

DENVER PRESCHOOL PROGRAM, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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To the Board of Directors
Denver Preschool Program, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Denver Preschool Program, Inc. (a Colorado nonprofit corporation), which comprise of the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Managements' 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 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 Preschool Program, Inc. as of December 31, 2019, and the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "GC2 Professional Services P.C." The signature is written in a cursive, flowing style.

GC2 PROFESSIONAL SERVICES PC
Certified Public Accountants

Aurora, Colorado
February 18, 2020

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL ALL
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 24,278,832	\$ -	\$ 24,278,832
RECEIVABLES	4,144	-	4,144
PREPAID EXPENSES	55,828	-	55,828
FIXED ASSETS, at cost, net	399,688	-	399,688
RIGHT TO USE ASSETS - Operating Leases	<u>186,208</u>	<u>-</u>	<u>186,208</u>
TOTAL ASSETS	<u>\$ 24,924,700</u>	<u>\$ -</u>	<u>\$ 24,924,700</u>
LIABILITIES AND NET ASSETS			
ACCOUNTS PAYABLE	\$ 5,078,689	\$ -	\$ 5,078,689
ACCRUED EXPENSES	18,880	-	18,880
OPERATING LEASE LIABILITY	<u>186,208</u>	<u>-</u>	<u>186,208</u>
	<u>5,283,777</u>	<u>-</u>	<u>5,283,777</u>
NET ASSETS			
Undesignated	1,733,056	-	1,733,056
Board designated	<u>17,907,867</u>	<u>-</u>	<u>17,907,867</u>
	<u>19,640,923</u>	<u>-</u>	<u>19,640,923</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 24,924,700</u>	<u>\$ -</u>	<u>\$ 24,924,700</u>

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL ALL
Support and Revenue			
Government contract revenue	\$ -	\$ 24,115,813	\$ 24,115,813
Public support	294	-	294
Investment income, net	114,535	-	114,535
Net assets released from restrictions	<u>24,115,813</u>	<u>(24,115,813)</u>	<u>-</u>
Total support and revenue	<u>24,230,642</u>	<u>-</u>	<u>24,230,642</u>
Expenses			
Program	24,508,377	-	24,508,377
General & administration	<u>1,072,831</u>	<u>-</u>	<u>1,072,831</u>
Total expenses	<u>25,581,208</u>	<u>-</u>	<u>25,581,208</u>
CHANGES IN NET ASSETS	(1,350,566)	-	(1,350,566)
NET ASSETS, beginning	<u>20,991,489</u>	<u>-</u>	<u>20,991,489</u>
NET ASSETS, ending	<u>\$ 19,640,923</u>	<u>\$ -</u>	<u>\$ 19,640,923</u>

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL ALL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ (1,350,566)	\$ -	\$ (1,350,566)
Adjustments to reconcile net cash provided by operating activities:			
Depreciation	119,546	-	119,546
Change in certain assets and liabilities	<u>766,144</u>	<u>-</u>	<u>766,144</u>
Cash flows from operating activities	<u>(464,876)</u>	<u>-</u>	<u>(464,876)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Fixed assets addition	<u>(3,290)</u>	<u>-</u>	<u>(3,290)</u>
	<u>(3,290)</u>	<u>-</u>	<u>(3,290)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
None	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	<u>(468,166)</u>	<u>-</u>	<u>(468,166)</u>
CASH, beginning	<u>24,746,998</u>	<u>-</u>	<u>24,746,998</u>
CASH, ending	<u>\$ 24,278,832</u>	<u>\$ -</u>	<u>\$ 24,278,832</u>

Ending cash will be applied to future programming and general & administration costs.

