evaluated through **March 2, 2020**, which is the date the financial statements were available to be issued. Management is currently investigating the extent of potential fraudulent transactions made by a former employee occurring in the fiscal year ending June 30, 2020, including whether or not fraudulent transactions may have occurred in prior fiscal years. As of **March 2, 2020**, management believes that the dollar amount involved is less than \$5,000.