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STOCKMAN KAST RYAN + COMPANY

TESSA

Financial Statements

For the Year Ended September 30, 2020

And

Independent Auditors' Report

TESSA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
TESSA
Colorado Springs, Colorado

We have audited the accompanying financial statements of TESSA (a non-profit organization), which comprise the balance sheet as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditors' 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 TESSA as of September 30, 2020 and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited TESSA's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

December 17, 2021

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BALANCE SHEET
SEPTEMBER 30, 2020 (with comparative totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 288,473	$ 263,216
Investments	943,864	897,234
Grants and pledges receivable	600,225	335,792
Accounts receivable	3,335	
Prepaid expenses and other assets	7,267	17,098
Total current assets	1,843,164	1,513,340
PROPERTY AND EQUIPMENT, NET	118,804	34,408
TOTAL ASSETS	$ 1,961,968	$ 1,547,748
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 102,856	$ 89,202
Refundable advance	252,500	
Accrued expenses	157,191	220,938
Total current liabilities	512,547	310,140
NET ASSETS		
Without donor restriction	1,423,171	1,150,480
With donor restriction	26,250	87,128
Total net assets	1,449,421	1,237,608
TOTAL LIABILITIES AND NET ASSETS	$ 1,961,968	$ 1,547,748

See notes to financial statements.

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STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020 (with comparative totals for 2019)

	2020			
	Without Donor Restriction	**With Donor Restriction**	**Total**	**2019 Total**
REVENUES AND OTHER SUPPORT				
Government grants	$ 2,569,190		$ 2,569,190	$ 2,179,604
Contributions	601,664	$ 292,326	893,990	1,088,917
In-kind contributions - rent	253,333		253,333	253,333
In-kind contributions - personnel and professional services	57,322		57,322	133,480
Special events - net of expenses of $84,991 and $12,118, respectively	(43,625)		(43,625)	27,322
Program service fees	4,850		4,850	26,252
Other revenue	54,391		54,391	41,960
Net assets released from restrictions: Satisfaction of time and purpose restrictions	353,204	(353,204)		
Total revenues and other support	3,850,329	(60,878)	3,789,451	3,750,868
EXPENSES				
Program services:				
Safehouse/Crisis Line	666,603		666,603	779,352
Advocacy	619,505		619,505	558,591
Rural Grant	486,101		486,101	254,746
Counseling	387,396		387,396	253,021
Children's Program	337,341		337,341	432,867
Legal Services	314,422		314,422	193,609
Housing Program	300,830		300,830	481,894
LIFT Program	264,100		264,100	409,043
WRA				74,057
Total program services	3,376,298	—	3,376,298	3,437,180
Support services:				
Management and general	106,512		106,512	177,735
Resource development	94,828		94,828	302,361
Total expenses	3,577,638	—	3,577,638	3,917,276
CHANGE IN NET ASSETS	272,691	(60,878)	211,813	(166,408)
NET ASSETS, Beginning of year	1,150,480	87,128	1,237,608	1,404,016
NET ASSETS, End of year	$ 1,423,171	$ 26,250	$ 1,449,421	$ 1,237,608

See notes to financial statements.

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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020 (with comparative totals for 2019)

