

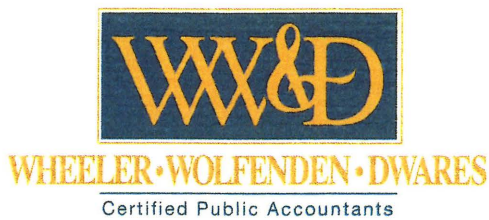
DELAWARE PROSPERITY PARTNERSHIP, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

## CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF FUNCTIONAL EXPENSES	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



## 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 statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2018 and for the period from inception August 15, 2017 to December 31, 2017, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the 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, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended December 31, 2018 and for the period of inception August 15, 2017 to December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.



---

May 13, 2019  
Wilmington, Delaware

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,639,086	\$ 804,914
Contributions receivable	124,000	375,000
Prepaid expenses	<u>29,400</u>	<u>-</u>
Total current assets	2,792,486	1,179,914
PROPERTY AND EQUIPMENT		
Less: accumulated depreciation	<u>10,857</u>	<u>-</u>
	(1,384)	-
Total property and equipment – net	<u>9,473</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,801,959</u>	<u>\$ 1,179,914</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 72,848	\$ 102,779
Payroll taxes payable	<u>11,557</u>	<u>-</u>
Total current liabilities	84,405	102,779
NET ASSETS		
Without Donor Restriction	2,667,554	1,027,135
With Donor Restrictions	<u>50,000</u>	<u>50,000</u>
Total net assets	<u>2,717,554</u>	<u>1,077,135</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,801,959</u>	<u>\$ 1,179,914</u>

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

## STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2018 and for the period of inception August 15, 2017 to December 31, 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Contributions	\$ 999,000	\$ -	\$ 999,000
Grants	2,000,000	-	2,000,000
In-Kind Revenue	58,825	-	58,825
Interest income	397	-	397
	3,058,222	-	3,058,222
<b>EXPENSES</b>			
Program services	1,073,541	-	1,073,541
Management and general	237,987	-	237,987
Fundraising	106,275	-	106,275
	1,417,803	-	1,417,803
Change in net assets	1,640,419	-	1,640,419
Net assets – beginning of year	1,027,135	50,000	1,077,135
Net assets – end of year	\$ 2,667,554	\$ 50,000	\$ 2,717,554

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,257,300	\$ 50,000	\$ 1,307,300
-	-	-
-	-	-
-	-	-
<u>1,257,300</u>	<u>50,000</u>	<u>1,307,300</u>
171,406	-	171,406
28,568	-	28,568
30,191	-	30,191
<u>230,165</u>	<u>-</u>	<u>230,165</u>
1,027,135	50,000	1,077,135
-	-	-
<u>\$ 1,027,135</u>	<u>\$ 50,000</u>	<u>\$ 1,077,135</u>

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018 and for the period of inception August 15, 2017 to December 31, 2017

	2018			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 417,926	\$ 64,995	\$ 27,552	\$ 510,473
Payroll taxes and benefits	27,464	23,195	1,675	52,334
Total salaries and related expenses	445,390	88,190	29,227	562,807
Advertising and marketing	229,787	12,909	15,491	258,187
Bank fees	-	114	-	114
Business development	38,895	4,322	-	43,217
Consulting and temporary	116,604	-	-	116,604
Contractor expense	146,178	-	-	146,178
Dues and subscriptions	1,269	50	23,439	24,758
Economic research	20,431	-	-	20,431
Events	-	6,665	-	6,665
In-Kind expense	-	58,825	-	58,825
Innovation	57,606	-	-	57,606
Insurance	-	2,809	-	2,809
Interest	-	235	-	235
Maintenance	-	1,497	-	1,497
Meals	-	-	2,649	2,649
Office expense	433	1,298	22,421	24,152
Office networking	7,907	2,433	1,825	12,165
Parking	-	-	10,957	10,957
Printing and postage	144	41	21	206
Professional development	4,729	1,576	-	6,305
Professional fees	-	47,626	-	47,626
Rent	-	5,497	-	5,497
Taxes and licenses	-	799	-	799
Telephone and utilities	-	1,227	-	1,227
Travel	4,168	490	245	4,903
Total operating expenses	628,151	148,413	77,048	853,612
Depreciation	-	1,384	-	1,384
Total functional expenses	\$ 1,073,541	\$ 237,987	\$ 106,275	\$ 1,417,803

