

DENVER PRESCHOOL PROGRAM, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012

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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 the statement of financial position as of December 31, 2012, and the related statements of activities, 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 of 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, 2012, 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.

KGC - Koll Gidan Cohen and Company PC

KGC – KOLL GIDAN COHEN AND COMPANY PC
Certified Public Accountants

Aurora, Colorado
February 16, 2013

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL
ASSETS			
CASH	\$ 7,008,674	\$ -	\$ 7,008,674
PREPAID EXPENSES	12,326	-	12,326
INVESTMENT IN JOINT VENTURE	16,864	-	16,864
FIXED ASSETS, at cost	49,101	-	49,101
ACCUMULATED DEPRECIATION	<u>(32,086)</u>	<u>-</u>	<u>(32,086)</u>
TOTAL ASSETS	<u>\$ 7,054,879</u>	<u>\$ -</u>	<u>\$ 7,054,879</u>
LIABILITIES AND NET ASSETS (DEFICIT)			
ACCOUNTS PAYABLE	\$ 2,044,619	\$ -	\$ 2,044,619
ACCRUED EXPENSES	<u>5,051,288</u>	<u>-</u>	<u>5,051,288</u>
	7,095,907	-	7,095,907
NET ASSETS (DEFICIT)	<u>(41,028)</u>	<u>-</u>	<u>(41,028)</u>
TOTAL LIABILITIES & NET ASSETS (DEFICIT)	<u>\$ 7,054,879</u>	<u>\$ -</u>	<u>\$ 7,054,879</u>

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL
SUPPORT AND REVENUE:			
Government contract revenue	\$ -	\$ 12,358,934	\$ 12,358,934
Public support	34,500	-	34,500
Investment income	2,009	-	2,009
Conference income (joint venture)	4,883	-	4,883
Net assets released from restrictions	<u>12,358,934</u>	<u>(12,358,934)</u>	<u>-</u>
 Total support and revenue	 <u>12,400,326</u>	 <u>-</u>	 <u>12,400,326</u>
EXPENSES:			
Program	10,854,884	-	10,854,884
Management and general	<u>473,319</u>	<u>-</u>	<u>473,319</u>
 Total expenses	 <u>11,328,203</u>	 <u>-</u>	 <u>11,328,203</u>
 CHANGE IN NET ASSETS	 1,072,123	 -	 1,072,123
NET ASSETS (DEFICIT), beginning	<u>(1,113,151)</u>	<u>-</u>	<u>(1,113,151)</u>
NET ASSETS (DEFICIT), ending	<u>\$ (41,028)</u>	<u>\$ -</u>	<u>\$ (41,028)</u>

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL ALL
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 1,072,123	\$ -	\$ 1,072,123
Adjustments to reconcile net cash provided by operating activities:			
Depreciation	9,782	-	9,782
Change in certain assets and liabilities	<u>1,211,635</u>	<u>-</u>	<u>1,211,635</u>
Cash flows from operating activities	<u>2,293,540</u>	<u>-</u>	<u>2,293,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(776)	-	(776)
Investment in joint venture	<u>(6,350)</u>	<u>-</u>	<u>(6,350)</u>
Cash flows from investing activities	<u>(7,126)</u>	<u>-</u>	<u>(7,126)</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>2,286,414</u>	<u>-</u>	<u>2,286,414</u>
CASH, beginning	<u>4,722,260</u>	<u>-</u>	<u>4,722,260</u>
CASH, ending	<u>\$ 7,008,674</u>	<u>\$ -</u>	<u>\$ 7,008,674</u>

Ending cash will be applied to future tuition credit and quality improvement liabilities for the current year

