

DENVER PRESCHOOL PROGRAM, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

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12367 E. Cornell Ave.
Aurora, CO 80014

Tele: (303) 337-4288
Fax: (303) 337-4282

www.gc2cpa.com

To the Board of Directors
Denver Preschool Program, Inc.

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Denver Preschool Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Preschool Program, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Denver Preschool Program, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about Denver Preschool Program, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Denver Preschool Program, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about Denver Preschool Program, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



GC2 PROFESSIONAL SERVICES PC
Certified Public Accountants

Aurora, Colorado
February 21, 2023

DENVER PRESCHOOL PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL ALL
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 230,980	\$ 22,921,537	\$ 23,152,517
RECEIVABLES	73,837	8,689	82,526
PREPAID EXPENSES	70,827	-	70,827
FIXED ASSETS, at cost, net	56,192	-	56,192
RIGHT TO USE ASSETS - Operating Lease, net	14,515	-	14,515
RIGHT TO USE ASSETS - Financing Lease, net	12,016	-	12,016
TOTAL ASSETS	\$ 458,367	\$ 22,930,226	\$ 23,388,593
LIABILITIES AND NET ASSETS			
ACCOUNTS PAYABLE	\$ 1,031	\$ 5,954,276	\$ 5,955,307
ACCRUED EXPENSES	-	34,958	34,958
OPERATING LEASE LIABILITY	14,515	-	14,515
FINANCING LEASE LIABILITY	12,083	-	12,083
	27,629	5,989,234	6,016,863
NET ASSETS	430,738	16,940,992	17,371,730
TOTAL LIABILITIES & NET ASSETS	\$ 458,367	\$ 22,930,226	\$ 23,388,593

-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, 2022

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL ALL
Support and Revenue			
Government contract revenue	\$ -	\$ 28,973,041	\$ 28,973,041
Public support	120	185,004	185,124
Government grant	-	128,213	128,213
Other revenues	88,318	-	88,318
Net assets released from restrictions	<u>28,778,512</u>	<u>(28,778,512)</u>	<u>-</u>
Total support and revenue	<u>28,866,950</u>	<u>507,746</u>	<u>29,374,696</u>
Expenses			
Program	27,405,008	-	27,405,008
General & administration	<u>1,373,502</u>	-	<u>1,373,502</u>
Total expenses	<u>28,778,510</u>	<u>-</u>	<u>28,778,510</u>
CHANGES IN NET ASSETS	88,440	507,746	596,186
NET ASSETS, beginning	<u>342,298</u>	<u>16,433,246</u>	<u>16,775,544</u>
NET ASSETS, ending	<u>\$ 430,738</u>	<u>\$ 16,940,992</u>	<u>\$ 17,371,730</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, 2022

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL ALL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	\$ 88,440	\$ 507,746	\$ 596,186
Adjustments to reconcile net cash provided by operating activities:			
Depreciation	122,500	-	122,500
Amortization	49,252	-	49,252
Change in certain assets and liabilities:			
Assets (increase) decrease:			
Receivables	76,729	(8,689)	68,040
Prepaid expenses	(50,555)	-	(50,555)
Liabilities increase (decrease):			
Accounts payable	(401,749)	2,413,646	2,011,897
Accrued expenses	-	5,160	5,160
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities	<u>(115,383)</u>	<u>2,917,863</u>	<u>2,802,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in right to use asset - operating lease	13,129	-	13,129
Fixed assets addition	(6,926)	-	(6,926)
Increase in right to use asset - financing lease	<u>(14,068)</u>	<u> </u>	<u>(14,068)</u>
	<u>(7,865)</u>	<u> </u>	<u>(7,865)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in financing lease liability	14,068	-	14,068
Reduction in financing lease liability	(1,985)	-	(1,985)
Reduction in operating lease liability	<u>(60,329)</u>	<u> </u>	<u>(60,329)</u>
	<u>(48,246)</u>	<u> </u>	<u>(48,246)</u>
NET CHANGE IN CASH	<u>(171,494)</u>	<u>2,917,863</u>	<u>2,746,369</u>
CASH, beginning	<u>402,474</u>	<u>20,003,674</u>	<u>20,406,148</u>
CASH, ending	<u>\$ 230,980</u>	<u>\$ 22,921,537</u>	<u>\$ 23,152,517</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, 2022