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	GENERAL & ADMINISTRATION	PROGRAM	TOTAL
Parent tuition credit	\$ -	\$ 17,797,770	\$ 17,797,770
Quality improvement*	-	3,303,352	3,303,352
Community outreach	-	1,538,417	1,538,417
Evaluation	-	1,117,780	1,117,780
Parent eligibility	-	701,391	701,391
Salaries	491,002	-	491,002
Professional fees	147,446	10,400	157,846
Depreciation	119,546	-	119,546
Employee benefits	74,641	-	74,641
Rent and utilities	62,863	-	62,863
Outside services	-	39,267	39,267
Taxes, payroll	35,623	-	35,623
Hiring and annual review	33,964	-	33,964
Training, books & subscriptions	26,737	-	26,737
Insurance	17,295	-	17,295
Meetings	15,024	-	15,024
Supplies	11,215	-	11,215
Computer expense - in house	10,735	-	10,735
Equipment expense	10,703	-	10,703
Telephone, telecommunications	6,731	-	6,731
Automobile expenses	4,798	-	4,798
Printing and copying	1,803	-	1,803
Payroll processing	1,660	-	1,660
Postage, mailing service	1,045	-	1,045
	\$ 1,072,831	\$ 24,508,377	\$ 25,581,208
	\$ 1,072,831	\$ 24,508,377	\$ 25,581,208

* Quality improvement consists of two components: quality rating for providers and quality improvement grants that include coaching, coursework, professional development, classroom materials and scholarships.

-The Accompanying Notes Are An Integral Part Of These Financial Statements-

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

The Denver Preschool Program, Inc. (“DPP”) is a Colorado Non-Profit corporation. DPP is organized and operated as a tax-exempt charitable organization within the meaning of Internal Revenue Code Section 501(c)(3). The purpose of DPP is to administer the Denver Preschool Program as defined in Article III of Chapter 11, Denver Revised Municipal Code, as amended, and in accordance with any agreement for administration of the Denver Preschool Program entered into by and between DPP and the City and County of Denver. DPP is providing tuition credits for children of Denver families the year before the child is eligible for kindergarten. The family may use the tuition credit with any preschool provider who is licensed by the State of Colorado and has a contract with DPP, regardless of where the provider is located. DPP may also provide grants to assist the child care provider in increasing the quality of their programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLOWANCE FOR BAD DEBTS - The Organization uses the allowance method for bad debts. Under this method, an estimation of the uncollectible portion of receivables is offset against the receivable. As accounts are determined to be uncollectible, the receivable and the allowance account are reduced.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Accounting Standards Codification (“ASC”) as found in ASC 958.” Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

1. **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of DPP’s management and the Board of Directors.
2. **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of DPP or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities

CASH AND CASH EQUIVALENTS – For purposes of cash flows, DPP considers all demand deposits and money market accounts as cash and cash equivalents.

CONTRIBUTIONS – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of services are recognized only if the services received either (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

In-kind contributions are recorded as revenue and expense at their estimated fair value at the date of donation. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose.

EXPENSE ALLOCATION – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. For the year ended December 31, 2019, all costs were recorded either as program costs or general & administration costs.

PROPERTY AND EQUIPMENT - Amounts capitalized as property and equipment, including additions and improvements to existing assets, are recorded at cost. Fixed assets are depreciated using the straight-line method over 3 to 7 years.

Maintenance cost and repairs are expensed when incurred; renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the respective costs and accumulated depreciation are removed from the accounts. The resulting gain or loss is included in the statement of activities, except for non-monetary exchanges in which the basis of the asset acquired is adjusted for the gain or loss.

USE OF 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. Some estimates are made based on management's expectation of what they believe to be expected future results. Actual amounts could differ from those estimates.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

VALUATION OF INVESTMENTS - Investments are initially recorded at original cost or original donated value. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

NOTE 2 – RELATED PARTY TRANSACTIONS

Members of DPP’s Board of Directors are selected by the City and County of Denver. Ten to fourteen members are appointed by the Mayor and in addition, one member is appointed by the City Council. All members appointed to the board must be approved by a vote of the City Council of Denver. Accordingly, all support provided by the City is a related party transaction and the contract referred to in Note 9 below with the City should be considered as negotiated with a related party.