	Program Services										Support Services				
	Safehouse/ Crisis Line	Advocacy	Rural Grant	Counseling	Children's Program	Legal Services	Housing Program	LIFT Program	WRA	Total	Management and General	Resource Development	Total	2020 TOTAL	2019 TOTAL
Salaries and benefits	$ 452,861	$ 525,811	$ 132,103	$ 148,288	$ 268,375	$ 272,583	$ 220,971	$ 225,560		$ 2,246,552	$ 77,340	$ 48,222	$ 125,562	$ 2,372,114	$ 2,398,391
Client assistance	128	5,371	240,902	316,516	297		620			563,834		13	13	563,847	662,244
Occupancy costs	184,533	51,754	5,545	4,931	51,627	9,857	37,583	17,565		363,395	23,411	15,279	38,690	402,085	451,065
Professional Fees	9,044	10,275	2,686	3,080	5,394	5,437	31,122	4,411		71,449	913	29,189	30,102	101,551	203,759
Conferences and travel	41	3,581	224	5,145	300	12,965	467	6,813		29,536	2,279	622	2,901	32,437	53,647
Office expense	8,915	10,126	2,646	3,036	4,739	5,358	4,488	4,347		43,655	1,451	685	2,136	45,791	48,880
Insurance	4,021	4,566	1,194	2,700	2,398	3,978	2,024	1,961		22,842	406	297	703	23,545	17,179
Printing and postage	2,427	2,758	721	827	1,448	1,459	1,222	1,184		12,046	245	179	424	12,470	17,101
Depreciation	1,608	1,827	477	548	959	967	810	784		7,980	162	119	281	8,261	8,337
Other expenses	3,025	3,436	898	1,030	1,804	1,818	1,523	1,475		15,009	305	223	528	15,537	56,673
Total - 2020	$ 666,603	$ 619,505	$ 387,396	$ 486,101	$ 337,341	$ 314,422	$ 300,830	$ 264,100	$ —	$ 3,376,298	$ 106,512	$ 94,828	$ 201,340	$ 3,577,638	
Percent of total costs - 2020	19%	17%	11%	14%	9%	9%	8%	7%	0%	93%	3%	3%	7%	100%	
Total - 2019	$ 779,352	$ 558,591	$ 253,021	$ 254,746	$ 432,867	$ 193,609	$ 481,894	$ 409,043	$ 74,057	$ 3,437,180	$ 177,735	$ 302,361	$ 302,361		$ 3,739,541
Percent of total costs - 2019	20%	14%	6%	7%	11%	5%	12%	10%	2%	87%	5%	8%	13%		100%

See notes to financial statements.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020 (with comparative totals for 2019)

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 211,813	$ (166,408)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,261	8,337
Net unrealized and realized gains on investments	(36,450)	(17,604)
Changes in operating assets and liabilities:		
Accounts receivable	(3,335)	10,326
Prepaid expenses and other assets	9,831	(9,122)
Grants receivable	(264,433)	215,657
Accounts payable	13,654	(54,979)
Accrued expenses	(63,747)	113,131
Refundable advance	252,500	
Net cash provided by (used in) operating activities	128,094	99,338
INVESTING ACTIVITIES		
Purchases of investments	(10,180)	(236,684)
Sales of investments		173,446
Purchases of property and equipment	(92,657)	
Net cash used in investing activities	(102,837)	(63,238)
INCREASE IN CASH AND CASH EQUIVALENTS	25,257	36,100
CASH AND CASH EQUIVALENTS, Beginning of year	263,216	227,116
CASH AND CASH EQUIVALENTS, End of year	$ 288,473	$ 263,216

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — TESSA (TESSA or the Organization) was incorporated in 1977 in the state of Colorado as the Domestic Violence Prevention Center, Inc. TESSA's purpose is to significantly reduce the cycle of domestic violence and adult sexual assault through education, intervention and treatment. TESSA operates in Colorado Springs, Colorado. Many of the contributions received are from governments, private foundations, organizations and individuals living in El Paso County and surrounding counties.

Basis of Presentation — The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with TESSA's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

TESSA reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets available for use in general operations - not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are 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 stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents — TESSA considers all highly liquid investments with a maturity of three months or less at the purchase date to be cash and cash equivalents.

Investments — Investments are recorded at fair value, with realized and unrealized gains and losses included as unrestricted revenue in the statements of activities. Donated investments are recorded at fair value on the date of donation. Fair values for mutual funds and money market accounts are determined through quoted market prices. See Note 3 for further information on the fair value of investments.

Contributions — Gifts of cash and other assets received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue.

Grants and Pledges Receivable — Grants and pledges receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary. As of September 30, 2020, payments on unconditional grants and pledges are expected to be received in the next twelve months.

Accounts Receivable — Accounts receivable are stated at the invoice amount. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment 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. Accounts receivable are considered by management to be fully collectible and accordingly, no allowance for doubtful accounts has been recorded at September 30, 2020 and 2019.

Property and Equipment — All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets on a straight-line basis. Property and equipment are recorded at cost, and donated property is recorded at fair value at the date of the gift.

Income Taxes — TESSA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, TESSA qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

TESSA believes that it does not have any uncertain tax positions that are material to the financial statements.

