

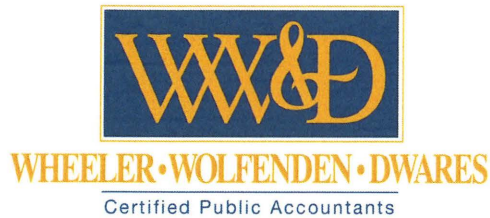
DELAWARE PROSPERITY PARTNERSHIP, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Delaware Prosperity Partnership, Inc.
Wilmington, Delaware

We have audited the accompanying financial statements of Delaware Prosperity Partnership, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

To the Board of Directors
Delaware Prosperity Partnership, Inc.

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 Delaware Prosperity Partnership, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



May 17, 2021
Wilmington, Delaware

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,955,816	\$ 3,456,119
Contributions receivable	170,000	120,043
Prepaid expenses	<u>4,750</u>	<u>18,400</u>
Total current assets	3,130,566	3,594,562
PROPERTY AND EQUIPMENT		
Less: accumulated depreciation	<u>27,478</u>	<u>27,478</u>
	<u>(7,528)</u>	<u>(3,694)</u>
Total property and equipment – net	<u>19,950</u>	<u>23,784</u>
TOTAL ASSETS	<u>\$ 3,150,516</u>	<u>\$ 3,618,346</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	<u>\$ 88,267</u>	<u>\$ 165,458</u>
Total current liabilities	88,267	165,458
NET ASSETS		
Without Donor Restriction	2,992,449	3,204,888
With Donor Restrictions	<u>69,800</u>	<u>248,000</u>
Total net assets	<u>3,062,249</u>	<u>3,452,888</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,150,516</u>	<u>\$ 3,618,346</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 584,000	\$ 50,000	\$ 634,000
Grants	2,000,000	-	2,000,000
Special events and fundraisers	-	-	-
In-Kind revenue	5,500	-	5,500
Interest income	10,951	-	10,951
Net assets released from restrictions	228,200	(228,200)	-
	<u>2,828,651</u>	<u>(178,200)</u>	<u>2,650,451</u>
EXPENSES			
Program services	2,391,235	-	2,391,235
Management and general	468,593	-	468,593
Fundraising	181,262	-	181,262
	<u>3,041,090</u>	<u>-</u>	<u>3,041,090</u>
Change in net assets	(212,439)	(178,200)	(390,639)
Net assets – beginning of year	<u>3,204,888</u>	<u>248,000</u>	<u>3,452,888</u>
Net assets – end of year	<u>\$ 2,992,449</u>	<u>\$ 69,800</u>	<u>\$ 3,062,249</u>

The accompanying notes are an integral part of these financial statements.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,215,000	\$ 255,000	\$ 1,470,000
2,000,000	-	2,000,000
127,500	-	127,500
28,579	-	28,579
41,328	-	41,328
57,000	(57,000)	-
3,469,407	198,000	3,667,407
2,237,866	-	2,237,866
571,938	-	571,938
122,269	-	122,269
2,932,073	-	2,932,073
537,334	198,000	735,334
2,667,554	50,000	2,717,554
\$ 3,204,888	\$ 248,000	\$ 3,452,888

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2020 and 2019

	2020			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,023,626	\$ 167,967	\$ 147,960	\$ 1,339,553
Payroll taxes and benefits	109,694	17,840	15,569	143,103
Total salaries and related expenses	1,133,320	185,807	163,529	1,482,656
Advertising and marketing	330,100	-	3,402	333,502
Bank fees	-	670	-	670
Business development	158,222	-	-	158,222
Consulting and temporary	259,524	-	-	259,524
Contractor expense	-	-	-	-
COVID Response	-	29,261	-	29,261
Dues and subscriptions	-	24,729	-	24,729
Economic research	164,609	-	-	164,609
Events	-	3,638	-	3,638
In-Kind expense	-	-	-	-
Innovation	73,470	-	-	73,470
Insurance	99,667	26,211	14,331	140,209
Maintenance	-	2,332	-	2,332
Meals	-	-	-	-
Office expense	-	7,133	-	7,133
Office networking	-	4,056	-	4,056
Parking	-	26,357	-	26,357
Printing and postage	-	1,336	-	1,336
Professional development	13,399	-	-	13,399
Professional fees	-	55,334	-	55,334
Rent	-	91,465	-	91,465
Talent	158,924	-	-	158,924
Taxes and licenses	-	25	-	25
Telephone and utilities	-	6,241	-	6,241
Travel	-	164	-	164
Total operating expenses	1,257,915	278,952	17,733	1,554,600
Depreciation	-	3,834	-	3,834
Total functional expenses	\$ <u>2,391,235</u>	\$ <u>468,593</u>	\$ <u>181,262</u>	\$ <u>3,041,090</u>

The accompanying notes are an integral part of these financial statements.