	PROGRAMS			GENERAL & ADMIN
	City Preschool Tax	Other	Total Programs	Total G&A
Parent tuition credit	\$ 22,050,505	\$ -	\$ 22,050,505	\$ -
Quality improvement*	2,537,252	-	2,537,252	-
Evaluation	869,468	-	869,468	-
Community outreach	862,363	-	862,363	-
Parent eligibility	858,185	-	858,185	-
Salaries	-	-	-	709,686
Professional fees	-	-	-	192,942
Other program expenses	-	185,813	185,813	-
Depreciation & amortization	-	-	-	124,552
Employee benefits	-	-	-	112,430
Rent and utilities	-	-	-	63,759
Taxes, payroll	-	-	-	50,462
Outside services	41,422	-	41,422	-
Training, books & subscriptions	-	-	-	20,947
Hiring and annual review	-	-	-	20,085
Expenses < \$20,000	-	-	-	78,639
	<u>\$ 27,219,195</u>	<u>\$ 185,813</u>	<u>\$ 27,405,008</u>	<u>\$ 1,373,502</u>

*Quality improvement (QI) consists of several components: quality rating for providers and resources that include coaching on ECE and business administration best practices, professional development trainings and scholarships, workforce stipends, accreditation cost reimbursement, financial achievement awards for participating in certain QI activities, and grants that providers can use on a range of additional resources such as classroom learning materials, ECE college coursework, curricula and child assessment tools.

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

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 provides tuition credits for children of Denver families the year before the child is eligible for kindergarten and a small pilot to serve 3-year-olds. 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 also provides grants to assist childcare providers in increasing the quality of their programs.

Beginning in 2022, DPP was approved to lead Denver’s implementation of Colorado Universal Preschool (UPK). As the Local Coordinating Organization (LCO) for the City and County of Denver, DPP continues to ensure more children have access to high quality preschool.

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 requirements 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

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

CLASSIFICATION OF TRANSACTIONS – All revenues and net gains are reported as increases in net assets without donor restriction in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on donor restricted investments are reported as decreases in net assets without donor restrictions. Net gains on restricted investments increase net assets with donor restrictions, and net losses on restricted investments reduce that net asset class.

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

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.

DONATED SERVICES - In accordance with ASC 958, contributions of services are recognized only if the services received either (a) create or enhance non-financial assets or (b) involve specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

EXPENSE RECOGNITION AND ALLOCATION - The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS
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General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. For the year ended December 31, 2022, 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 assets acquired is adjusted for the gain or loss.

RECLASSIFICATIONS – Certain reclassifications have been made in the prior year’s amounts or presentation to conform with the current year’s statement presentations.

TEMPORARILY RESTRICTED RESOURCES - The Organization reports gifts of cash and other assets as restricted support if the assets 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.

The Organization 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.

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.

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

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS
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net assets. Investment income and gains restricted by donors 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 8 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 5 below for a summary of the lease.

NOTE 3 - 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.

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.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 – FIXED ASSETS AND RIGHT TO USE ASSETS

A summary of the fixed assets and the respective accumulated depreciation as of December 31, 2022, is as follows:

Description	Cost Basis	Accumulated Depreciation	Net Book Value
Furniture and equipment	\$ 69,237	\$ 40,995	\$ 28,242
Leasehold improvements	<u>493,783</u>	<u>465,833</u>	<u>27,950</u>
Totals	<u>\$ 563,020</u>	<u>\$ 506,828</u>	<u>\$ 56,192</u>

A summary of the right to use assets and the respective accumulated amortization as of December 31, 2022, is as follows:

Description	Cost Basis	Accumulated Amortization	Net Book Value
Operating lease	\$ 269,178	\$ 254,663	\$ 14,515
Financing lease	<u>14,068</u>	<u>2,052</u>	<u>12,016</u>
Totals	<u>\$ 283,246</u>	<u>\$ 256,715</u>	<u>\$ 26,531</u>

NOTE 5 – LONG TERM LEASES

OPERATING LEASE

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 expenses and, 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.

DENVER PRESCHOOL PROGRAM
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The minimum future lease payments for the operating lease as of December 31, 2022, are as follows:

December 31, 2022:	
Total payments before discount	\$ 14,563
Discount adjustment	<u>(48)</u>
Total discounted future payments	14,515
Less: current portion	<u>14,515</u>
Long term portion	<u>\$ -</u>

FINANCING LEASE

OFFICE EQUIPMENT LEASE – DPP has entered into an agreement to lease a copier. The lease expires in May 2026. The lease requires a monthly payment of \$309. The present value of the lease was calculated using a 2.73% discount rate.

