



Denver College Success Corporation dba Prosperity Denver Fund

Financial Statements

As of September 30, 2020 and September 30, 2019
and for the Year Ended September 30, 2020 and the
Period from Inception (February 25, 2019) to
September 30, 2019

**Denver College Success Corporation
dba Prosperity Denver Fund**

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Independent Auditor's Report

Board of Directors
Denver College Success Corporation,
dba Prosperity Denver Fund
Denver, Colorado

We have audited the accompanying financial statements of Denver College Success Corporation dba Prosperity Denver Fund which comprise the statement of financial position as of September 30, 2020 and the related statements of activities, cash flows, and functional expenses for the year 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

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 Denver College Success Corporation dba Prosperity Denver Fund as of September 30, 2020 and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Prior Period Financial Statements

The financial statements of Denver College Success Corporation dba Prosperity Denver Fund as of and for the period from inception (February 25, 2019) to September 30, 2019 were audited by ACM LLP, whose partners and professional staff joined BDO USA, LLP as of August 1, 2020, and has subsequently ceased operations. ACM LLP expressed an unmodified opinion on those statements in their report dated April 27, 2020.

Emphasis of Matter

The COVID-19 outbreak in 2020 (see Note 7) has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

BDO USA, LLP

February 9, 2021

**Denver College Success Corporation
dba Prosperity Denver Fund**

Statements of Financial Position

<i>September 30,</i>	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,821,846	\$ 1,575
Sales tax grant receivable	-	8,883,460
Investments	5,120,853	-
Prepaid expenses and other current assets	6,303	1,381
Total current assets	14,949,002	8,886,416
Property and equipment, net	2,133	-
Total assets	\$ 14,951,135	\$ 8,886,416
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 22,965	\$ 57,121
Grant funds refundable to the City	567,161	-
Grants payable	5,266,751	-
Line of credit	-	16,000
Total current liabilities	5,856,877	73,121
Total liabilities	5,856,877	73,121
Commitments and contingencies		
Net assets		
Without donor restrictions	1,334,876	818,181
With donor restrictions	7,759,382	7,995,114
Total net assets	9,094,258	8,813,295
Total liabilities and net assets	\$ 14,951,135	\$ 8,886,416

See accompanying notes to the financial statements.

**Denver College Success Corporation
dba Prosperity Denver Fund**

Statements of Activities

	Net Assets without donor restrictions	Net Assets with donor restrictions	For the Year Ended September 30, 2020	Net Assets without donor restrictions	Net Assets with donor restrictions	Period from Inception (February 25, 2019) to September 30, 2019
Revenue:						
Sales tax grant revenue	\$ 1,108,173	\$ 9,973,557	\$ 11,081,730	\$ 888,346	\$ 7,995,114	\$ 8,883,460
Investment revenue	9,123	82,108	91,231	-	-	-
Net assets released from restriction	10,291,397	(10,291,397)	-	-	-	-
Total revenue	11,408,693	(235,732)	11,172,961	888,346	7,995,114	8,883,460
Expenses						
Program expenses	10,291,397	-	10,291,397	-	-	-
General and administrative expenses	600,601	-	600,601	70,165	-	70,165
Total expenses	10,891,998	-	10,891,998	70,165	-	70,165
Change in net assets	516,695	(235,732)	280,963	818,181	7,995,114	8,813,295
Net assets - beginning of period	818,181	7,995,114	8,813,295	-	-	-
Net assets - end of period	\$ 1,334,876	\$ 7,759,382	\$ 9,094,258	\$ 818,181	\$ 7,995,114	\$ 8,813,295

See accompanying notes to the financial statements.

**Denver College Success Corporation
dba Prosperity Denver Fund**

Statements of Cash Flows

	For the Year Ended September 30, 2020	For the Period from Inception (February 25, 2019) to September 30, 2019
Cash flows from operating activities		
Change in net assets	\$ 280,963	\$ 8,813,295
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Increase in operating assets:		
Sales tax grant receivable	8,883,460	(8,883,460)
Prepaid expenses	(4,922)	(1,381)
Increase in operating liabilities:		
Accounts payable	(34,156)	57,121
Grant funds refundable to the City	567,161	-
Grants payable	5,266,751	-
Net cash flows from operating activities	14,959,257	(14,425)
Cash flows from investing activities:		
Purchases of equipment	(2,133)	-
Purchases of investments	(5,120,853)	-
Net cash flows from investing activities	(5,122,986)	-
Cash flows from financing activities:		
Principal payments on line of credit	(16,000)	-
Proceeds from line of credit	-	16,000
Net cash flows from financing activities	(16,000)	16,000
Net increase in cash and cash equivalents	9,820,271	1,575
Cash and cash equivalents, beginning of period	1,575	-
Cash and cash equivalents, end of period	\$ 9,821,846	\$ 1,575

See accompanying notes to the financial statements.