2019

	Program Services	Management and General	Fundraising	Total
\$	950,612	\$ 150,687	\$ 62,671	\$ 1,163,970
	64,509	138,478	3,934	206,921
	<u>1,015,121</u>	<u>289,165</u>	<u>66,605</u>	<u>1,370,891</u>
	313,917	17,636	21,163	352,716
	-	791	-	791
	178,681	19,853	-	198,534
	12,582	-	-	12,582
	164,878	-	-	164,878
	-	-	-	-
	1,269	50	15,766	17,085
	69,773	-	-	69,773
	-	34,844	-	34,844
	-	28,579	-	28,579
	301,716	-	-	301,716
	-	31,808	-	31,808
	-	-	-	-
	-	-	1,132	1,132
	433	876	13,517	14,826
	16,162	4,973	3,729	24,864
	-	24,541	-	24,541
	870	249	124	1,243
	11,868	3,956	-	15,824
	-	51,990	-	51,990
	-	54,349	-	54,349
	146,640	-	-	146,640
	-	-	-	-
	-	5,503	-	5,503
	3,955	465	233	4,653
	<u>1,222,744</u>	<u>280,463</u>	<u>55,664</u>	<u>1,558,871</u>
	-	2,310		2,310
\$	<u>2,237,865</u>	<u>\$ 571,938</u>	<u>\$ 122,269</u>	<u>\$ 2,932,072</u>

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received	\$ 2,589,543	\$ 3,658,615
Cash paid to suppliers and employees	(3,100,797)	(2,866,289)
Interest received	10,951	41,328
	<u>(500,303)</u>	<u>833,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(16,621)</u>
	<u>-</u>	<u>(16,621)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
Net (decrease) increase in cash	(500,303)	817,033
Cash and cash equivalents – beginning of year	<u>3,456,119</u>	<u>2,639,086</u>
Cash and cash equivalents – end of year	<u>\$ 2,955,816</u>	<u>\$ 3,456,119</u>

The accompanying notes are an integral part of these financial statements.

DELAWARE PROSPERITY PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Delaware Prosperity Partnership, Inc. (the Corporation), a public – private partnership formed to leverage private sector resources to enhance business recruitment, promote entrepreneurship and innovation, support workforce development efforts, and produce forward looking analysis on economic trends to best position Delaware’s economy to grow. The Corporation is a not-for-profit organization whose mission is to lead the state of Delaware’s economic development efforts. Establishment of this corporation was a critical step to enhance the state’s ability to attract, grow and retain companies; to build a stronger entrepreneurial and innovation ecosystem; and to support private employers in identifying, recruiting, and developing talent.

The Corporation generates revenue through contributions from various private businesses in Delaware. The corporation is governed by 19 voting directors, a majority of which are appointed by the State’s Governor. The Corporation has been recognized as a component unit of the State of Delaware.

2. Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations.

3. Basis of Financial Statement Presentation

The Corporation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation’s management and board of directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations. These donor restrictions are temporary in nature; the restrictions will be met by actions of the Corporation or by the passage of time.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

5. Income Taxes

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and, therefore, has made no provision for Federal income taxes in the accompanying financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the *Internal Revenue Code*.

The Corporation adopted ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently the 2017, 2018 and 2019 tax years are open and subject to examination by the Internal Revenue Service. However, the Corporation is not currently under audit nor has the Corporation been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

6. Contributions Receivable

Contributions receivable consist of contributions from various private businesses within the next year. Customer account balances with invoices dated over 90 days old are reviewed individually by management and determined whether or not the amounts are collectible. Payments of contributions receivable are allocated to the specific invoices identified on the customer’s remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Corporation uses the direct write-off method to determine uncollectible receivables. It is the opinion of the Corporation that the bad debt expense computed under this method is not materially different than it would have been if the allowance method were used. For each of the years ended December 31, 2020 and 2019, bad debt expense was \$0.