The minimum future lease payments for all financing leases as of December 31, 2022, are as follows:

December 31,	
2023	\$ 3,708
2024	3,708
2025	3,708
2026	<u>1,545</u>
Total payments before discount	\$ 12,669
Discount adjustment	<u>(586)</u>
Total discounted future payments	12,083
Less: current portion	<u>3,421</u>
Long term portion	<u>\$ 8,662</u>

OTHER INFORMATION: Lease costs reported in the statement of activities for the year ended December 31, 2022, are as follows:

Operating lease costs are included in the following line items:

Rent and utilities	\$ 58,038
Equipment expense	<u>3,203</u>
Total	<u>\$ 61,241</u>

Financing lease costs are included in the following line items:

Amortization expense	\$ 1,985
Interest expense	<u>178</u>
Total	<u>\$ 2,163</u>

DENVER PRESCHOOL PROGRAM
 NOTES TO FINANCIAL STATEMENTS
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Additional information:

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

Cash flows from operating leases	\$ 61,241
Cash flows from financing lease	2,163

Weighted average of remaining lease term from operating lease	0.25 years
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Weighted average discount rate for operating lease	2.00%
Weighted average discount rate for financing lease	2.73%

NOTE 6 - TEMPORARILY RESTRICTED

The following is an analysis of the Temporarily Restricted items as of December 31, 2022:

	December 31, 2021	Received Receivable	Released	December 31, 2022
City Preschool Tax	\$ 16,433,246	\$ 28,973,041	\$ 28,568,984	\$ 16,837,303
Denver Human Services	-	128,213	128,213	-
Early Milestone CIRCLE	-	90,880	45,880	45,000
Gary Community Ventures	-	50,000	-	50,000
CO Dept of Early Childhood	<u>-</u>	<u>44,124</u>	<u>35,435</u>	<u>8,689</u>
Totals	<u>\$ 16,433,246</u>	<u>\$ 29,286,258</u>	<u>\$ 28,778,512</u>	<u>\$ 16,940,992</u>

NOTE 7 – DENVER CITY BOARD DESIGNATED FUNDS

3-YEAR-OLD TUITION CREDIT PILOT – The Board of Directors approved a designated fund in 2021 for the purpose of funding tuition credits to a small cohort of 3-year-olds with a household income at or below 185 percent of the federal poverty line and enrolled in a high-quality DPP-participating community-based preschool program. The amount remaining in the designated fund as of December 31, 2022, was \$4,430,191.

DPP SCHOLARSHIPS – The DPP Scholarship Pilot was approved in 2019 to address affordability of preschool and better support to Denver’s lowest-income families. Scholarships are designed to fully cover the cost of care for families living at or below 185 percent of the federal poverty line, attend at least 25 hours per week at preschool, and

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS
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are not receiving other public funding. The amount remaining in the designated fund as of December 31, 2022, was \$2,252,343.

LONG-TERM RESERVE – PROGRAM WIND DOWN – In August 2022, the Board of Directors approved a new Board-Designated Reserve Policy. That policy is reflected in the current financial statements. The reserve target is defined as the approximate amount needed to cover core program and administrative costs in the event that DPP’s revenue ceases at the conclusion of a calendar year. This reserve should also include the necessary funds for proper transfer/storage of multi-year evaluation data. For the 2022-2023 program year, the reserve target equals eight months of tuition support for 4-year-olds, tuition support for the Preschool for 3s cohort, Scholarships, and quality improvement dollars, totaling \$15,851,560 million, administrative expenses in alignment with our 7 percent allocation, totaling \$1,109,609, plus data storage/transfer and any transition costs estimated at \$500,000 for an approximate total of \$17.461 million (+/- 10 percent). The amount in the designated fund as of December 31, 2022, was \$10,154,769.

NOTE 8 – 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, 2022, DPP used 4.84% 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 administrative funds as of December 31, 2022:

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Unexpended funds from 2021	\$ 4,750,061
G&A amount allowed for 2022	2,028,113
G&A expenses for 2022	<u>(1,349,610)</u>
Unexpended funds to 2023	<u>\$ 5,428,564</u>

NOTE 9 – 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, 2022, is \$24,642.

