

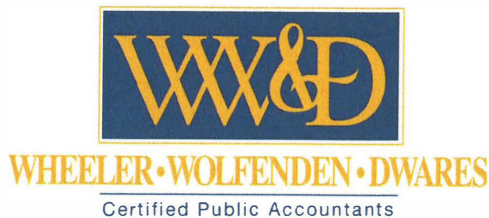
DELAWARE PROSPERITY PARTNERSHIP, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 Delaware Prosperity Partnership, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Delaware Prosperity Partnership, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Delaware Prosperity Partnership, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 auditor's 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 Delaware Prosperity Partnership, Inc. 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 Delaware Prosperity Partnership, Inc. 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.



May 23, 2022
Wilmington, Delaware

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,942,663	\$ 2,955,816
Contributions receivable	271,250	170,000
Prepaid expenses	<u>69,722</u>	<u>4,750</u>
Total current assets	3,283,635	3,130,566
PROPERTY AND EQUIPMENT		
Less: accumulated depreciation	<u>27,478</u>	<u>27,478</u>
	<u>(11,362)</u>	<u>(7,528)</u>
Total property and equipment – net	<u>16,116</u>	<u>19,950</u>
TOTAL ASSETS	<u>\$ 3,299,751</u>	<u>\$ 3,150,516</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 99,918	\$ 88,267
Accrued expenses	22,030	-
Agency fund	<u>45,000</u>	<u>-</u>
Total current liabilities	166,948	88,267
NET ASSETS		
Without Donor Restriction	3,069,091	2,992,449
With Donor Restrictions	<u>63,712</u>	<u>69,800</u>
Total net assets	<u>3,132,803</u>	<u>3,062,249</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,299,751</u>	<u>\$ 3,150,516</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, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 1,108,000	\$ 60,000	\$ 1,168,000
Grants	2,000,000	-	2,000,000
In-Kind revenue	6,000	-	6,000
Interest income	461	-	461
Net assets released from restrictions	66,088	(66,088)	-
Total revenue and other support	3,180,549	(6,088)	3,174,461
EXPENSES			
Program services	2,522,048	-	2,522,048
Management and general	442,214	-	442,214
Fundraising	139,645	-	139,645
Total expenses	3,103,907	-	3,103,907
Change in net assets	76,642	(6,088)	70,554
Net assets – beginning of year	2,992,449	69,800	3,062,249
Net assets – end of year	\$ 3,069,091	\$ 63,712	\$ 3,132,803

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

2020		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 584,000	\$ 50,000	\$ 634,000
2,000,000	-	2,000,000
5,500	-	5,500
10,951	-	10,951
<u>228,200</u>	<u>(228,200)</u>	<u>-</u>
2,828,651	(178,200)	2,650,451
2,391,235	-	2,391,235
468,593	-	468,593
<u>181,262</u>	<u>-</u>	<u>181,262</u>
<u>3,041,090</u>	<u>-</u>	<u>3,041,090</u>
(212,439)	(178,200)	(390,639)
<u>3,204,888</u>	<u>248,000</u>	<u>3,452,888</u>
<u>\$ 2,992,449</u>	<u>\$ 69,800</u>	<u>\$ 3,062,249</u>

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2021 and 2020

	2021			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,079,913	\$ 146,214	\$ 118,923	\$ 1,345,050
Payroll taxes and benefits	122,673	13,918	11,240	147,831
Total salaries and related expenses	1,202,586	160,132	130,163	1,492,881
Advertising and marketing	542,230	-	-	542,230
Bad debt	-	5,000	-	5,000
Bank fees	-	1,022	-	1,022
Business development	189,353	-	-	189,353
Consulting and temporary	101,383	-	-	101,383
Contractor expense	-	-	-	-
COVID Response	-	-	-	-
Dues and subscriptions	-	16,796	-	16,796
Economic research	88,130	-	-	88,130
Events	-	17,053	-	17,053
In-Kind expense	6,000	-	-	6,000
Innovation	114,621	-	-	114,621
Insurance	105,717	11,650	9,482	126,849
Maintenance	-	96	-	96
Meals	-	30	-	30
Office expense	-	4,589	-	4,589
Office networking	-	9,090	-	9,090
Parking	-	28,405	-	28,405
Printing and postage	-	5,114	-	5,114
Professional development	14,964	-	-	14,964
Professional fees	-	80,375	-	80,375
Rent	-	94,006	-	94,006
Talent	157,064	-	-	157,064
Taxes and licenses	-	25	-	25
Telephone and utilities	-	4,879	-	4,879
Travel	-	118	-	118
Total operating expenses	1,319,462	278,248	9,482	1,607,192
Depreciation	-	3,834	-	3,834
Total functional expenses	\$ 2,522,048	\$ 442,214	\$ 139,645	\$ 3,103,907