7. Revenue Recognition

Contributions received are recorded as with or without donor restrictions, depending on the existence of any donor restriction. 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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Revenue Recognition (Continued)

increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenue, expenses and other changes in net assets as net assets released from restrictions.

Effective January 1, 2019, the Corporation retrospectively changed its accounting method for revenue recognition as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. The revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. The effect of this change had no effect on the Corporation's financial statements.

8. Advertising and Marketing

The Corporation expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2020 and 2019, totaled \$333,502 and \$352,716 respectively.

9. Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include salaries, payroll taxes and benefits, advertising and marketing, dues and subscriptions, office expenses, office networking, printing and postage, and travel and entertainment, which are allocated on a basis of time and effort.

10. 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 and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Property and Equipment

Property and equipment are recorded at cost. Provisions for depreciation are made over the estimated useful lives of the respective assets, which generally range from 5 to 39 years, using the straight-line method. Depreciation expense for the years ended December 31, 2020 and 2019 was \$3,834 and \$2,310 respectively.

Upon retirement or disposition of equipment and fixtures, related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Corporation received no donated property or equipment during the years ended December 31, 2020 and 2019.

12. Subsequent Events

In March 2020 the Director General of the World Health Organization declared COVID-19 a pandemic. We are still assessing the impact COVID-19 may have on our business, but there can be no assurance that this analysis will enable us to avoid part or all of any impact from the spread of COVID-19 or its consequences, including downturns in business sentiment generally. The extent to which the COVID-19 pandemic and global efforts to contain its spread will impact our operations will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic.

The Corporation has evaluated subsequent events through May 17, 2021, which is the date the financial statements were available to be issued.

NOTE B – NET ASSETS

Net assets with donor restrictions are available for the following purpose as of December 31:

	<u>2020</u>	<u>2019</u>
Specific Purpose		
Health Workforce Development	\$ 69,800	\$ 43,000
Delaware Inclusive Tech Talent Pipeline	-	205,000
Total	<u>\$ 69,800</u>	<u>\$ 248,000</u>

NOTE B – NET ASSETS (CONTINUED)

Net assets without donor restrictions are available for the following purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 2,992,449	\$ 3,204,888
Total	<u>\$ 2,992,449</u>	<u>\$ 3,204,888</u>

NOTE C – LEASE COMMITMENTS

In August of 2019 the Corporation signed a lease to rent office space for a term of 24 months with monthly payments of \$7,642 for the first twelve months with a two percent increase for the remaining length of the lease. Prior to the Corporation signing this lease they were temporarily leasing office space from the Delaware State Chamber of Commerce, free of charge. Rent expense for the years ended December 31, 2020 and 2019, was \$91,465 and \$54,349 respectively.

Total minimum lease payments for the above lease are as follows for the years ended December 31:

2021	<u>\$ 62,359</u>
Total	<u>\$ 62,359</u>

NOTE D – COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various commitments and contingencies outstanding which are not reflected in these financial statements. In the opinion of management, the outcome of such events, if any, will not have a material effect on the Corporation's financial statements.

NOTE E – CONCENTRATIONS

The Corporation maintains cash balances at one financial institution located in Wilmington, Delaware. Under the general deposit insurance rules, the Federal Deposit Insurance Corporation insures all accounts up to \$250,000 per depositor. During 2019 the Corporation entered into the CDARS program to mitigate the risk of uninsured cash. The program opens certificates of deposit accounts using multiple different FDIC insured financial institutions, in order to allow the Corporation to invest large amounts of cash while still being covered by the \$250,000 insurance provided by the FDIC. For the years ended December 31, 2020 and 2019, there were no uninsured balances.

Other financial instruments that potentially subject the Corporation to concentrations of credit risk consist of contributions receivable. With respect to contributions receivable, concentrations of credit risk are limited due to the composition of the contributor base.

NOTE F – AVAILABILITY AND LIQUIDITY

The following represents the Corporation’s financial assets as of December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and Cash Equivalents	\$ 2,955,816	\$ 3,456,119
Contribution receivable	<u>170,000</u>	<u>120,043</u>
Total	3,125,816	3,576,162
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>69,800</u>	<u>248,000</u>
Total	<u>69,800</u>	<u>248,000</u>
Financial Assets available to meet general expenditure over the next twelve months	<u>\$ 3,056,016</u>	<u>\$ 3,328,162</u>