



TESSA

Financial Statements

For the Year Ended September 30, 2023

And

Independent Auditors' Report

TESSA

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INDEPENDENT AUDITORS' REPORT

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TESSA as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 TESSA'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 2022 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated June 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

June 24, 2024

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BALANCE SHEET

SEPTEMBER 30, 2023 (with comparative totals for 2022)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 225,013	\$ 200,577
Investments	1,705,069	1,071,905
Grants and pledges receivable	469,811	461,639
Prepaid expenses and other assets	<u>7,222</u>	<u>6,241</u>
Total current assets	2,407,115	1,740,362
PROPERTY AND EQUIPMENT, NET	<u>154,904</u>	<u>186,927</u>
TOTAL ASSETS	<u>\$ 2,562,019</u>	<u>\$ 1,927,289</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 33,132	\$ 72,886
Accrued expenses	<u>192,098</u>	<u>97,506</u>
Total current liabilities	<u>225,230</u>	<u>170,392</u>
NET ASSETS		
Without donor restriction	2,324,372	1,733,230
With donor restriction	<u>12,417</u>	<u>23,667</u>
Total net assets	<u>2,336,789</u>	<u>1,756,897</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,562,019</u>	<u>\$ 1,927,289</u>

See notes to financial statements.

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STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (with comparative totals for 2022)

	2023			2022 Total
	Without Donor Restriction	With Donor Restriction	Total	
REVENUES AND OTHER SUPPORT				
Government grants	\$ 1,901,147		\$ 1,901,147	\$ 2,336,065
Contributions	1,754,817		1,754,817	646,674
In-kind contributions - rent	253,333		253,333	253,333
In-kind contributions - personnel and professional services	194,212		194,212	166,575
Special events - net of expenses of \$63,298 and \$59,216, respectively	137,475		137,475	106,184
Investment income (loss)	103,213		103,213	(189,980)
Program service fees	71,323		71,323	77,964
Net assets released from restrictions:				
Satisfaction of time and purpose restrictions	11,250	\$ (11,250)		
Total revenues and other support	4,426,770	(11,250)	4,415,520	3,396,815
EXPENSES				
Program services:				
Safehouse/Crisis Line	762,382		762,382	537,041
Advocacy	538,452		538,452	506,650
Legal services and LIFT program	522,533		522,533	800,357
Housing program	487,831		487,831	489,638
Counseling	370,107		370,107	317,866
Children's program	350,356		350,356	312,661
Rural grant	236,931		236,931	224,306
Human trafficking	187,882		187,882	145,077
DHS	50,931		50,931	
Total program services	3,507,405	—	3,507,405	3,333,596
Support services:				
Management and general	248,242		248,242	89,268
Resource development	79,981		79,981	84,690
Total expenses	3,835,628	—	3,835,628	3,507,554
CHANGE IN NET ASSETS	591,142	(11,250)	579,892	(110,739)
NET ASSETS, Beginning of year	1,733,230	23,667	1,756,897	1,867,636
NET ASSETS, End of year	\$ 2,324,372	\$ 12,417	\$ 2,336,789	\$ 1,756,897

See notes to financial statements.

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2023 (with comparative totals for 2022)

	2023									
	Program Services									
	Safehouse/ Crisis Line	Advocacy	Legal Services and LIFT Program	Housing Program	Counseling	Children's Program	Rural Grant	Human Trafficking	DHS	Total
Salaries and benefits	\$ 475,374	\$ 432,301	\$ 355,795	\$ 128,264	\$ 195,780	\$ 250,459	\$ 170,039	\$ 162,178	\$ 44,103	\$ 2,214,293
Client assistance	25,829	3,703	131,642	320,200	16,959	1,649	26,271	6,400		532,653
Occupancy costs	197,588	57,752	13,334	15,549	52,718	56,965	14,087	9,283	2,431	419,707
Professional fees	12,398	10,408	4,009	6,453	66,725	8,343	8,331	2,571	802	120,040
Office expense	12,917	11,147	7,004	5,743	15,210	9,447	5,908	2,305	712	70,393
Depreciation	14,571	4,179	737	790	3,859	4,286	523	683	176	29,804
Insurance	5,277	2,608	1,087	1,941	2,391	2,375	2,700	652	217	19,248
Conferences and travel	1,648	958	2,341	523	654	845	2,906	306	1,565	11,746
Other expenses	16,780	15,396	6,584	8,368	15,811	15,987	6,166	3,504	925	89,521
Total	\$ 762,382	\$ 538,452	\$ 522,533	\$ 487,831	\$ 370,107	\$ 350,356	\$ 236,931	\$ 187,882	\$ 50,931	\$ 3,507,405
Percent of total costs	20%	14%	14%	13%	10%	9%	6%	5%	1%	91%
Comparative:										
Total - 2022	\$ 537,041	\$ 506,650	\$ 800,357	\$ 489,638	\$ 317,866	\$ 312,661	\$ 224,306	\$ 145,077	\$ —	\$ 3,333,596
Percent of total costs - 2022	15%	14%	23%	14%	9%	9%	6%	4%	0%	95%