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

2020

	Program Services	Management and General	Fundraising	Total
\$	1,023,626	\$ 167,967	\$ 147,960	\$ 1,339,553
	109,694	17,840	15,569	143,103
	1,133,320	185,807	163,529	1,482,656
	330,100	-	3,402	333,502
	-	-	-	-
	-	670	-	670
	158,222	-	-	158,222
	259,524	-	-	259,524
	-	-	-	-
	-	29,261	-	29,261
	-	24,729	-	24,729
	164,609	-	-	164,609
	-	3,638	-	3,638
	-	-	-	-
	73,470	-	-	73,470
	99,667	26,211	14,331	140,209
	-	2,332	-	2,332
	-	-	-	-
	-	7,133	-	7,133
	-	4,056	-	4,056
	-	26,357	-	26,357
	-	1,336	-	1,336
	13,399	-	-	13,399
	-	55,334	-	55,334
	-	91,465	-	91,465
	158,924	-	-	158,924
	-	25	-	25
	-	6,241	-	6,241
	-	164	-	164
	1,257,915	278,952	17,733	1,554,600
	-	3,834	-	3,834
\$	<u>2,391,235</u>	<u>\$ 468,593</u>	<u>\$ 181,262</u>	<u>\$ 3,041,090</u>

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received	\$ 3,072,750	\$ 2,589,543
Cash paid to suppliers and employees	(3,086,364)	(3,100,797)
Interest received	<u>461</u>	<u>10,951</u>
Net cash utilized by operating activities	(13,153)	(500,303)
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net decrease in cash	(13,153)	(500,303)
Cash and cash equivalents – beginning of year	<u>2,955,816</u>	<u>3,456,119</u>
Cash and cash equivalents – end of year	<u>\$ 2,942,663</u>	<u>\$ 2,955,816</u>

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

DELAWARE PROSPERITY PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 2018, 2019 and 2020 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 the years ended December 31, 2021 and 2020, bad debt expense was \$5,000 and \$0, respectively.

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.

8. Advertising and Marketing

The Corporation expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2021 and 2020, totaled \$542,230 and \$333,502 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.

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 both years ended December 31, 2021 and 2020 was \$3,834.

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.

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

11. Property and Equipment (Continued)

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, 2021 and 2020.

12. Agency Funds

The Corporation received funds for a contest called “Startup 302”. The Corporation was assisting in administering the contest and therefore held funds on behalf of the Organization until the winners were announced. Subsequent to December 31, 2021 but prior to May 23, 2022 the winners were announced and funds distributed.

13. 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 23, 2022, 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>2021</u>	<u>2020</u>
Specific Purpose		
Health Workforce Development	\$ <u>63,712</u>	\$ <u>69,800</u>
Total	\$ <u><u>63,712</u></u>	\$ <u><u>69,800</u></u>

NOTE B – NET ASSETS – (CONTINUED)

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 3,069,091	\$ 2,992,449
Total	<u>\$ 3,069,091</u>	<u>\$ 2,992,449</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. In December of 2021 the Corporation signed a lease to rent office space for a term of 36 months with monthly payments of \$8,029 with the same two percent increase after each successive year. Rent expense for the years ended December 31, 2021 and 2020, was \$94,006 and \$91,465 respectively.

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

2022	\$ 96,348
2023	99,240
2024	<u>102,216</u>
Total	<u>\$ 297,804</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. At times, balances may exceed federally insured limits, although management believes the risk of loss in these situations to be remote. 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. The uninsured cash balances for the years ended December 31, 2021 and 2020, were \$73,002 and \$0 respectively.

NOTE E – CONCENTRATIONS – (CONTINUED)

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>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and Cash Equivalents	\$ 2,942,663	\$ 2,955,816
Contribution receivable	<u>271,250</u>	<u>170,000</u>
Total	3,213,913	3,125,816
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>63,712</u>	<u>69,800</u>
Total	<u>63,712</u>	<u>69,800</u>
Financial Assets available to meet general expenditure over the next twelve months	<u>\$ 3,150,201</u>	<u>\$ 3,056,016</u>