Prosperity Denver Fund

Financial Statements

September 30, 2022

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Montoya, P.C.
Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

Board of Directors
Prosperity Denver Fund

Opinion
We have audited the accompanying financial statements of Prosperity Denver Fund, which comprise the statement of financial position as of September 30, 2022, 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 Prosperity Denver Fund as of September 30, 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prosperity Denver Fund 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 Prosperity Denver Fund's 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.

Board of Directors
Prosperity Denver Fund

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 Prosperity Denver Fund’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 Prosperity Denver Fund'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 Prosperity Denver Fund’s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Montoya, P.C.

December 12, 2022

Prosperity Denver Fund
Statement of Financial Position
September 30, 2022
(With Summarized Comparative Information for 2021)

	2022	2021
Assets		
Cash and cash equivalents	$ 29,336,987	20,184,617
Prepaid expenses and other assets	643	12,137
Computer equipment, net	2,168	2,926
Total assets	$ 29,339,798	20,199,680
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 58,086	15,922
Grants payable (note 1(h))	5,363,479	5,091,861
Total liabilities	5,421,565	5,107,783
Net assets		
Net assets without donor restrictions	23,918,233	15,091,897
Total net assets	23,918,233	15,091,897
Commitments (notes 3 and 4)		
Total liabilities and net assets	$ 29,339,798	20,199,680

See the accompanying notes to the financial statements.

Prosperity Denver Fund

Statement of Activities

Year Ended September 30, 2022

(With Summarized Comparative Information for 2021)

		2022	2021
Support and revenue			
Sales tax grant revenue	$	14,497,201	11,944,168
Interest income		125,251	80,600
Total support and revenue		14,622,452	12,024,768
Expenses			
Program services		5,136,350	5,465,832
Management and general		659,766	561,297
Total expenses		5,796,116	6,027,129
Change in net assets		8,826,336	5,997,639
Net assets at beginning of year		15,091,897	9,094,258
Net assets at end of year	$	23,918,233	15,091,897

See the accompanying notes to the financial statements.

Prosperity Denver Fund

Statement of Functional Expenses
Year Ended September 30, 2022
(With Summarized Comparative Information for 2021)

	2022			
	Program services	Management and general	Total expenses	2021 Total
Scholarship grants	$ 5,136,350	–	5,136,350	5,465,832
Personnel costs	–	329,257	329,257	279,119
Consulting fees	–	214,931	214,931	131,285
Legal fees	–	30,030	30,030	36,172
Other professional fees	–	39,389	39,389	43,833
Insurance	–	14,772	14,772	10,304
Depreciation	–	758	758	865
Other expenses	–	30,629	30,629	59,719
Total expenses	$ 5,136,350	659,766	5,796,116	6,027,129

See the accompanying notes to the financial statements.

Prosperity Denver Fund
Statement of Cash Flows
Year Ended September 30, 2022
(With Summarized Comparative Information for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 8,826,336	5,997,639
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	758	865
Changes in operating assets and liabilities		
Prepaid expenses and other assets	11,494	(5,834)
Accounts payable and accrued expenses	42,164	(7,043)
Grant funds refundable to the City	–	(567,161)
Grants payable	271,618	(174,890)
Net cash provided by operating activities	9,152,370	5,243,576
Cash flows from investing activities		
Purchases of computer equipment	–	(1,658)
Net cash used in investing activities	–	(1,658)
Net increase in cash and cash equivalents	9,152,370	5,241,918
Cash and cash equivalents, beginning of year	20,184,617	14,942,699
Cash and cash equivalents, end of year	$ 29,336,987	20,184,617

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Prosperity Denver Fund (the Organization), formerly Denver College Success Corporation, was incorporated in the State of Colorado in February 2019. The sole 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 and County of Denver (the City). As a result, all revenue is reported as without donor restrictions.

The Organization is funded by a 0.08 percent sales and use tax (the tax) approved by City citizens in 2018. The tax is dedicated to partial reimbursement to eligible not-for-profit organizations for college scholarships and wrap around support services.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

(c) Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classes:

Net assets without donor restrictions: Net assets are not subject to donor restrictions when funds are received for the broad limits that result from the nature of the Organization, the environment in which it operates, and the purpose described in its articles of incorporation and bylaws.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors that are more restrictive in nature than the general purpose of the Organization. During the year ended September 30, 2022, the Organization did not have any net assets with donor restrictions.

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(e) Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. At September 30, 2022, a significant portion of the cash funds are in excess of amounts insured by the FDIC.

During the year ended September 30, 2022, all grant revenue was received from the City. A decrease in City funding could have a significant impact on the Organization’s operations.

(1) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition

Sales tax grant revenue is recognized monthly as received and recorded as net assets without donor restrictions.

(g) Functional Allocation of Expenses

The costs of providing program and administrative services have been summarized on a functional basis in the accompanying statement of functional expenses. All expenses other than scholarship grants are attributable to the Organization's management and general functions, as defined by the City agreement. Scholarship grants are reported as program expenses.

(h) Scholarship Grants and Grants Payable

Scholarship grants are awarded to eligible nonprofit organizations that provide wrap-around services and post-secondary education scholarships to individuals. These grants are made on a partial-reimbursement basis.

At September 30, 2022, grants payable totaling $5,363,479 represent reimbursement requests from partner organizations related to the previous academic year. These grants were subsequently approved for disbursement by the Board of Directors in November 2022.

(i) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(j) Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There were no unrelated business activities in 2022.

The Organization is required to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Organization has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The three previous tax years remain subject to examination by the IRS.

(1) Summary of Significant Accounting Policies, Continued

(k) Subsequent Events

The Organization has evaluated subsequent events through December 12, 2022, the date the financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

At September 30, 2022, the Organization's financial assets available for general expenditures within one year consist of cash and cash equivalents totaling $29,336,987. General expenditures include scholarship grants and all management and general expenditures. See note 3 regarding contractual limitations on spending imposed by the City. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

(3) City and County of Denver Contract

Effective July 1, 2019, the Organization entered into a contract with the City to administer the Fund. The contract renews annually through July 2031. Monthly distributions by the City are based upon estimated annual tax receipts for the calendar year and paid to the Organization equally over twelve months. In May or June of the following year, an adjustment is made by the City for actual tax receipts collected during the calendar year which may result in a repayment owed by the Organization, or an additional payment paid to the Organization. During the year ended September 30, 2022, the City made an additional payment totaling $1,670,000 to the Organization which is included in sales tax grant revenue in the year which is it received.

The contract stipulates that 95% of the grant revenue must be used for grants to scholarship organizations, which are reported on the statement of activities as program services, and 5% may be used for administrative expenditures, which are reported on the statement of activities as management and general expenses. In the event that, due to differences between projected and actual tax revenue, the Organization exceeds its limit on administrative expenses in any given year, the Organization will reduce expenses in the following year to bring total administrative expenses over the two-year period within the limit.

At September 30, 2022, the Organization has $1,449,429 unspent administrative funds available to be spent in future years.

(4) Retirement Plan

The Organization has a defined contribution plan (the Plan) that covers all employees who work at least twenty hours per week. Eligible employees may participate in the Plan upon date of hire. The Organization may make discretionary contributions to all employees who are twenty-one years or older and who have at least six months of service. The discretionary contribution is 25% vested after one year of service, 50% vested after two years of service, 75% vested after three years of service, and 100% vested after four years of service. During September 30, 2022, the Organization made a discretionary contribution of 6% of employee compensation, which totaled $16,827, to the Plan.