DPP has entered into a lease agreement to rent its offices which are located in a building in which the Housing Authority of the City and County of Denver is the Master Tenant/Landlord. See Note 6 below for a summary of the lease.

NOTE 3 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 18, 2020, the date that the financial statements were available to be issued.

NOTE 4 - INCOME TAXES

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3); consequently, no provision or liability for income taxes has been provided in the accompanying financial statements. Because DPP is considered a component of the City and County of Denver, it is not required to file a tax return with the Internal Revenue Service.

The Organization has adopted provisions of ASC 740-10, “Accounting for Uncertainty in Income Taxes”, which prescribes when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its income tax returns, including the position that the Organization continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by ASC 740-10. Management does not believe there to be any uncertain tax positions and has thus not recorded any related provision.

NOTE 5 – FIXED ASSETS

A summary of the fixed assets and the respective accumulated depreciation is as follows:

Description	Cost Basis	Accumulated Depreciation	Net Book Value
Furniture and equipment	\$ 66,836	\$ 30,497	\$ 36,339
Leasehold improvements	<u>493,783</u>	<u>130,434</u>	<u>363,349</u>
Totals	<u>\$ 560,619</u>	<u>\$ 160,931</u>	<u>\$ 399,688</u>

NOTE 6 – LONG TERM LEASE

OPERATING LEASES

OFFICE LEASE – DPP has entered into an agreement to lease its office. The lease term is to expire on March 31, 2023. The rent under the lease is calculated using a base monthly rent of \$4,574. The base rent is increased 1.5% per year on the anniversary of the occupancy of the premises, April 1, 2018. In addition to the base monthly rent, DPP is also required to pay its share of pro rata utilities and all charges, maintenance and repair expenses or impositions of any kind charged. Any time after the first year of the term, the Landlord has the option to terminate the Lease with or without cause and without penalty or the charge of a termination fee by giving a 180-day notice. However, the Landlord is required to reimburse DPP for all reasonable, including attorney fees, and out-of-pocket expenses related to the relocation of DPP to other premises and for the unamortized portion of DPPs improvements costs paid by DPP using a 5-year straight-line amortization.

The present value of the lease was calculated using a 2% discount rate which resulted in recording a right to use asset and liability in the amount of \$269,178.

OFFICE EQUIPMENT LEASE – DPP has entered into an agreement to lease a copier. The lease expires in February 2022. The lease requires a monthly payment of \$270. The present value of the lease was calculated using a 11.275% discount rate.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

The minimum future lease payments for all operating leases as of December 31, 2019, are as follows:

December 31,		
2020	\$	64,217
2021		65,132
2022		63,360
2023		<u>14,563</u>
Total payments before discount		207,272
Discount adjustment		<u>(21,064)</u>
Total discounted future payments		186,208
Less: current portion		<u>53,735</u>
Long term portion		<u>\$ 132,473</u>

OTHER INFORMATION: Lease costs reported in the statement of activities are as follows:

Operating lease costs are included in the following line items:

Rent and utilities	\$	55,537
Equipment expense		<u>10,703</u>
Total		<u>\$ 66,240</u>

Additional information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	39,628
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Weighted average of remaining lease term from operating leases	3.2 years
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Weighted average discount rate for operating leases	2.31%
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NOTE 7 – RETIREMENT PLAN

The Organization established an Internal Revenue Code §401(k) retirement plan which covers substantially all employees. The Organization matched 100 percent of the employees' contributions up to a maximum of 4 percent of the employees' compensation.

Retirement plan expense for the year ended December 31, 2019, is \$19,015.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – CONCENTRATION OF RISK

CASH BALANCES: DPP maintains cash balances at one financial institution located in the Denver metropolitan area. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. In addition to any FDIC coverage, DPP has been notified by the State of Colorado, Department of Regulatory Agencies, Division of Banking that its deposits qualify under the Public Deposit Protection Act (“PDPA”). Under this act, all of DPP’s deposits are collateralized by an irrevocable letter of credit issued by the Federal Home Loan Bank of Cincinnati.