(Continued)

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STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2023 (with comparative totals for 2022)

	2023			2022 Expenses Total
	Support Services			
	Management and General	Resource Development	Expenses Total	
Salaries and benefits	\$ 143,617	\$ 32,086	\$ 2,389,996	\$ 1,974,837
Client assistance	1,651	2,065	536,369	794,857
Occupancy costs	21,479	14,741	455,927	422,519
Professional fees	20,321	4,167	144,528	141,247
Office expense	24,592	19,173	114,158	64,435
Depreciation	1,162	1,057	32,023	32,025
Insurance	5,431	1,087	25,766	23,234
Conferences and travel	3,469	298	15,513	4,560
Other expenses	26,520	5,307	121,348	49,840
Total	\$ 248,242	\$ 79,981	\$ 3,835,628	
Percent of total costs	7%	2%	100%	
Comparative:				
Total - 2022	\$ 89,268	\$ 84,690		\$ 3,507,554
Percent of total costs - 2022	3%	2%		100%

See notes to financial statements.

(Concluded)

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2023 (with comparative totals for 2022)

	2023	2022
OPERATING ACTIVITIES		
Change in net assets	\$ 579,892	\$ (110,739)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,023	32,025
Net unrealized and realized gains on investments	(55,744)	211,625
Changes in operating assets and liabilities:		
Accounts receivable	(6,000)	
Prepaid expenses and other assets	(981)	307
Grants receivable	(2,172)	(11,379)
Accounts payable	(39,754)	(5,940)
Accrued expenses	94,592	(38,715)
Net cash provided by operating activities	<u>601,856</u>	<u>77,184</u>
INVESTING ACTIVITIES		
Purchases of investments	(591,709)	(221,428)
Sales of investments	14,289	11,408
Purchases of property and equipment	<u> </u>	<u>(28,340)</u>
Net cash used in investing activities	<u>(577,420)</u>	<u>(238,360)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,436	(161,176)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>200,577</u>	<u>361,753</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 225,013</u>	<u>\$ 200,577</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, 2022, 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, 2023, 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 \$2,724,178 and \$1,336,147 at September 30, 2023 and 2022, 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, 2023 and 2022, 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.

	2023	2022
Cash and cash equivalents	\$ 225,013	\$ 200,577
Investments	1,705,069	1,071,905
Grants and pledges receivable	<u>469,811</u>	<u>461,639</u>
Total	2,399,893	1,734,121
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	<u>(12,417)</u>	<u>(23,667)</u>
Total	<u>\$ 2,387,476</u>	<u>\$ 1,710,454</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 2023, 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, 2023 and 2022, 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)
2023:				
Domestic equity mutual funds	\$ 1,077,006	\$ 1,077,006		
Foreign equity mutual fund	227,365	227,365		
Fixed income mutual funds	338,166	338,166		
Money market accounts	<u>62,532</u>	<u>62,532</u>		
Total	<u>\$ 1,705,069</u>	<u>\$ 1,705,069</u>	<u>\$ —</u>	<u>\$ —</u>
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>

Investment income (loss) consists of the following:

	2023	2022
Net unrealized and realized gains (losses) on investments	\$ 55,744	\$ (211,625)
Interest and dividends	<u>47,469</u>	<u>21,645</u>
Total	<u>\$ 103,213</u>	<u>\$ (189,980)</u>

6. PROPERTY AND EQUIPMENT

Property and equipment are as follows at September 30:

	2023	2022
Furniture and equipment	\$ 450,311	\$ 450,311
Computer software	41,603	41,603
Vehicles	<u>29,881</u>	<u>29,881</u>
Total	521,795	521,795
Less accumulated depreciation	<u>(366,891)</u>	<u>(334,868)</u>
Total	<u>\$ 154,904</u>	<u>\$ 186,927</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets of \$12,417 and \$23,667 were restricted by time restrictions as of September 30, 2023 and 2022, 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:

	2023	2022
Expenses:		
Rental	\$ 253,333	\$ 253,333
Services	<u>194,212</u>	<u>166,575</u>
Total	<u>\$ 447,545</u>	<u>\$ 419,908</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. CONCENTRATIONS

Contracts with the federal and state government provided TESSA with approximately 41% and 68% of TESSA's revenue for each of the years ended September 30, 2023 and 2022, respectively.

As of September 30, 2023 and 2022, 98% and 100%, respectively, of TESSA's grants and pledges receivable was due under these grants.

TESSA received a contribution of approximately 22% of TESSA's revenue for the year ended September 30, 2023.