



TESSA

Financial Statements

For the Year Ended September 30, 2022

And

Independent Auditors' Report

TESSA

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2022	
Balance Sheet	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
TESSA
Colorado Springs, Colorado

Opinion

We have audited the accompanying financial statements of TESSA (a non-profit organization), which comprise the balance sheet as of September 30, 2022, 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 TESSA as of September 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TESSA 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.

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 TESSA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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 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 TESSA'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 the Organization'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 TESSA's 2021 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated January 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

June 28, 2023

TESSA

BALANCE SHEET

SEPTEMBER 30, 2022 (with comparative totals for 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 200,577	\$ 361,753
Investments	1,071,905	1,073,510
Grants and pledges receivable	461,639	450,260
Prepaid expenses and other assets	<u>6,241</u>	<u>6,548</u>
Total current assets	1,740,362	1,892,071
PROPERTY AND EQUIPMENT, NET	<u>186,927</u>	<u>190,612</u>
TOTAL ASSETS	<u>\$ 1,927,289</u>	<u>\$ 2,082,683</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 72,886	\$ 78,826
Accrued expenses	<u>97,506</u>	<u>136,221</u>
Total current liabilities	<u>170,392</u>	<u>215,047</u>
 NET ASSETS		
Without donor restriction	1,733,230	1,840,219
With donor restriction	<u>23,667</u>	<u>27,417</u>
Total net assets	<u>1,756,897</u>	<u>1,867,636</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,927,289</u>	<u>\$ 2,082,683</u>

See notes to financial statements.

TESSA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (with comparative totals for 2021)

	2022			2021 Total
	Without Donor Restriction	With Donor Restriction	Total	
REVENUES AND OTHER SUPPORT				
Government grants	\$ 2,336,065		\$ 2,336,065	\$ 2,475,658
Contributions	646,674		646,674	824,934
In-kind contributions - rent	253,333		253,333	253,333
In-kind contributions - personnel and professional services	166,575		166,575	32,977
Special events - net of expenses of \$72,686 and \$84,991, respectively	106,184		106,184	45,973
Program service fees	77,964		77,964	91,160
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	3,750	\$ (3,750)		
Investment income (loss)	(189,980)		(189,980)	140,168
Total revenues and other support	<u>3,400,565</u>	<u>(3,750)</u>	<u>3,396,815</u>	<u>3,864,203</u>
EXPENSES				
Program services:				
Legal services and LIFT program	800,357		800,357	632,183
Safehouse/Crisis Line	537,041		537,041	588,953
Advocacy	506,650		506,650	492,556
Housing program	489,638		489,638	478,002
Counseling	317,866		317,866	287,436
Children's rrogram	312,661		312,661	250,567
Rural grant	224,306		224,306	229,414
Human trafficking	145,077		145,077	187,039
Total program services	3,333,596	—	3,333,596	3,146,150
Support services:				
Management and general	89,268		89,268	88,093
Resource development	84,690		84,690	211,745
Total expenses	<u>3,507,554</u>	<u>—</u>	<u>3,507,554</u>	<u>3,445,988</u>
CHANGE IN NET ASSETS	(106,989)	(3,750)	(110,739)	418,215
NET ASSETS, Beginning of year	<u>1,840,219</u>	<u>27,417</u>	<u>1,867,636</u>	<u>1,449,421</u>
NET ASSETS, End of year	<u>\$ 1,733,230</u>	<u>\$ 23,667</u>	<u>\$ 1,756,897</u>	<u>\$ 1,867,636</u>

See notes to financial statements.

TESSA

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2022 (with comparative totals for 2021)

	2022												2021 Expenses Total
	Program Services								Support Services				
	Legal Services and LIFT Program	Safehouse/ Crisis Line	Advocacy	Housing Program	Counseling	Children's Program	Rural Grant	Human Trafficking	Total	Management and General	Resource Development	Expenses Total	
Salaries and benefits	\$ 402,325	\$ 241,749	\$ 409,850	\$ 122,223	\$ 173,905	\$ 223,857	\$ 186,219	\$ 126,657	\$ 1,886,785	\$ 58,596	\$ 29,456	\$ 1,974,837	\$ 2,125,271
Client assistance	347,860	66,521	1,771	349,580	3,980	10,859	12,662	382	793,615		1,242	794,857	646,205
Occupancy costs	11,298	187,270	58,428	6,450	43,280	57,808	7,290	6,898	378,722	26,448	17,349	422,519	403,978
Professional fees	10,860	6,777	10,622	3,235	76,562	5,937	4,994	3,562	122,549	1,164	17,534	141,247	136,669
Office expense	10,852	5,781	9,143	3,466	13,478	4,847	4,020	2,778	54,365	1,410	8,660	64,435	50,647
Depreciation	2,587	21,162	2,536	798	1,135	1,394	1,209	806	31,627	282	116	32,025	26,765
Insurance	4,830	2,955	4,734	1,490	2,119	2,602	2,256	1,506	22,492	525	217	23,234	20,051
Conferences and travel	2,083	63	154	32	45	61	2,075	32	4,545	10	5	4,560	3,202
Other expenses	7,662	4,763	9,412	2,364	3,362	5,296	3,581	2,456	38,896	833	10,111	49,840	33,200
Total	\$ 800,357	\$ 537,041	\$ 506,650	\$ 489,638	\$ 317,866	\$ 312,661	\$ 224,306	\$ 145,077	\$ 3,333,596	\$ 89,268	\$ 84,690	\$ 3,507,554	
Percent of total costs	23%	15%	14%	14%	9%	9%	6%	4%	94%	4%	2%	100%	
Total - 2021	\$ 632,183	\$ 588,953	\$ 492,556	\$ 478,002	\$ 287,436	\$ 250,567	\$ 229,414	\$ 187,039	\$ 3,146,150	\$ 88,093	\$ 211,745		\$ 3,445,988
Percent of total costs - 2021	19%	17%	14%	14%	8%	7%	7%	5%	91%	3%	6%		100%