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	MANAGEMENT & GENERAL	PROGRAM	TOTAL
Parent tuition credit	\$ -	\$ 8,327,868	\$ 8,327,868
Quality improvement*	-	1,100,374	1,100,374
Parent eligibility	-	598,641	598,641
Evaluation	-	423,151	423,151
Community outreach	-	321,931	321,931
Salaries	268,210	-	268,210
Professional fees	26,540	74,734	101,274
Employee benefits	66,319	-	66,319
Rent and utilities	25,820	-	25,820
Taxes, payroll	18,788	-	18,788
Outside services	17,355	-	17,355
Insurance	11,289	-	11,289
Depreciation	9,782	-	9,782
Information technology	-	7,025	7,025
Meetings	5,384	-	5,384
Supplies	5,350	-	5,350
Printing and copying	4,313	-	4,313
Telephone, telecommunications	3,770	-	3,770
Equipment expense	2,841	-	2,841
Automobile expenses	2,435	-	2,435
Payroll processing	2,303	-	2,303
Training, books & subscriptions	1,573	-	1,573
Contract services - other	-	1,160	1,160
Postage, mailing service	1,087	-	1,087
Bank charges	160	-	160
	<u>\$ 473,319</u>	<u>\$ 10,854,884</u>	<u>\$ 11,328,203</u>

* Quality improvement consists of two components: quality rating for providers and quality improvement grants that include coaching, coursework, 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 – 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 6 below with the City should be considered as negotiated with a related party.

NOTE 4 – FIXED ASSETS

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

Description	Cost Basis	Accumulated Depreciation
Furniture and equipment	\$ 29,101	\$ 22,419
Leasehold improvements	<u>20,000</u>	<u>9,667</u>
Totals	<u>\$ 49,101</u>	<u>\$ 32,086</u>

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – 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”)) to organize and host a conference for early childhood education professionals in 2013.

DPP obligations include allocated staff time equal to \$8,000, promote the conference, assist with the planning of the conference, provide volunteers and actively solicit conference sponsorships. 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’ determine at that time.

At December 31, 2012, the Joint Venture had net equity of \$67,456 which is planned to be used towards the next conference. DPP’s share of that amount is reported as “Investment in Joint Venture” on the statement of financial position in the amount of \$16,864.

A summary of DPP’s share of income and expenses for calendar year 2012 is as follows:

Revenues:	
Conference sponsorships	\$ 6,250
Other revenues	<u>10</u>
Total revenues	6,260
 Expenses	 <u>1,377</u>
 Net income from conference	 <u>\$ 4,883</u>

The net income from the conference has been reported in the Statement of Activities as “Conference income (joint venture)”.

NOTE 6 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 16, 2013, the date that the financial statements were available to be issued.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – 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, 2012.

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, 2012, DPP incurred approximately \$4,783,000 in tuition credits to Denver Public Schools. This represents approximately 66% of total tuition credits incurred. Also as of December 31, 2012, included in accounts payable is approximately \$1,337,000 of tuition credits payable to DPS and estimated in accrued expenses is \$3,188,000 attributable to DPS.

As of December 31, 2012, DPP has also granted up to \$130,143 in quality improvement grants to various DPS ECE programs. This amount is included in the accrued expenses as part of the accrued quality improvement grants.

NOTE 8 – TUITION CREDITS PAYABLE

DPP qualifies applicants for up to 9 months of tuition credits. As of December 31, 2012, DPP has recorded in accrued expenses future commitments for tuition credits in the amount of \$4,670,117. 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.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

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 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, 2012. 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, 2012, DPP used 4.0% 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, 2012:

Unexpended funds from 2011	\$ 755,619
G&A amount allowed for 2012	617,947
G&A expenses for 2012	<u>(473,319)</u>
Unexpended funds to 2012	<u>\$ 900,247</u>

NOTE 10 – LONG TERM CONTRACTS

DPP has entered into various contracts with vendors to provide services on behalf of DPP. These contracts terminate from June, 2014 through September, 2015. A summary of the estimated future payments under these agreements are as follows:

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – LONG TERM CONTRACTS (continued)

	<u>AMOUNT</u>
Payments due for the year ended December 31,	
2013	\$ 1,031,489
2014	1,182,061
2015	<u>810,850</u>
Total	<u>\$ 3,024,400</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.

NOTE 11 – 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. 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.

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

Payments due for the year ended December 31,	
2013	\$ 23,917
2014	24,276
2015	<u>16,345</u>
Total	<u>\$ 64,538</u>

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – LONG TERM LEASE (continued)

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.

