

DENVER PRESCHOOL PROGRAM, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010



## **TABLE OF CONTENTS**

<b>DESCRIPTION</b>	<b><u>PAGE</u></b>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSTION	2
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)	3
STATEMENT OF CASH FLOWS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
NOTES TO FINANCIAL STATEMENTS	6 – 14
MANAGEMENT DISCUSSION AND ANALYSIS	15 - 16





To the Board of Directors  
Denver Preschool Program, Inc.

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statement of financial position of Denver Preschool Program, Inc. as of December 31, 2010, and the related statements of activities, changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Ginsburg, Cohen & Company, P.C.*

GINSBURG, COHEN & COMPANY, PC  
Certified Public Accountants

Aurora, Colorado  
February 17, 2011

DENVER PRESCHOOL PROGRAM, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2010

ASSETS	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL
CASH	\$ 3,888,971	\$ -	\$ 3,888,971
PREPAID EXPENSES	12,625	-	12,625
INVESTMENT IN JOINT VENTURE	10,610	-	10,610
FIXED ASSETS, at cost	47,541	-	47,541
ACCUMULATED DEPRECIATION	<u>(12,704)</u>	<u>-</u>	<u>(12,704)</u>
TOTAL ASSETS	<u>\$ 3,947,043</u>	<u>\$ -</u>	<u>\$ 3,947,043</u>
LIABILITIES AND NET ASSETS (DEFICIT)			
ACCOUNTS PAYABLE	\$ 1,579,614	\$ -	\$ 1,579,614
ACCRUED EXPENSES	<u>3,593,009</u>	<u>-</u>	<u>3,593,009</u>
	5,172,623	-	5,172,623
NET ASSETS (DEFICIT)	<u>(1,225,580)</u>	<u>-</u>	<u>(1,225,580)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 3,947,043</u>	<u>\$ -</u>	<u>\$ 3,947,043</u>

DENVER PRESCHOOL PROGRAM, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
FOR THE YEAR ENDED DECEMBER 31, 2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL
<b>SUPPORT AND REVENUE</b>			
Government contract revenue	\$ -	\$ 10,678,831	\$ 10,678,831
Public support	6,500	-	6,500
Investment income	7,802	-	7,802
In-Kind contributions	14,000	-	14,000
Net assets released from restrictions	<u>10,678,831</u>	<u>(10,678,831)</u>	<u>-</u>
 Total support and revenue	 <u>10,707,133</u>	 <u>-</u>	 <u>10,707,133</u>
 <b>Expenses</b>			
Program	8,686,346	-	8,686,346
Management and general	<u>406,027</u>	<u>-</u>	<u>406,027</u>
 Total expenses	 <u>9,092,373</u>	 <u>-</u>	 <u>9,092,373</u>
 <b>CHANGE IN NET ASSETS</b>	 1,614,760	 -	 1,614,760
 <b>NET ASSETS (DEFICIT), beginning</b>	 <u>(2,840,340)</u>	 <u>-</u>	 <u>(2,840,340)</u>
 <b>NET ASSETS (DEFICIT), ending</b>	 <u><u>\$ (1,225,580)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ (1,225,580)</u></u>

DENVER PRESCHOOL PROGRAM, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 1,614,760	\$ -	\$ 1,614,760
Adjustments to reconcile net cash provided by operating activities:			
Depreciation	6,236	-	6,236
Change in certain assets and liabilities	<u>(6,975,727)</u>	<u>-</u>	<u>(6,975,727)</u>
Cash flows from operating activities	<u>(5,354,731)</u>	<u>-</u>	<u>(5,354,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(28,137)	-	(28,137)
Investment in joint venture	(10,610)	-	(10,610)
Proceeds from sale of investments	<u>8,760,010</u>	<u>-</u>	<u>8,760,010</u>
Cash flows from investing activities	<u>8,721,263</u>	<u>-</u>	<u>8,721,263</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	<u>3,366,532</u>	<u>-</u>	<u>3,366,532</u>
CASH, beginning	<u>522,439</u>	<u>-</u>	<u>522,439</u>
CASH, ending	<u>\$ 3,888,971</u>	<u>\$ -</u>	<u>\$ 3,888,971</u>