SUPPORT AND REVENUE: The City and County of Denver represents 99.5% of total support and revenue for the year December 31, 2019.

DENVER PUBLIC SCHOOLS: Denver Public Schools (“DPS”) provides a significant portion of the preschool services that families select for their children. During the year ended December 31, 2019, DPP paid to DPS approximately \$11,182,000 in tuition credits and \$638,260 in quality improvement expenses. This represents approximately 62.83% of total tuition credits and 19.33% in quality improvement expenses. Also, as of December 31, 2019, included in accounts payable is approximately \$3,177,000 of tuition credits payable to DPS. This represents approximately 62.56% of accounts payable.

NOTE 9 – CITY AND COUNTY OF DENVER AGREEMENT

DPP entered into an agreement with the City and County of Denver to provide services under the Denver Preschool Program as provided in Article III of Chapter 11, Denver Revised Municipal Code. The term of the agreement is effective January 2015 and subject to unilateral options by the City and County of Denver for additional one (1) year renewal options ending December 31, 2026. The final conclusive termination date shall be the date DPP has expended all of the distributions received under the agreement and will have provided a final report to the City and County of Denver. The agreement provides that the City and County of Denver will notify DPP on or about August 1 of each year if it intends not to exercise a renewal for the next year.

Funding under the agreement is made through appropriation by City Council on an annual basis. During September of each year, the Executive Director of the Denver Mayor’s Office of Children’s Affairs can request a supplemental appropriation of funds if it determines that the tax collections are in excess of the original appropriation for the year. Also, in May of each subsequent year, the Executive Director of the Denver Mayor’s Office for of Children’s Affairs and DPP will perform a reconciliation of actual tax receipts to amounts distributed. Any over or underpayment of funds are to be settled by the following September.

The agreement also provides that no more than 7% of the distributions can be expended on administration expenses. For the year ended December 31, 2019, DPP used 4.45%

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

of the distributions for administration expenses. The agreement does allow that any unexpended administrative funds can be carried forward to future years for use as either administrative funds or program funds. The following is a schedule of the unexpended funds as of December 31, 2019:

Unexpended funds from 2018	\$ 3,260,308
G&A amount allowed for 2019	1,688,107
G&A expenses for 2019	<u>(1,072,831)</u>
Unexpended funds to 2020	<u>\$ 3,875,584</u>

NOTE 10 – LONG-TERM CONTRACTS

DPP has entered into various contracts with vendors to provide services on behalf of DPP. These contracts terminate in August 2021. A Summary of the estimated future payments under these agreements are as follows:

	<u>AMOUNT</u>
Payments due for the year ended December 31,	
2020	\$ 4,041,591
2021	<u>369,883</u>
Total estimated future payments	<u>\$ 4,411,474</u>

These contracts do allow for upward or downward adjustments or termination due to the service provider not attaining certain performance standards, if an increase or reduction in scope of services is needed or if funding from the City is reduced or eliminated.

NOTE 11 – BOARD DESIGNATED FUNDS

T.E.A.C.H.® – The Board of Directors approved a Designated Fund in 2017 for the purpose of funding scholarships for the T.E.A.C.H.® scholarships (“TEACH”)

T.E.A.C.H.® scholarships: DPP will provide a scholarship which will pay for 90% of tuition, textbooks and a stipend for the recipient continued employment at the early childhood program where the recipient is employed.

GAP SCHOLARSHIPS – The GAP Scholarship Pilot was approved to address affordability of preschool and better support to Denver’s lowest-income families. Scholarships are designed for families living at or below 300 percent of the federal poverty line, spending more than 12 percent of their income on preschool tuition, attend 5 or more

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

hours per day (25 hours per week) at preschool, and are not receiving other public funding.