See notes to financial statements.

TESSA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2022 (with comparative totals for 2021)

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ (110,739)	\$ 418,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,025	26,765
Net unrealized and realized gains on investments	211,625	(126,383)
Changes in operating assets and liabilities:		
Accounts receivable		3,335
Prepaid expenses and other assets	307	719
Grants receivable	(11,379)	149,965
Accounts payable	(5,940)	(24,030)
Accrued expenses	(38,715)	(20,970)
Refundable advance		(252,500)
Net cash provided by operating activities	<u>77,184</u>	<u>175,116</u>
INVESTING ACTIVITIES		
Purchases of investments	(221,428)	(13,435)
Sales of investments	11,408	10,172
Purchases of property and equipment	<u>(28,340)</u>	<u>(98,573)</u>
Net cash used in investing activities	<u>(238,360)</u>	<u>(101,836)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(161,176)	73,280
CASH AND CASH EQUIVALENTS, Beginning of year	<u>361,753</u>	<u>288,473</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 200,577</u>	<u>\$ 361,753</u>

See notes to financial statements.

TESSA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — TESSA 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, 2021, 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-imposed 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, TESSA'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 5 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, 2022, payments on unconditional grants and pledges are expected to be received in the next twelve months.

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 TESSA 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.

TESSA is electing the simultaneous release option practical expedient to allow donor-restricted conditional grants that are recognized and used within the same reporting period as if they were unrestricted, without having to change the reporting of donor-restricted activity. TESSA had a conditional promise of \$1,336,147 and \$3,057,937 at September 30, 2022 and 2021, respectively, representing federal award grants to be recognized as TESSA 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, 2022 and 2021, 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.

	2022	2021
Cash and cash equivalents	\$ 200,577	\$ 361,753
Investments	1,071,905	1,073,510
Grants and pledges receivable	<u>461,639</u>	<u>450,260</u>
Total	1,734,121	1,885,523
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	<u>(23,667)</u>	<u>(27,417)</u>
Total	<u>\$ 1,710,454</u>	<u>\$ 1,858,106</u>

As part of 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, TESSA 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 each of the years ended September 30, 2022 and 2021, TESSA recognized contribution revenue and rent expense of \$253,333 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 TESSA 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; and
- 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)
2022:				
Domestic equity mutual funds	\$ 398,333	\$ 398,333		
Foreign equity mutual fund	107,904	107,904		
Fixed income mutual funds	464,372	464,372		
Money market accounts	<u>101,296</u>	<u>101,296</u>		
Total	<u>\$ 1,071,905</u>	<u>\$ 1,071,905</u>	<u>\$ —</u>	<u>\$ —</u>
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>

Investment income (loss) consists of the following:

	2022	2021
Net unrealized and realized gains (losses) on investments	\$ (211,625)	\$ 126,383
Interest and dividends	<u>21,645</u>	<u>13,785</u>
Total	<u>\$ (189,980)</u>	<u>\$ 140,168</u>

6. PROPERTY AND EQUIPMENT

Property and equipment are as follows at September 30:

	2022	2021
Furniture and equipment	\$ 450,311	\$ 435,149
Computer software	41,603	28,427
Vehicles	<u>29,881</u>	<u>29,881</u>
Total	521,795	493,457
Less accumulated depreciation	<u>(334,868)</u>	<u>(302,845)</u>
Total	<u>\$ 186,927</u>	<u>\$ 190,612</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets of \$23,667 and \$27,417 were restricted by time restrictions as of September 30, 2022 and 2021, respectively.

8. 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:

	2022	2021
Expenses:		
Rental	\$ 253,333	\$ 253,333
Services	<u>166,575</u>	<u>32,977</u>
Total	<u>\$ 419,908</u>	<u>\$ 286,310</u>

9. 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.

10. 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.

11. CONCENTRATIONS

Contracts with the federal and state government provided TESSA with approximately 68% and 58% of TESSA's revenue for each of the years ended September 30, 2022 and 2021, respectively.

As of September 30, 2022 and 2021, 100% and 94% of TESSA's grants and pledges receivable was due under these grants, respectively.