NOTE 10 – CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of December 31, 2022, is as follows:

Demand deposits	\$ 706,760
Money market account	6,739,246
Insured cash sweep account	<u>15,706,511</u>
Total	<u>\$ 23,152,517</u>

NOTE 11 – LONG-TERM CONTRACTS

DPP has entered into various contracts with vendors to provide services on behalf of DPP. These contracts terminate through 2025. The estimated amount of the future payments under these agreements are as follows:

December 31,	
2023	\$ 2,696,641
2024	912,341
2025	<u>912,342</u>
Total	<u>\$ 4,521,324</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 the scope of services is needed, or if funding is reduced or eliminated.

DENVER PRESCHOOL PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 12 – 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 98.6% of total support and revenue for the year December 31, 2022.

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, 2022, DPP paid to DPS approximately \$10,419,885 in tuition credits and \$460,254 in quality improvement expenses. This represents approximately 47.6% of total tuition credits and 18.4% in quality improvement expenses. Also, as of December 31, 2022, included in accounts payable is approximately \$3,780,072 of tuition credits payable to DPS. This represents approximately 64.3% of accounts payable.

NOTE 13 – AVAILABILITY AND LIQUIDITY

The following represents DPP’s financial assets as of December 31, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 23,152,517
Receivables	<u>82,526</u>
Total financial assets	<u>23,235,043</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	-
Less net assets with purpose restrictions to be met in	
Less than a year	<u>-</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 23,235,043</u>

As part of its liquidity plan, excess cash is invested in money market accounts and an insured cash sweep account.

DENVER PRESCHOOL PROGRAM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 14 – COVID-19

On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Management continues to monitor the situation to assess further potential implications to operations and will take additional actions in an effort to mitigate adverse consequences should they arise.

NOTE 15 – SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 21, 2023, the date that the financial statements were available to be issued and has determined that there were no events or transactions that require additional disclosure.

Denver Preschool Program Management Discussion and Analysis



For 16 years, the Denver Preschool Program (DPP) has been helping to ensure that every child in Denver enters kindergarten ready to reach their full potential. DPP is the 501 (c)(3) administrator of the City's dedicated .15 percent sales tax, which champions, funds, and expands access to high-quality preschool for ALL Denver families, regardless of income or neighborhood. Denver voters initially approved the sales tax to fund DPP in 2006 and reauthorized and expanded it in 2014. DPP is currently authorized through 2026.

DPP remains financially sound and is steadfast in evaluating its management practices to ensure it continues as a strong and viable organization. Rigorous assessment of our program has shown that DPP has significantly expanded access to preschool, improved kindergarten readiness for Denver's kids, and raised the quality of early education programs in the City. DPP is committed to its values **of access for all; informed choice; high quality, intentional inclusivity; and leadership in action**. These efforts include leaning into the significant challenges and opportunities that the Denver community faces.

The 2022 calendar year saw continued challenges due to the lasting effects of the pandemic, inflation, and Denver's rising cost of living. As a result, DPP prioritized how to use available resources to support the DPP's preschool providers and families more deeply. Key highlights of 2022 include:

- Provided \$27.4 million in programming expenses
- Expanded our tuition support to two years of free preschool for our children with the highest financial need
- Launched our strategic planning process to position the organization for successful growth
- Named the Local Coordinating Organization (LCO) for Denver for the implementation of the State's new universal preschool program, UPK Colorado
- Continued to utilize our reserves to support the needs of the community

Foundational Programs

DPP provided **\$22.1 million** in tuition credits in 2022. In addition, DPP significantly expanded its tuition credit system supports in 2022, increasing spending by \$2.2 million compared to the previous year. The tuition credit system is inclusive of the following:

- The 4-year-old tuition credit scale;
- DPP Scholarship Pilot, which fully covers the cost of tuition for children at or below 185% of the federal poverty line;
- Preschool for 3s Pilot, supporting a small cohort of 3-year-olds through our tuition credit scale;

All tuition credit funding is paid directly to providers on behalf of each family, then deducted from the families' tuition bills. These tuition credits supported 4,785 students who attended preschool in the 2021-2022 school year, 4,336 4-

Board of Directors

As of 12/31/2022

Michael Baker, Chair
Gold Crown Management

Dr. Lydia Prado, Vice Chair
Lifespan Local

Chris Daues, Treasurer
Rubin Brown

Amber Münck, Secretary
Jefferson County

Erin Brown
The Colorado Health Foundation

Anna Jo Haynes, Board Emeritus
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Samantha Jacobson
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Anne Rowe
La Vie and Company

Councilwoman Amanda Sandoval
Denver City Council – District 1

Janice Sinden
Denver Center for the Performing Arts

Susan Steele
Temple Hoyne Buell Foundation

year-old students, and 388 3-year-olds who attended preschool in the 2022-2023 school year thus far.