Government Grants — Support funded by grants is recognized as the Organization performs the contracted services or incurs eligible expenditures for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Donated Services and Materials — Donated services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities and changes in net assets at their estimated values. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle — In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most prior revenue recognition guidance, including industry-specific guidance, and requires expanded disclosures about revenue recognition. The core principles of the revenue model are that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During the year ended September 30, 2020, management adopted ASU 2014-09 using the modified retrospective approach. The adoption had no net impact on excess of revenues over expenses or total net assets.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update clarifies the guidance in ASC 958 on how entities determine whether to account for a transfer of assets as an exchange transaction under other guidance or a contribution. During the year ended September 30, 2020, management adopted ASU 2018-08 using the modified prospective approach. The adoption of ASU 2018-08 had no net impact on excess of revenues over expenses or total net assets.

Subsequent Events — TESSA has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects TESSA's financial assets as of September 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

	2020	**2019**
Cash and cash equivalents	$ 288,473	$ 263,216
Investments	943,864	897,234
Grants and pledges receivable	600,225	335,792
Accounts receivable	3,335	
Total	1,835,897	1,496,242

Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	26,250	41,250
Restricted by donors with purpose restrictions		45,878
Total amounts unavailable for general expenditures within one year	26,250	87,128
Total	$ 1,809,647	$ 1,409,114

As part of the TESSA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage liquidity needs, in 2019 the Organization had a committed line of credit of $100,000 which it could draw upon. In 2020, the line of credit was not renewed.

3. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of TESSA. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, salaries and benefits, which are allocated on the basis of usage, square footage or estimates of time and effort.

4. PLEDGE RECEIVABLE FOR USE OF PROPERTY

Effective October 1, 2012, TESSA entered into a one year lease agreement for the use of the office and operating facilities for annual rental payments of $1. The lease is renewable annually for up to 20 one-year periods. For the years ended September 30, 2020 and 2019, TESSA recognized contribution revenue and rent expense of $253,333 in both years associated with the below market rates.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

TESSA is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following table sets forth by level, within the fair value hierarchy, TESSA's investments at fair value as of September 30:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020:				
Domestic equity mutual funds	$ 347,783	$ 347,783		
Foreign equity mutual fund	151,347	151,347		
Fixed income mutual funds	391,899	391,899		
Money market accounts	52,835	52,835		
Total	$ 943,864	$ 943,864	$ —	$ —
2019:				
Domestic equity mutual funds	$ 336,724	$ 336,724		
Foreign equity mutual fund	145,531	145,531		
Fixed income mutual funds	362,986	362,986		
Money market accounts	51,993	51,993		
Total	$ 897,234	$ 897,234	$ —	$ —

Investment income consists of the following:

	2020	2019
Net unrealized and realized gains on investments	$ 36,450	$ 17,604
Interest and dividends	16,802	22,327
Total	$ 53,252	$ 39,931

PROPERTY AND EQUIPMENT

Property and equipment is as follows at September 30:

	2020	2019
Furniture and equipment	$ 350,762	$ 258,105
Vehicles	29,881	29,881
Computer software	14,241	14,241
	394,884	302,227
Less accumulated depreciation	276,080	267,819
Total	$ 118,804	$ 34,408

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets may be expended for the following purposes at September 30:

	2020	2019
Time restrictions	$ 26,250	$ 41,250
Other		45,878
Total	$ 26,250	$ 87,128

7. LEASE COMMITMENTS

TESSA leases equipment under a non-cancellable operating lease expiring in 2022. As of September 30, 2020, future minimum lease payments under this operating lease are as follows:

2021	$ 7,291
2022	6,189
Total	$ 13,480

Rental expense for all operating leases for the years ended September 30, 2020 and 2019 totaled $12,455 and $11,446, respectively.

8. LINE OF CREDIT

The Organization held a $100,000 line of credit with a financial institution with a maturity date of July 27, 2018, which was renewed with a new expiration date of July 27, 2020. The line of credit bears interest at 5% on the agreement expiring July 27, 2020 and 4.25% on the agreement expiring July 27, 2018. The line of credit is secured by the Organization's investment holdings. The line of credit was not renewed after July 27, 2020. There were no outstanding borrowings at September 30, 2020 and 2019.

9. CONTRIBUTED SUPPLIES AND SERVICES

The value of donated supplies and services included in the financial statements as contributions and corresponding expenses are as follows for the years ended September 30:

	2020	2019
Expenses:		
Rental	$ 253,333	$ 253,333
Services	57,322	133,480
Total	$ 310,655	$ 386,813

10. GRANT CONTINGENCIES

Federal grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill these conditions could result in the disallowance of certain expenditures. Management anticipates no disallowances of expenditures.