DENVER PRESCHOOL PROGRAM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	MANAGEMENT & GENERAL	PROGRAM	TOTAL
Parent tuition credit	\$ -	\$ 6,055,745	\$ 6,055,745
Quality improvement*	-	1,296,471	1,296,471
Parent eligibility	-	542,734	542,734
Evaluation	-	426,360	426,360
Salaries	251,922	-	251,922
Professional fees	32,280	169,938	202,218
Community outreach	-	168,833	168,833
Employee benefits	50,474	-	50,474
Taxes, payroll	17,079	-	17,079
Donated facilities	-	14,000	14,000
Information technology	-	12,265	12,265
Outside services	10,282	-	10,282
Insurance	9,885	-	9,885
Equipment expense	6,701	-	6,701
Depreciation	6,236	-	6,236
Rent and utilities	6,100	-	6,100
Conferences, convention, meeting	2,921	-	2,921
Telephone, telecommunications	2,676	-	2,676
Payroll processing	2,106	-	2,106
Automobile expenses	2,095	-	2,095
Supplies	1,862	-	1,862
Training, books & subscriptions	1,347	-	1,347
Printing and copying	1,306	-	1,306
Postage, mailing service	536	-	536
Bank charges	219	-	219
	<u>406,027</u>	<u>8,686,346</u>	<u>9,092,373</u>
	\$	\$	\$

\* Quality improvement consists of three components: quality rating for providers; education scholarships for staff, mini-grants for classrooms that include coaching, professional development and classroom materials.

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 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 quality.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions.

**DONATED SERVICES AND PROPERTY** – 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. Contributions of property are recorded at their fair value on the date of contribution.

**FINANCIAL STATEMENT 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 three classes of net assets:

1. Unrestricted - net assets available for current activities.
2. Temporarily Restricted - net assets restricted by the donor for future use.
3. Permanently Restricted - net assets restricted by the donor with stipulations that they be invested to provide a permanent source of income.

DENVER PRESCHOOL PROGRAM  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 5 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.

**TEMPORARILY RESTRICTED RESOURCES** – DPP reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

DPP also reports funds received from government contracts as temporarily restricted. As DPP incurs expenditures under the contract, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

DPP reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. To date, DPP has not received gifts of long-lived assets.

**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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**VALUATION OF INVESTMENTS** - Investments are initially recorded at historical 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 - 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.

**NOTE 3 – JOINT VENTURE**

DPP entered into an agreement with three other entities (Colorado Association for the Education of Young Children (“CAEYC”), Colorado Head Start Association (“CHSA”) and Early Childhood Education Association of Colorado (“ECEA”)) organize and host a conference for early childhood education professionals in 2011.

DPP obligations include providing a capital contribution in the amount of \$10,000, allocate staff time equal to \$8,000, promote the conference, assist with the planning of the conference, provide volunteers and actively solicit conference sponsorships. DPP’s capital contribution is limited to this initial \$10,000, which funds were allocated for quality improvement, and such, if the conference revenue is insufficient to cover the expenses, CAEYC, CHSA and ECEA will contribute equally to cover the shortfall.

Upon the conclusion of the conference, the first \$60,000 of excess net assets will be distributed equally to CAEYC, CHSA and ECEA. The next \$20,000 will be distributed to DPP. Any funds in excess of \$80,000 will be distributed as the co-ventures’ will determine at that time.

**NOTE 4 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 17, 2011, the date that the financial statements were available to be issued.

DENVER PRESCHOOL PROGRAM  
NOTES TO FINANCIAL STATEMENTS

**NOTE 5 – 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 initial term of the agreement was effective May 1, 2007 to December 31, 2007, and subject to unilateral options by the City and County of Denver for nine (9) additional one (1) year renewal options. The current incremental option expires December 31, 2011. The final conclusive termination date shall be the date DPP has expended all of the distributions received under the agreement and 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 for Education and Children 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 Education and Children 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 5% of the distributions can be expended on administration expenses. For the year ended December 31, 2010, DPP used 3.8% 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, 2010:

Unexpended funds from 2009	\$ 528,923
G&A amount allowed for 2010	533,942
G&A expenses for 2010	<u>(406,027)</u>
Unexpended funds to 2011	<u>\$ 656,838</u>

DENVER PRESCHOOL PROGRAM  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 – 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 99.7% of total support and revenue for the year December 31, 2010.