DESIGNATED RESERVES - The reserve target is approximately the sum of a 20% loss of revenues each year over three years. This represents a worst-case scenario recession. Based on the budgeted sales tax revenue of \$23.45 million, the reserve target for 2019 is calculated to be \$14,069,257.

An analysis of the Board Designated Funds are as follows:

PURPOSE	BEGINNING BALANCE	ADDITIONS	RELEASED	ENDING BALANCE
T.E.A.C.H.®	\$ 291,564	\$ 0	\$ 105,983	\$ 185,581
QI Expansion	502,173	0	502,173	0
GAP Scholarship Designated Reserves	0	3,850,000	196,971	3,653,029
	<u>0</u>	<u>14,069,257</u>	<u>0</u>	<u>14,069,257</u>
	<u>\$ 793,737</u>	<u>\$ 17,919,257</u>	<u>\$ 805,127</u>	<u>\$ 17,907,867</u>

NOTE 12 – AVAILABILITY AND LIQUIDITY

The following represents DPP’s financial assets at December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 24,278,832
Receivables	<u>4,144</u>
Total financial assets	<u>24,282,976</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	0
Less net assets with purpose restrictions to be met in Less than a year	<u>0</u>
	<u>0</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 24,282,976</u>

As part of its liquidity plan, excess cash is invested in money market accounts.

An allocation of the financial assets are as follows:

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

Total financial assets		\$ 24,282,976
Designated reserve target	\$ 14,069,257	
Administration reserves	3,875,584	
GAP Scholarships	3,653,029	
T.E.A.C.H. [®]	<u>185,581</u>	
Total financial assets designated		<u>21,783,451</u>
Financial assets available for day-to-day Program and operational expenses		<u>\$ 2,499,525</u>

NOTE 13 – CASH FLOWS

The following is an analysis of the changes in certain assets and liabilities:

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION
ASSETS (increase) decrease		
Receivables	\$ 19,628	\$ -
Prepaid expenses	(30,123)	-
LIABILITIES increase (decrease)		
Accounts payable	767,336	-
Accrued expenses	<u>9,303</u>	<u>-</u>
	<u>\$ 766,144</u>	<u>\$ -</u>

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Denver Preschool Program Management Discussion and Analysis



The Denver Preschool Program is a nonprofit funded through Denver City and County sales tax revenue first approved by voters in 2006 and again in 2014. The Denver Preschool Program supports families by offering universal tuition credits to offset the cost of preschool. The organization also works to improve the quality of preschool in Denver, conducts outreach to and engages with families and providers, and evaluates student progress. The Denver Preschool Program remains financially sound, and is steadfast in maintaining an ongoing evaluation of its management practices to ensure it continues as a strong and viable organization into the future.

The 2019 calendar year was one of exciting growth and transition for the Denver Preschool Program. The Denver Preschool Program Board of Directors welcomed an immersive and engaging leader, Elsa Holguín, who took over as President and CEO in July and brought new light to the organization. The Board of Directors and staff also led several distinct initiatives, which further strengthened the organizations commitment to Denver children and families. Key highlights include:

- The aforementioned leadership transition
- Responding to the very first operational audit conducted by the City Auditor's Office
- Launching a Gap Scholarship pilot

The Denver Preschool Program provided **\$17,797,770** in tuition credits, which were paid directly to providers on behalf of each family and then deducted from the families' tuition bills. These tuition credits supported 4,417 students who attended preschool during the 2018-2019 school year and 4,774 additional students who began preschool in the 2019-2020 school year. The Denver Preschool Program proudly invested **\$3,303,352** in quality improvement supports to nearly 250 preschools. These quality improvement dollars provided schools with funding for teacher and director professional development, coursework, coaching, scholarships and classroom materials, helping to ensure that Denver preschoolers receive a high-quality education.