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



2017

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 26,400	\$ 4,400	\$ 13,200	\$ 44,000
2,054	342	1,028	3,424
<u>28,454</u>	<u>4,742</u>	<u>14,228</u>	<u>47,424</u>
-	-	-	-
-	133	-	133
-	-	-	-
141,000	15,000	15,000	171,000
-	-	-	-
1,269	50	-	1,319
-	-	-	-
-	-	-	-
-	-	125	125
219	220	220	659
-	-	-	-
-	-	-	-
-	-	-	-
433	1,298	433	2,164
-	-	-	-
-	-	-	-
-	-	-	-
31	6,445	15	6,491
-	-	-	-
-	680	170	850
-	-	-	-
-	-	-	-
<u>142,952</u>	<u>23,826</u>	<u>15,963</u>	<u>182,741</u>
-	-	-	-
<u>\$ 171,406</u>	<u>\$ 28,568</u>	<u>\$ 30,191</u>	<u>\$ 230,165</u>

DELAWARE PROSPERITY PARTNERSHIP, INC.

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2018 and for the period of inception August 15, 2017 to December 31, 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received	\$ 3,368,047	\$ 932,300
Cash paid to suppliers and employees	(1,522,783)	(127,386)
Interest paid	<u>(235)</u>	<u>-</u>
Net cash provided by operating activities	1,845,029	804,914
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(10,857)</u>	<u>-</u>
Net cash utilized by investing activities	<u>(10,857)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>-</u>	<u>-</u>
Net increase in cash	1,834,172	804,914
Cash and cash equivalents – beginning of year	<u>804,914</u>	<u>-</u>
Cash and cash equivalents – end of year	<u>\$ 2,639,086</u>	<u>\$ 804,914</u>

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

DELAWARE PROSPERITY PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 tax year is 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 receivable 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 year ended December 31, 2018 and for the period of inception August 15, 2017 to December 31, 2017, bad debt expense was \$0.

5. Revenue Recognition

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

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

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. 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.

7. Advertising and Marketing

The Corporation expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2018 totaled \$258,187. There was no advertising expense for the period of inception August 15, 2017 to December 31, 2017.

8. 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.

9. 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.

10. 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 year ended December 31, 2018 was \$1,384 and for the period of inception August 15, 2017 to December 31, 2017 was \$0.

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

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 year ended December 31, 2018 and 2017.

11. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

12. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understanding of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment returns. The Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

13. Subsequent Events

The Corporation has evaluated subsequent events through May 13, 2019, 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>2018</u>	<u>2017</u>
Specific Purpose		
Health Workforce Development	\$ 50,000	\$ 50,000
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>

#### NOTE B – NET ASSETS (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
Undesignated	\$ <u>2,667,554</u>	\$ <u>1,027,135</u>
Total	\$ <u><u>2,667,554</u></u>	\$ <u><u>1,027,135</u></u>

#### NOTE C – LEASE COMMITMENTS

The Corporation is temporarily leasing office space from the Delaware State Chamber of Commerce, free of charge. They are currently in negotiations to formalize a lease agreement at which time they will be responsible for paying rent. The amount of contributed space for the years ended December 31, 2018 and 2017 has not been determined to be material to the financial statements and has not been included.

#### 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. As of December 31, 2018 and 2017, the uninsured balance totaled \$2,389,086 and \$554,914 respectively. Subsequent to December 31, 2018 and prior to May 13, 2019 the Corporation has entered into the CEDARS program to mitigate the risk of uninsured cash.

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>2018</u>	<u>2017</u>
Financial assets at year end		
Cash and Cash Equivalents	\$ <u>2,639,086</u>	\$ <u>804,914</u>
Total	<u>2,639,086</u>	<u>804,914</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>50,000</u>	<u>50,000</u>
Total	<u>50,000</u>	<u>50,000</u>
Financial Assets available to meet general expenditure over the next twelve months	\$ <u><u>2,589,086</u></u>	\$ <u><u>754,914</u></u>