**Denver College Success Corporation
dba Prosperity Denver Fund**

Statements of Functional Expenses

<i>For the Year Ended September 30, 2020</i>	Program Services	General & Administrative	Total
Salaries	\$ -	\$ 27,692	\$ 27,692
Taxes	-	2,121	2,121
Benefits	-	2,055	2,055
Payroll and related expenses	-	31,868	31,868
Scholarship grants	10,291,397	-	10,291,397
Consulting fees	-	436,647	436,647
Legal fees	-	48,644	48,644
Other professional fees	-	61,879	61,879
Insurance	-	14,870	14,870
Other expenses	-	6,693	6,693
Total expenses	\$ 10,291,397	\$ 600,601	\$ 10,891,998

<i>For the Period from Inception (February 25, 2019) to September 30, 2019</i>	Program Services	General & Administrative	Total
Consulting fees	\$ -	\$ 26,438	\$ 26,438
Legal fees	-	40,712	40,712
Insurance	-	945	945
Website	-	1,180	1,180
Meals and entertainment	-	791	791
Interest	-	99	99
Total expenses	\$ -	\$ 70,165	\$ 70,165

See accompanying notes to the financial statements.

Denver College Success Corporation dba Prosperity Denver Fund

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

The Denver College Success Corporation dba Prosperity Denver Fund (the “Organization”) is a nonprofit organization incorporated in the State of Colorado on February 25, 2019. The Organization was formed as a result of an ordinance approved on November 6, 2018, by the electors of the City and County of Denver (the “City”). The ordinance provided for a sales and use tax increase of .08 percentage points (the “Tax”), for the purpose of increasing post-secondary institution enrollment and completion for Denver residents by expanding the capacity of scholarship-granting nonprofit organizations to support scholarship recipients.

The sole specific purpose of the Organization is to administer the Denver College Affordability Fund (the “Fund”) in accordance with Article IV, Chapter 11, Denver Revised Municipal Code, as amended, and in accordance with the agreement for administration of the Fund entered into by and between the Organization and the City.

Basis of Accounting and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting and, accordingly, reflect receivables, payables, and other liabilities. The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”) that are followed to ensure the financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as the ASC.

ASC 958-205 *Not-for-Profit Entities - Presentation of Financial Statements* requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, depending on the existence or nature of donor-imposed restrictions.

Cash and Cash Equivalents

Management considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value Measurements

The Organization follows ASC 820, *Fair Value Measurements and Disclosures* to determine the fair value of all assets and liabilities required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability, i.e., the “exit price,” in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities;

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- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data;
- Level 3 - Unobservable inputs are used when little or no market data is available.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Fixed income securities are valued at principal plus accrued interest, which approximates fair value due to the short-term nature of these investments, one year or less. These are considered Level 2 investments.

Sales Tax Grant Revenue and Receivable

Monthly distributions by the City to the Organization under the contract are made, based upon estimated tax receipts, as further described in Note 4, to the extent the same have been appropriated, paid into the City Treasury, and encumbered, at the rate of one-twelfth of the estimated annual total during each month of each calendar year. At the end of each fiscal year, an adjustment is made for actual tax receipts. During the year ended September 30, 2020, there was an adjustment due back to the City of \$567,161 recorded in grant funds refundable to the City in the statement of financial position. During 2019, the adjusted amount due under the contract to the Organization was \$8,883,460. At September 30, 2019, the Organization had determined an allowance for an uncollectable amount was unnecessary based on the nature of the balance.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. All expenses other than scholarship grants are attributable to the Organization's general and administrative functions. Scholarship grants are attributable to program expenses.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and is classified as an organization other than a private foundation under Section 509(a)(1). Income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended September 30, 2020 or 2019.

The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in these financial statements. The Organization is not subject to U.S. federal, or state and local income tax examinations by tax authorities for years before 2019.

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Notes to the Financial Statements

Concentrations of Credit Risks

The Organization manages cash deposit concentration risk by placing temporary cash and money market accounts with a financial institution considered to be high quality and credit-worthy. At times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. There were no cash and cash equivalents balances that were uninsured as of September 30, 2019. The Organization had approximately \$9,572,000 on deposit in excess of federally insured limits at September 30, 2020.