NOTE 12 – QUALITY IMPROVEMENT GRANTS PAYABLE

DPP will grant participating agencies grants toward improving the agency’s skill level of the teachers and materials and supplies for the benefit of the children. As of December 31, 2012, DPP has recorded in accrued expenses future commitments for quality improvement grants in the amount of \$371,220. 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.

Each agency or in the case of DPS, a school’s ECE Program, are awarded quality improvements credits based upon its program rating, number of DPP classrooms numbers and the type of license the center holds. Providers must submit their completed Memorandum of Understanding to DPP by June 15th in order to access quality improvement resources.

NOTE 13 – CASH FLOWS

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

	UN- RESTRICTED	TEMPORARILY RESTRICTED
ASSETS (increase) decrease		
Prepaid expenses	\$ (345)	\$ -
LIABILITIES increase (decrease)		
Accounts payable	109,651	-
Accrued expenses	<u>1,102,329</u>	<u>-</u>
	<u>\$ 1,211,635</u>	<u>\$ -</u>



Denver Preschool Program Management Discussion and Analysis

Denver Preschool Program

Board of Directors

As of 12/31/2012

John Plotkin

Gregory & Plotkin, LLC

Board Chair

Theresa Peña

Colorado Children's Campaign

Board Chair-elect

Albus Brooks

Denver City Council

Diana Romero Campbell

Mile High United Way

Tandy Dilworth

Xcel Energy, Inc

Alicia Economos

Vista Communications

Gloria Higgins

*Executives Partnering to Invest in
Children (EPIC)*

Denver Preschool Program

Board of Advisors

As of 12/31/2012

Gerie Grimes

Chair

Linda Adams

Geta Asfaw

Charlotte Brantley

Betty c.de Baca

Judy Ham

Anna Jo Haynes

Gerri Gomez Howard

Evi Bachrach Makovsky

Ginger Maloney

Penny May

Tameka Montgomery

Lee Reichert

Anne Rowe

Lem Smith

Susan Steele

David Suppes

Stephen Vogler

Mike Yankovich

Denver Preschool Program Staff

As of 12/31/2012

Eileen Piper

Chief Executive Officer

Ellen Baskerville

Business Manager

Lionel Espinoza

Program Director

Dan Schaller

Director of Outreach & Operations

In 2012, the Denver Preschool Program achieved some significant milestones. In May we surpassed \$40 million in tuition support that's been delivered to Denver's families. In September, in collaboration with Denver Mayor Michael Hancock, we welcomed the 25,000th child to enroll in the Denver Preschool Program. Finally, in October we held a celebration to launch our fifth program year.

The Denver Preschool Program continues to perform at a robust level. The number of participating students remained strong with more than 5,700 children enrolled in the 2011-2012 program year, representing more than 70% of Denver's eligible 4-year-old population. Additionally, nearly 90% of Denver's eligible center-based preschools have become part of our quality improvement program.

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 the Denver Preschool Program's mission, a mission that, according to results from our 2011-2012 evaluation conducted by Augenblick, Palaich and Associates (APA), we are more than living up to. As we've consistently seen in past years, through their evaluation APA found that:

- The vast majority of children enrolled in the Denver Preschool Program leave the program academically, socially and emotionally **ready for kindergarten**.
- English language learners and other children at risk of falling behind in school due to poverty are showing evidence of making progress toward **closing the achievement gap** by the end of preschool. The DPP investment has enabled over 250 preschools across the metro area to be **independently rated for quality** so that families can choose the best alternative for their child.
- Since the Denver Preschool Program came into existence, **quality reputation has grown to become the number one factor** parents are considering while making their preschool choice, outranking such factors as cost and location.

Additionally, records indicate that more than 90% of Denver Preschool Program students are enrolled in 3- and 4-Star quality programs. All data indicate that the Denver Preschool Program's efforts in increasing access to high-quality preschool for Denver's children are showing very promising results.