**PARENT TUITION CREDIT:** Denver Public Schools (“DPS”) provides a significant portion of the preschool services that families select for their children. During the year ended December 31, 2010, DPP incurred approximately \$6,500,000 in tuition credits to Denver Public Schools. This represents approximately 58% of total tuition credits incurred. Also as of December 31, 2010, included in accounts payable is approximately \$1,042,000 of tuition credits payable to DPS and estimated in accrued expenses is \$2,299,000 attributable to DPS.

**INVESTMENTS:** In order to reduce bank fees, the Organization with assistance from its commercial banker, entered into a 7 day repurchase agreement (“repo-agreement”) at December 31, 2009. While repo-agreements are generally credit-risk mitigated, there are some inherent risks in them. A repo-agreement is essentially a collateralized loan by which the seller secures the funds with various types of short-term type securities. It is possible that at the maturity date of the repo-agreement, the seller may not be able to buy back the repo-agreement and the buyer must then take title to the securities and then liquidate the securities. The securities may have lost market value between the repo-agreement was issued and its maturity date resulting in a loss to the buyer. On January 4, 2010, the repo-agreement matured at full value plus interest earned.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

Members of DPP’s Board of Directors are selected by the City and County of Denver. Six members are appointed by the Mayor and one member is appointed by the City Council. All seven members of 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 4 above with the City should be considered as negotiated with a related party.

DENVER PRESCHOOL PROGRAM  
NOTES TO FINANCIAL STATEMENTS

**NOTE 8 – TUITION CREDITS PAYABLE**

DPP qualifies applicants for up to 9 months of tuition credits. As of December 31, 2010, DPP has recorded in accrued expenses future commitments for tuition credits in the amount of \$3,589,000. ASC 450 Accounting for Contingencies requires that if information is available and it indicates that it is probable that a liability had been incurred at the date of the financial statements, that the amount of the contingency be recorded based upon a reasonable estimate, if one can be determined.

The estimate is composed of two items: 1) amounts due under the contract between DPP and DPS and 2) amounts due to Community Programs. The amount due to DPS was estimated by reducing the total contract amount by the total tuition credits billed to DPP from DPS. For the Community Programs, DPP has calculated a “fulfillment” percentage based upon its experience using the historical data for awards and payments. Accordingly, included in the accrued expenses of the balance sheet is an estimated amount of future commitments in the amount of \$3,589,000.

**NOTE 9 – LONG TERM CONTRACTS**

DPP has entered into various contracts with vendors to provide services on behalf of DPP. These contracts terminate from August, 2012 through September, 2015. A summary of the estimated future payments under these agreements are as follows:

	<u>AMOUNT</u>
Payments due for the year ended December 31,	
2011	\$ 1,998,000
2012	1,817,000
2013	904,000
2014	441,000
2015	<u>337,000</u>
Total	<u>\$ 5,497,000</u>

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

DENVER PRESCHOOL PROGRAM  
NOTES TO FINANCIAL STATEMENTS

**NOTE 10 – LONG TERM LEASE**

DPP entered into a long term lease agreement for its office facilities. DPP is subleasing space under a Master Tenant agreement with the Denver Housing Authority (“Master Tenant”). The lease term is 5 years upon the Master Tenant’s completion of the improvements as evidenced by the issuance of certificates of occupancy for the Premises and Tenant’s acceptance thereof. Although the office space has only received a temporary certificate of occupancy, DPP occupied the space starting in September, 2010. Because of some deficiencies in the rented space, DPP has held back approximately \$1,700 of rent as consideration for those deficiencies. The lease requires a base monthly rent starting at \$1,925 and will increase by 1.5% per year on the anniversary of the occupancy of the Premises.

DPP is also required to reimburse the Master Tenant 10% of the costs of improvements, but not to exceed \$20,000. As of December 31, 2010, included in accounts payable is \$8,500 due to the Master Tenant.

A summary of the minimum future lease payments required under the lease is as follows:

Payments due for the year ended December 31,	
2011	\$ 23,216
2012	23,564
2013	23,917
2014	24,276
2015	<u>16,345</u>
Total	<u>\$ 111,318</u>

In addition to the lease agreement, DPP has also entered into a joint operating agreement with the Urban Land Conservancy (“ULC”), a co-tenant in the office space. This agreement provides that DPP and ULC will pay their Pro Rata share of various joint expenses during their tenancy of the office space. These expenses include insurance premiums, utilities and janitorial services. Also, ULC will be reimbursed for the cost of sharing an office manager, who is an employee of ULC based upon a ratio of employees of each organization.



