



TESSA

Financial Statements

For the Year Ended September 30, 2021

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, 2021, 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, 2021 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

January 5, 2023

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BALANCE SHEET

SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 361,753	\$ 288,473
Investments	1,073,510	943,864
Grants and pledges receivable	450,260	600,225
Accounts receivable		3,335
Prepaid expenses and other assets	<u>6,548</u>	<u>7,267</u>
Total current assets	1,892,071	1,843,164
PROPERTY AND EQUIPMENT, NET	<u>190,612</u>	<u>118,804</u>
TOTAL ASSETS	<u>\$ 2,082,683</u>	<u>\$ 1,961,968</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 78,826	\$ 102,856
Refundable advance		252,500
Accrued expenses	<u>136,221</u>	<u>157,191</u>
Total current liabilities	<u>215,047</u>	<u>512,547</u>
NET ASSETS		
Without donor restriction	1,840,219	1,423,171
With donor restriction	<u>27,417</u>	<u>26,250</u>
Total net assets	<u>1,867,636</u>	<u>1,449,421</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,082,683</u>	<u>\$ 1,961,968</u>

See notes to financial statements.

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STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021			2020 Total
	Without Donor Restriction	With Donor Restriction	Total	
REVENUES AND OTHER SUPPORT				
Government grants	\$ 2,475,658		\$ 2,475,658	\$ 2,569,190
Contributions	709,073	\$ 115,861	824,934	893,990
In-kind contributions - rent	253,333		253,333	253,333
Program service fees	91,160		91,160	4,850
Special events - net of expenses of \$72,686 and \$84,991, respectively	45,973		45,973	(43,625)
In-kind contributions - personnel and professional services	32,977		32,977	57,322
Other revenue	140,168		140,168	54,391
Net assets released from restrictions: Satisfaction of time and purpose restrictions	<u>114,694</u>	<u>(114,694)</u>		
Total revenues and other support	<u>3,863,036</u>	<u>1,167</u>	<u>3,864,203</u>	<u>3,789,451</u>
EXPENSES				
Program services:				
Legal Services and LIFT Program	632,183		632,183	578,522
Safehouse/Crisis Line	588,953		588,953	666,603
Advocacy	492,556		492,556	619,505
Housing Program	478,002		478,002	300,830
Counseling	287,436		287,436	486,101
Children's Program	250,567		250,567	337,341
Rural Grant	229,414		229,414	387,396
Human Trafficking	<u>187,039</u>		<u>187,039</u>	
Total program services	3,146,150	—	3,146,150	3,376,298
Support services:				
Management and general	88,093		88,093	106,512
Resource development	<u>211,745</u>		<u>211,745</u>	<u>94,828</u>
Total expenses	<u>3,445,988</u>	<u>—</u>	<u>3,445,988</u>	<u>3,577,638</u>
CHANGE IN NET ASSETS	417,048	1,167	418,215	211,813
NET ASSETS, Beginning of year	<u>1,423,171</u>	<u>26,250</u>	<u>1,449,421</u>	<u>1,237,608</u>
NET ASSETS, End of year	<u>\$ 1,840,219</u>	<u>\$ 27,417</u>	<u>\$ 1,867,636</u>	<u>\$ 1,449,421</u>

See notes to financial statements.

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2021 (with comparative totals for 2020)

	Program Services									Support Services			2021 TOTAL	2020 TOTAL
	Legal Services And LIFT Program	Safehouse/ Crisis Line	Advocacy	Housing Program	Counseling	Rural Grant	Children's Program	Human Trafficking	Total	Management and General	Resource Development	Total		
Salaries and benefits	\$ 311,173	\$ 358,918	\$ 404,212	\$ 111,317	\$ 178,160	\$ 209,159	\$ 179,679	\$ 164,260	\$ 1,605,705	\$ 52,338	\$ 156,055	\$ 208,393	\$ 1,814,098	\$ 2,372,114
Client assistance	283,748	3,124	2,595	349,092	555	57	1,146	4,638	361,207		1,250	1,250	362,457	563,847
Occupancy costs	10,121	180,265	56,573	6,223	40,785	5,101	56,029	6,686	351,662	25,408	16,787	42,195	393,857	402,085
Professional Fees	8,929	10,466	11,394	3,223	55,525	5,937	5,133	4,529	96,207	8,904	22,629	31,533	127,740	101,551
Conferences and travel				3,202					3,202				3,202	32,437
Office expense	9,423	6,321	6,580	1,743	7,249	3,260	2,918	2,463	30,534	713	9,976	10,689	41,223	45,791
Insurance	2,971	3,475	3,786	1,082	1,745	1,994	1,684	1,508	15,274	365	1,441	1,806	17,080	23,545
Depreciation	1,065	20,824	1,357	388	625	715	603	541	25,053	131	516	647	25,700	8,261
Other expenses	4,753	5,560	6,059	1,732	2,792	3,191	3,375	2,414	25,123	234	3,091	3,325	28,448	28,007
Total - 2021	\$ 632,183	\$ 588,953	\$ 492,556	\$ 478,002	\$ 287,436	\$ 229,414	\$ 250,567	\$ 187,039	\$ 2,513,967	\$ 88,093	\$ 211,745	\$ 299,838	\$ 2,813,805	
Percent of total costs - 2021	22%	21%	18%	17%	10%	8%	9%	7%	88%	4%	8%	12%	100%	
Total - 2020	\$ 578,522	\$ 666,603	\$ 619,505	\$ 300,830	\$ 486,101	\$ 387,396	\$ 337,341	\$ —	\$ 2,797,776	\$ 106,512	\$ 94,828	\$ 201,340		\$ 2,999,116
Percent of total costs - 2020	16%	19%	17%	8%	14%	11%	9%	0%	94%	3%	3%	6%		100%