Denver Preschool Program - Preschool Providers

A major element of the Denver Preschool Program that differentiates it from other voluntary pre-kindergarten programs across the country is our focus on collaborating with participating preschools to create high-quality programs. Denver Preschool Program 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 systems.



According to APA’s most recent evaluation:

- 85% of Denver Preschool Program providers were 3- or 4-Star rated by Qualistar, or have achieved accreditation;
- 28% earned a 4-Star rating or were accredited by NAEYC, thus achieving the highest possible rating;
- 85% of preschool providers say that participating in DPP **encouraged them to improve** and nearly a quarter to **improve “to a great extent”**; and
- To date, 201 preschool sites have completed the Qualistar re-rating process and **88% have either improved or maintained their rating.**

At the close of 2012, the Denver Preschool Program had 151 providers participating in our program. These providers are building quality in 252 locations and 582 classrooms across the city. The Denver Preschool Program allocated more than \$1 million dollars in quality improvement funds to these providers, including resources for professional development, coaching support, and quality ratings.

Quality, Phase 2

As stated, the Denver Preschool Program has relied on Qualistar Colorado to administer its rating in preschools that serve DPP children. This rating has effectively enabled the program and families to gauge quality levels across preschools. The Qualistar rating has been an important metric and continues to serve us well. This year, in addition to the Qualistar rating, the Denver Preschool Program is piloting the implementation of the Classroom Assessment Scoring System (CLASS) rating tool. This tool more keenly focuses on the interactions between teachers and children – a measure that has proven to be a significant factor in driving child outcomes. Together with our preschool programs, we have designed professional development programs and implementation processes so that the entire community is able to embrace this important tool and even more effectively deliver quality programming to Denver’s children.

Leveraging the City’s Investment

In 2012, a key DPP contract expired, initiating an extensive RFP process. The responsibilities of this contract are to process every child’s application to the Denver Preschool Program, as well as to calculate and remit payment for each child’s monthly tuition credit.

From December, 2011, through May, 2012, DPP staff and a team of board and community representatives led a Request for Proposal process to award or re-award this contract. A new vendor was selected and assumed application and payment processing in October, 2012. To date, the transition has largely been seamless due, in no small part, to the thorough review of the Committee. In addition to the new vendor assuming all existing responsibilities, at DPP’s direction this vendor has also developed an integrated data management system, owned by the Denver Preschool Program. This system for the first time allows all DPP data to reside in a single location, enabling far more robust analyses, and providing the Program and the City with clearer insight into how we best serve our children. This was all accomplished at a savings to the organization of more than \$100,000 per year over the previous contract’s annual costs.

Student Enrollment

In collaboration with our preschool providers, the Denver Preschool Program has been able to maintain high enrollment levels since its inception. Together, we have increased access for thousands of children across Denver in high-quality preschool programs. A summary of year-end historical trends are below:

<u>Year</u>	<u>Students</u>	<u>Tuition Credits</u>
2008	4,500	\$ 4.5 M
2009	5,225	\$12.1 M
2010	5,950	\$11.3 M
2011	5,583	\$ 7.1 M
2012	5,343	\$ 7.2 M

A Look Ahead to 2013

Overall, the economy continues to gain strength, which is reflected in the increasing sales tax revenues that fund our program. At the end of 2012 the Board of Directors approved a tuition credit scale that represents an 8% increase over the prior program year. The new scale will be implemented in the 2013-2014 program year.

Tuition credits remain the largest part of the Denver Preschool Program budget with more than \$7 million going directly to families, approximately 70% of the organization's total budget. Approximately 10% of receipts will be allocated to participating preschools to help them to improve and maintain program quality. In its short history, the Denver Preschool Program 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 and stability.

Data shows that the Denver Preschool Program continues to deliver on our commitment to provide quality early education to Denver's children. To that end and with an eye toward best practices, the Program will fully integrate the CLASS rating into our formal rating process beginning in our 2013-2014 program year. With this implementation, the Denver Preschool Program will move to a five tier rating system, allowing providers to continue to be recognized for the quality programming they have achieved in the past, and enabling them to strive for even greater levels in the future.

The Denver Preschool Program 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.