DENVER PRESCHOOL PROGRAM  
NOTES TO FINANCIAL STATEMENTS

**NOTE 11 – FIXED ASSETS**

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

Description	Cost Basis	Accumulated Depreciation
Furniture and equipment	\$ 27,541	\$ 11,037
Leasehold improvements	<u>20,000</u>	<u>1,667</u>
Totals	<u>\$ 47,541</u>	<u>\$ 12,704</u>

**NOTE 12 – CASH FLOWS**

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

	UN- RESTRICTED	TEMPORARILY RESTRICTED
ASSETS (increase) decrease		
Prepaid expenses	\$ (1,759)	\$ -
LIABILITIES increase (decrease)		
Accounts payable	(1,866,295)	-
Accrued expenses	<u>(5,111,191)</u>	<u>-</u>
	<u>\$ (6,975,727)</u>	<u>\$ -</u>

DENVER PRESCHOOL PROGRAM  
NOTES TO FINANCIAL STATEMENTS

**NOTE 13 - FAIR VALUE MEASUREMENTS**

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobserv- able Inputs (Level 3)</u>
<b>Financial Assets:</b>				
Cash	\$ 3,888,971	\$ 3,888,971	\$ 0	\$ 0
Investment in Joint Venture	10,000	0	0	10,000
Property & Equipment	4,700	0	0	4,700
<b>Financial Liabilities:</b>				
Accounts payable	1,579,614	0	0	1,579,614
Accrued expenses	3,593,009	0	0	3,593,009

Financial assets valued using level 1 inputs are based on quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs were valued using management's assumptions about what market participants would utilize in pricing the asset or liability. For receivables and payables, the carrying amount is a reasonable estimate of fair value due to the relatively short period of time between origination and collection or payment.

## MANAGEMENT DISCUSSION AND ANALYSIS



## Denver Preschool Program Management Discussion and Analysis

### Denver Preschool Program Board of Directors As of 12/31/2010

John Plotkin  
*Gregory & Plotkin, LLC*  
Board Chair

Carol Boigon  
*Denver City Council*

Susan Burks  
*BurksComm*

Carmen Carrillo  
*Denver Department of  
Human Services*

Tandy Dilworth  
*Xcel Energy, Inc*

Gloria Higgins  
*GenSpring Family Offices*

Diana Romero-Campbell  
*Mile High United Way*

### Denver Preschool Program Board of Advisors As of 12/31/2010

Gerie Grimes  
Chair

Linda Adams  
Alicia Biggs  
Charlotte Brantley  
Cheryl Caldwell  
Betty c.de Baca  
Mariana Enriquez-Olmos  
Gerri Gomez Howard  
Judy Ham  
Abby Humphrey  
Lara Jakubowski  
Monique Lobato-Fox  
Evi Bachrach Makovsky  
Gilberto Marin  
Lonnie McCabe  
Carla Mestas  
Yvette Plummer  
Lee Reichert  
AJ Stapleton  
Stephen Vogler  
Carey Wirtzfeld  
Mike Yankovich

### Denver Preschool Program Staff As of 12/31/2010

Eileen Piper  
*Acting Chief Executive  
Officer*

Dan Schaller  
*Program Manager*

Ellen Baskerville  
*Program Assistant*

2010 represented DPP's third full programmatic year. DPP's program continues to perform at a robust level. The number of enrolled students remained strong with more than 5,900 children receiving tuition credits. Additionally, nearly 80% of Denver's providers have become part of our quality improvement program. Data shows that DPP continues to deliver on our commitment to providing quality early education to Denver's children.