See notes to financial statements.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021 (with comparative totals for 2020)

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ 418,215	\$ 211,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,765	8,261
Net unrealized and realized gains on investments	(126,383)	(36,450)
Changes in operating assets and liabilities:		
Accounts receivable	3,335	(3,335)
Prepaid expenses and other assets	719	9,831
Grants receivable	149,965	(264,433)
Accounts payable	(24,030)	13,654
Accrued expenses	(20,970)	(63,747)
Refundable advance	<u>(252,500)</u>	<u>252,500</u>
Net cash provided by operating activities	<u>175,116</u>	<u>128,094</u>
INVESTING ACTIVITIES		
Purchases of investments	(13,435)	(10,180)
Sales of investments	10,172	
Purchases of property and equipment	<u>(98,573)</u>	<u>(92,657)</u>
Net cash used in investing activities	<u>(101,836)</u>	<u>(102,837)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	73,280	25,257
CASH AND CASH EQUIVALENTS, Beginning of year	<u>288,473</u>	<u>263,216</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 361,753</u>	<u>\$ 288,473</u>

See notes to financial statements.

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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, 2020, 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. At times during the year, the Organizations's cash accounts may exceed Federal Deposit Insurance Corporation insured limits.

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, 2021, 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, 2021 and 2020.

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.

The Organization is electing the simultaneous release option practical expedient to allow donor-restricted conditional grants that are recognized and used with the same reporting period as if they were unrestricted, without having to change the reporting of donor-restricted activity. The Organization had a conditional promise of \$3,057,937 and \$2,663,882 at September 30, 2021 and 2020, respectively, representing federal award grants to be recognized as the Organization incurs outlays eligible for reimbursement under the grant agreements.

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.

Reclassifications — Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

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, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	\$ 361,753	\$ 288,473
Investments	1,073,510	943,864
Grants and pledges receivable	450,260	600,225
Accounts receivable	<u> </u>	<u>3,335</u>
Total	<u>1,885,523</u>	<u>1,835,897</u>
Less amounts unavailable for general expenditures		
within one year, due to:		
Restricted by donors with time restrictions	<u>27,417</u>	<u>26,250</u>
Total	<u>\$ 1,858,106</u>	<u>\$ 1,809,647</u>

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 2022 the Organization had a line of credit of \$200,000 which it could draw upon.

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, 2021 and 2020, 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)
2021:				
Domestic equity mutual funds	\$ 427,761	\$ 427,761		
Foreign equity mutual fund	179,506	179,506		
Fixed income mutual funds	436,189	436,189		
Money market accounts	<u>30,054</u>	<u>30,054</u>		
Total	<u>\$ 1,073,510</u>	<u>\$ 1,073,510</u>	<u>\$ —</u>	<u>\$ —</u>
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	<u>52,835</u>	<u>52,835</u>		
Total	<u>\$ 943,864</u>	<u>\$ 943,864</u>	<u>\$ —</u>	<u>\$ —</u>

Investment income consists of the following:

	2021	2020
Net unrealized and realized gains on investments	\$ 126,383	\$ 36,450
Interest and dividends	<u>13,785</u>	<u>17,941</u>
Total	<u>\$ 140,168</u>	<u>\$ 54,391</u>

6. PROPERTY AND EQUIPMENT

Property and equipment is as follows at September 30:

	2021	2020
Furniture and equipment	\$ 435,149	\$ 350,762
Vehicles	29,881	29,881
Computer software	<u>28,427</u>	<u>14,241</u>
	493,457	394,884
Less accumulated depreciation	<u>302,845</u>	<u>276,080</u>
Total	<u>\$ 190,612</u>	<u>\$ 118,804</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets of \$27,417 and \$26,250 were restricted by time restrictions as of September 30, 2021 and 2020, respectively.

8. LEASE COMMITMENTS

TESSA leases equipment under a non-cancellable operating lease expiring in 2022. As of September 30, 2021, future minimum lease payments under this operating lease are \$7,891 for the 2022.

Rental expense for all operating leases for the years ended September 30, 2021 and 2020 totaled \$11,412 and \$12,455, respectively.

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:

	2021	2020
Expenses:		
Rental	\$ 253,333	\$ 253,333
Services	<u>32,977</u>	<u>57,322</u>
Total	<u>\$ 286,310</u>	<u>\$ 310,655</u>

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.

11. REFUNDABLE ADVANCE

During the year ended September 30, 2020, TESSA received a \$252,500 Paycheck Protection Program (PPP) Loan established by the CARES Act, and TESSA elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, Revenue Recognition. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. If conditions are met, the amount of the refundable advance will be forgiven. During the year ended September 30, 2021, the entire loan was forgiven as conditions had been met during the year. The entire amount is included as government grants in the statement of activities.

12. CONCENTRATIONS

Contracts with the federal and state government provided TESSA with approximately 58% and 68% of TESSA's revenue for each of the years ended September 30, 2021 and 2020, respectively.

As of September 30, 2021 and 2020, 94% and 96% of TESSA's grants and pledges receivable was due under these grants, respectively