The organization proudly invested **\$2.5 million** in quality improvement resources for more than 269 preschools. These quality improvement dollars provided schools with funding for teacher and director professional development, coursework, grants, workforce stipends, coaching, scholarships, and classroom materials, helping to ensure that Denver preschoolers receive a high-quality education.

Financial & Operations Management

In 2022, DPP took essential steps to position the organization for growth, including expanding its financial expertise by creating and hiring a new Director of Finance position, diversifying the program stream and revenue by being awarded the LCO contract for Denver for UPK Colorado, and laying the groundwork for an ordinance change to support DPP's further growth and expansion.

The organization updated its reserve target and policy to give it adequate funds to weather economic downturns and ensure that we fulfill our financial commitment to families through the end of the 2027 academic year unless reauthorized by November 2026. The 2022 financials indicate the long-term reserves target at \$17.5 million and \$6.7 million designated for pilot programming, bringing our overall Board designated reserves as of December 31, 2022, to \$24.2 million. The amount in the designated fund as of December 31, 2022, was \$20.6 million. The Board of Directors is aware of this gap and are committed to supporting Denver preschool and families.

DPP continued its record of strong financial management— including a clean 2022 audit – and closely monitored revenue projections and economic forecasts that effected the city sales tax. This allowed the organization to adjust expenses and reallocate funding to new areas of need, maintaining financial stability while deepening the impact on preschools and families.

Planning for the Future: DPP's 2023-2025 Strategic Plan

Now, well into our second decade of impact, DPP is not merely focused on the mission but proactively paving the way for significant, equitable advancements in early childhood education, local, statewide, and across the nation. We take our role as a leader and one of the original tuition credit programs in the country seriously. While there is much to learn from what we have done, there is much to learn and improve upon as we look ahead.

This momentum was captured in developing DPP's 2023-25 strategic plan, to be released in the spring of 2023. DPP is entering an unprecedented period of change and growth. As such, our strategic orientation over the next three years is one of growth in funding, programming, and infrastructure to serve Denver's families and young children better. We seek to grow in ways that create equity, are sustainable, and model the way forward for early childhood supports that transform the lives of families. DPP commits to bold action to help eliminate differences in educational, well-being, and health outcomes due to systemic racism, generational poverty, and discrimination through our role in early childhood education.

Staff
As of 12/31/2022

Elsa Holguín
President and CEO

Ellen Braun
Chief Operating Officer

Nayely Avila
Program Specialist

Irene Bonham
Director of Communication and Engagement

Dr. Cristal Cisneros
Senior Director of Evaluation and Impact

Chris Miller
Senior Director of Quality Initiatives

Carley Noerr
Office Manager

Rebekah Ray
Director of Finance

This plan has laid out DPP's priorities for the next three years, beginning with our guiding principles, our unwavering and living commitment to creating a more equitable early childhood system, and leading in the state and national early childhood environment. Work is already well underway to fully realize the scope of our new strategic plan –a living, breathing roadmap that we will continue to revisit over the months and years ahead. We look forward to involving those we serve and partner with in this process and working together to accomplish our vision, mission, and goals.

Inspiring a New Generation of Learning

Looking ahead, DPP will continue to address ongoing concerns, including continued low enrollment and staffing shortages at preschool providers, while maximizing opportunities such as integrating DPP's funding to complement the upcoming implementation of UPK in 2023.

Internally, DPP is deepening its Equity, Diversity, and Inclusion values by examining programmatic approaches, policies, and procedures and ultimately developing a sharper focus on racial equity. In addition, with its current strategic plan ending in 2021, the organization has been working on a strategic plan refresh with an emphasis on equity to carry us through 2023. This plan will serve as a guide to ensure that the families it supports continue to be able to provide their children with the benefits associated with high-quality early childhood education.

Throughout 2023 and beyond, DPP will continue to strive to realize the vision of every Denver child entering kindergarten ready to reach their full potential.