### How are the Children?

This audit has covered many aspects of financing and operating the Denver Preschool Program. Effective financial management and operations are essential to fulfilling DPP's mission, a mission that, according to results from our 2009-2010 evaluation conducted by Augenblick, Palaich and Associates (APA), we are more than living up to. In this evaluation, APA found that:

- A majority of children enrolled in DPP leave the program academically, socially and emotionally **ready for kindergarten**.
- **DPP children were shown to make progress** in vocabulary, literacy and math during their preschool year, beyond what is expected based on normal development of children entering kindergarten.
- Teachers report significantly **more positive behaviors** and fewer behavioral concerns among DPP kids over the course of their year in a DPP program.
- Nearly a third of parents reported they **would not have enrolled their children in preschool at all** were it not for the availability of the DPP tuition credit.
- Close to 90% of parents reported DPP helped their children maintain **continuous enrollment in preschool**.

This evaluation has shown that DPP's efforts in increasing access to high-quality preschool for Denver's children are showing very promising results.

### DPP Providers

- A major element of DPP that differentiates Denver's program from other voluntary pre-kindergarten programs across the country is our focus on creating high-quality preschool. DPP partners with Qualistar Colorado, the statewide rating agency that evaluates preschool programs from 0-4 stars and recognizes the National Association of the Education of Young Children (NAEYC) and National Association for Family Child Care (NAFCC) accreditation system. According to APA's most recent evaluation, 75% of DPP classrooms were 3- or 4-Star rated by Qualistar. 21% of DPP classrooms earned a 4-Star rating, which is the highest possible rating.
- 85% of DPP students are enrolled in 3- and 4-Star quality programs.
- Almost 90% of preschool providers report that participation in DPP **encouraged them to improve**. Nearly one-third of preschools reported that DPP encouraged them to **improve their program "to a great extent."**
- This year, 127 classrooms at 74 DPP sites completed the Qualistar re-rating process and **96% either improved or maintained their rating**.



At the close of 2010, DPP had 162 providers participating in our program. These providers are building quality in 269 sites and 583 classrooms across the city. DPP allocated roughly \$1.3 million dollars in quality improvement funds to these providers, including resources for professional development, coaching support, and quality ratings.

### Protecting Public Interests

The effects of the economic recession were at the forefront of DPP fiscal policy discussions throughout the year. Denver Preschool Program is committed to allocating as many dollars as possible to tuition credits for Denver's children. To ensure that this is the case, the organization decreased all costs that were not directly allocated to the children. Additionally, DPP made the strategic decision to utilize its cash reserves to maintain 2009-10 tuition credit levels at the same level as the prior school year. The decision to support Denver's families during this time of hardship was made with the understanding that 2010 financial statements would reflect a net deficit. As discussed above, this deficit is wholly funded with reserves and DPP continues to operate in a stable economic position to support Denver's preschool children over the long-term.

### Student Enrollment

Our preschool partners have proven to be the engine that has enrolled students in the Denver Preschool Program. Our partnerships have increased access for thousands of children across Denver in high quality preschool programs. At year-end 2010 DPP enrolled 5,950 children, a 14% increase over the prior year. During this same period, DPP saw a shift in the enrollment ratio of 62:37 at DPS vs. Community sites, to 58:42 respectively. A summary of historical trends are below:

<u>Year</u>	<u>Students</u>	<u>DPS</u>	<u>Community Sites</u>	<u>Tuition Credits</u>
2007	66	---	100%	\$22.0 K
2008	4,500	76%	24%	\$ 4.5 M
2009	5,225	62%	37%	\$12.1 M
2010	5,950	58%	42%	\$11.3 M
2011 (est.)	5,900	62%	38%	\$ 7.2 M

### A Look Ahead to 2011

The economy is providing indications that it may be in recovery, and Denver's sales tax revenues are reflecting this through modest increases over the previous year. With an eye on sales tax history and trends, DPP has created a 2011 budget that reflects conservative revenue estimates, and that provides a budget framework that will ensure DPP's financial sustainability. DPP has built its budget on an assumed \$10.75M revenue stream. Tuition credits remain the largest part of the DPP budget with more than \$7M going directly to families. Approximately 10% of receipts will be allocated to providers to help them to improve and maintain preschool quality. In its short history, DPP has experienced both robust and recessionary economic environments. As an organization, we have used this information to create a financial structure that will ensure the program's financial longevity.

DPP is a reflection of the foresight of Denver's policymakers and citizens to invest in the long-term well-being of our community by offering quality education to all children. At the Denver Preschool Program, we believe that increasing access to quality early childhood education is the single greatest investment we can make to ensure a prosperous community in the future.