Investments are subject to market risk, which is the risk that the value of the investment will decrease due to the fluctuations in security prices. Fluctuations can be caused by changes in interest rates, market dynamics, and other factors outside the Organization's control.

During the year ended September 30, 2020 and the period from inception (February 25, 2019) to September 30, 2019, 100% of grant revenue was awarded by the City.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Organization's 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, and such differences could be material.

2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year are as follows:

<i>September 30,</i>	2020	2019
Cash and cash equivalents	\$ 9,821,846	\$ 1,575
Sales tax grant receivable	-	8,883,460
Investments	5,120,853	-
Less donor restricted funds	(7,759,382)	(7,995,114)
Financial assets available to meet general expenditures over the next year	\$ 7,183,317	\$ 889,921

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses. The Organization maintains adequate cash reserves to meet this requirement. Additionally, as further described in Note 7, the COVID-19 outbreak adds uncertainty as to the impact on the Organization's future funding.

3. Investments

Investments are valued at their fair values in the statement of financial position using inputs with observable market prices. Unrealized gains and losses are included in net investment return in the statement of activities. Investments consist of fixed income securities of \$5,120,853 as of September 30, 2020, which are considered Level 2 investments. There were no investments held as of September 30, 2019. Investment income consisted of interest totaling \$91,231 for the year ended September 30, 2020.

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4. City of Denver Contract

The Organization entered into a contract with a one year term beginning July 1, 2019, subject to unilateral options of the City to renew for eleven additional one year periods up to a conclusive termination date which shall be the date the Organization has expended all of the distributions received under the agreement and has reported to the City with respect to such distributions in accordance with the contract, which options shall be exercised by the action of the city council in appropriating distributions of the receipts from the Tax. In the event that such appropriation is not made for a future fiscal year, the City will be deemed to have thereby failed to exercise its option to renew the contract for any additional period. The City shall notify the Organization on or about August 1 of each year if the City does not intend to seek an appropriation of funds for the purposes of the agreement.

Monthly distributions by the City to the Organization under the contract shall be made, based upon estimated Tax receipts, to the extent the same have been appropriated, paid into the City Treasury, and encumbered, at the rate of one-twelfth of the estimated annual total during each month of each calendar year.

The contract allows for 95% program expenditures and 5% administrative expenditures which are tracked by fund. At least 95% of the grant revenue received under the City contract in any year shall be used only for grants to scholarship organizations in accordance with the requirements of section 11-34 of the Denver Revised Municipal Code, except that in the first year of the Organization's existence only 90% of tax revenue received is required to be used for such purposes. The remaining grant revenue received may be spent on administrative expenses, including salaries and office expenses related to any of the Organization's staff or employees; any fees or expenses paid to third-party contractors or consultants to assist in the development of the Fund, expenses associated with measurement of the performance of the program and scholarship recipients; the preparation of reports to city officials and to the public on the performance of the program; expenses reimbursed to members of the board of directors, routine business expenses such as insurance, accounting and legal expenses; and any similar overhead expenses incurred by the Organization. In the event that, due to differences between projected and actual Tax revenue or another unplanned and unexpected cause, the Organization exceeds its limit on administrative expenses in any year, the Organization will reduce administrative expenses in the subsequent year to bring total administrative expenses over the two-year period within the limit. As of September 30, 2020 and 2019, there was a balance of \$1,334,876 and \$818,181 in the administrative fund and \$7,759,382 and \$7,995,114 program fund, respectively.

5. Line of Credit

The Organization had a line of credit with a bank for \$50,000, which matured in November 2019 and required monthly payments of interest with the outstanding balance of principal due upon maturity. The line of credit accrued interest at the prime rate, resulting in a rate of 5.00% at September 30, 2019. The balance as of September 30, 2019 was \$16,000 and was repaid on October 18, 2019 and was not renewed.

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Notes to the Financial Statements

6. Net Assets with Donor Restrictions

As of and during the years ended September 30, 2020 and 2019, net assets with donor restrictions are restricted and released for grants to scholarship organizations who support eligible scholarship recipients.

7. Risks and Uncertainties

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

As a result of the spread of the COVID-19, economic uncertainties have risen which could have a negative financial impact on the tax and grant funding from the City, including a decrease in consumer spending, as a result of the statewide stay-at-home order.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

8. Subsequent Events

The Organization has evaluated subsequent events through February 9, 2021, the date which these financial statements were available to be issued. Subsequent to fiscal year end, the Organization amended its articles of incorporation to change the entity's name from Denver College Success Corporation to Prosperity Denver Fund. There were no other events requiring adjustment or disclosure.