City Audit

In March 2019, the City and County of Denver Auditor launched an operational audit in accordance with the Denver Revised Municipal Code. As an organization that constantly evaluates its programs and improves what it learns, the Denver Preschool Program welcomed the opportunity to utilize the findings of the City audit. In October, the final report helped discover the areas where the organization had opportunity to improve. The recommendations were primarily focused on implementing and ensuring adherence to policies that reflect best practices among nonprofit organizations. Since its inception, the Denver Preschool Program has maintained high ethical standards, and is extremely pleased that the auditor reported no wrongdoing and the Denver Preschool Program was acknowledged for its great impact in the community.

Board of Directors As of 12/31/2019

Zach Hochstadt, Chair
Mission Minded, Inc.

Michael Baker, Vice Chair
Gold Crown Management

Susan Steele, Secretary/Treasurer
Temple Hoyne Buell Foundation

Erin Brown
Office of Mayor Michael B. Hancock

Chris Daues
Rubin Brown

Stacie Gilmore
Denver City Council – District 11

Anna Jo Haynes
Mile High Early Learning

Dr. Rebecca Kantor
*University of Colorado Denver,
School of Education & Human
Development*

Penny May
Denver International Airport

Amber Münck
Greenberg Traurig LLP

Janice Sinden
*Denver Center for the
Performing Arts*

Chris Watney
People & Possibilities

**FUNDING
QUALITY
PRESCHOOL
FOR DENVER**

Operational and Administrative Reserves

The following audited financial statements will show that the Denver Preschool Program remains over-reserved in both its operation and administrative areas, but progress has been made since 2018 in finding new and innovative ways to use these reserves.

Following an implementation request from the City Auditor, the Board and staff took steps to ensure that the Denver Preschool Program's reserve policy is strong for the future, which includes careful consideration to appropriately invest those reserves. As part of the policy, the Denver Preschool Program is committed to ensuring reserves are deployed into the community in support of the organization's mission to ensure Denver's 4-year-olds have access to high-quality preschool. In 2019, the Board adopted a zero-based budgeting approach so that no additional operational revenues will be going to reserves, and as such, the 2019 financial statements reflect a decrease in net assets of \$1.35 million.

Gap Scholarship

The Denver Preschool Program has a history of convening small, community-based task forces to evaluate and make recommendations on how the organization can best support the community on various issues.

- In **2017**, the organization examined its tuition credit scale parameters and made key changes to direct more dollars to families with the highest need through tuition reimbursement.
- In **2018**, the Denver Preschool Program expanded its quality improvement program to include funding for classrooms and teachers serving Denver's 3-year-olds, in addition to the 4-year-old classrooms and teachers that were already benefitting from its numerous quality improvement efforts.
- In **2019**, after brainstorming supplemental supports to address preschool affordability across the city, the task force created the **Gap Scholarship Pilot Program** to help increase access to preschool. The Gap Scholarship provides custom scholarships to eligible families living at or below 300 percent of the federal poverty line who contribute more than 12 percent of their income to preschool tuition, despite receiving Denver Preschool Program tuition support. The Gap Scholarship further exemplifies the Denver Preschool Program's commitment to making high-quality preschool possible for all of Denver's children.

2020 and Beyond

Looking ahead to 2020, the Denver Preschool Program is committed to living its values of **access for all; informed choice; high-quality, intentional inclusivity; and leadership in action**. These efforts include leaning into the big challenges and opportunities that the Denver community faces, including population shifts and a new statewide early childhood initiative, while deepening our focus on individual needs. Operationally, the Denver Preschool Program will continue key programming while assessing the value and impact of new and innovative projects focusing on early childhood workforce, mental health supports and investing in 3-year-old children and families. This small but mighty organization will continue to strive to realize the vision of every Denver child entering kindergarten ready to reach their full potential.

Staff

As of 12/31/2019

Elsa Holguín
President and CEO

Michelle Blubaugh
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Ellen Braun
Chief Operating Officer

Dr. Marina Mendoza
Director of Enrollment and Evaluation

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