Denver Preschool Program, Inc.

Financial Statements

December 31, 2023

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Montoya, P.C.

Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

Board of Directors
Denver Preschool Program, Inc.

Opinion

We have audited the accompanying financial statements of the Denver Preschool Program, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Denver Preschool Program, Inc. as of December 31, 2023, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the 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.

Emphasis of Matter – Restatement

As described in note 11 to the financial statements, Denver Preschool Program, Inc.'s net assets without donor restrictions and net assets with donor restrictions were restated as of December 31, 2022. Our opinion is not modified with respect to this matter.

As part of our audit of the 2023 financial statements, we also audited the adjustment described in note 11 that was applied to restate the 2022 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the Denver Preschool Program, Inc. other than with respect to the adjustment, and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 the 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.

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Board of Directors
Denver Preschool Program, Inc.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the 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 the 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.

Kundinger, Corder & Montoya, P.C.

March 19, 2024

Denver Preschool Program, Inc.
Statement of Financial Position
December 31, 2023

Assets		
Cash and cash equivalents	$	441,267
Grants and contributions receivable		76,997
Investments (note 3)		28,296,224
Prepaid expenses and other assets		76,497
Property and equipment, net (note 4)		42,687
Operating lease right of use asset (note 5)		245,893
Finance lease right of use asset		8,499
Total assets	$	29,188,064
Liabilities and Net Assets		
Accounts payable (note 1(e))	$	5,112,103
Accrued payroll and other liabilities		77,878
Operating lease liability (note 5)		247,223
Finance lease liability		8,662
Total liabilities		5,445,866
Net assets (note 6)		
Net assets without donor restrictions		
Undesignated		1,150,085
Designated		6,348,371
Total net assets without donor restrictions		7,498,456
Net assets with donor restrictions		16,243,742
Total net assets		23,742,198
Commitments (notes 8, 9, and 10)		
Total liabilities and net assets	$	29,188,064

See the accompanying notes to the financial statements.

Denver Preschool Program, Inc.
Statement of Activities
Year Ended December 31, 2023

		Without donor restrictions	With donor restrictions	Total
Revenue and Support				
City and County of Denver grant revenue (note 7)	$	2,432,989	32,323,990	34,756,979
Government grants		–	435,681	435,681
Other grants and contributions		18,360	184,120	202,480
Interest income		719,237	–	719,237
Net assets released from restrictions (note 6)		28,212,477	(28,212,477)	–
Total revenue and support		31,383,063	4,731,314	36,114,377
Expenses				
Program services				
Denver Preschool Program		27,619,761	–	27,619,761
Universal Preschool (UPK)		413,596	–	413,596
Other		197,370	–	197,370
Total program services		28,230,727	–	28,230,727
Management and general		1,513,182	–	1,513,182
Total expenses		29,743,909	–	29,743,909
Change in net assets		1,639,154	4,731,314	6,370,468
Net assets at beginning of year		430,738	16,940,992	17,371,730
Adjustment to beginning net assets (note 11)		5,428,564	(5,428,564)	–
Net assets at beginning of year, as restated		5,859,302	11,512,428	17,371,730
Net assets at end of year	$	7,498,456	16,243,742	23,742,198

See the accompanying notes to the financial statements.

Denver Preschool Program, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program services					
	City Preschool Tax	Universal Preschool (UPK)	Other	Total program services	Management and general	Total expenses
Salaries	$ –	128,691	4,050	132,741	734,116	866,857
Benefits	–	18,501	–	18,501	148,682	167,183
Payroll taxes	–	9,845	–	9,845	65,017	74,862
Parent tuition credit	20,886,846	–	119,204	21,006,050	–	21,006,050
Quality improvement (note 1(k))	3,740,415	3,484	–	3,743,899	–	3,743,899
Parent eligibility	1,027,420	125,748	–	1,153,168	–	1,153,168
Evaluation	989,426	–	–	989,426	–	989,426
Community outreach	885,229	38,269	–	923,498	–	923,498
Contractors and consultants	84,778	238	3,492	88,508	269,879	358,387
Other expenses	5,647	88,820	70,624	165,091	58,603	223,694
Professional fees	–	–	–	–	134,458	134,458
Occupancy	–	–	–	–	61,990	61,990
Depreciation and amortization	–	–	–	–	40,437	40,437
Total expenses	$ 27,619,761	413,596	197,370	28,230,727	1,513,182	29,743,909

See the accompanying notes to the financial statements.

Denver Preschool Program, Inc.
Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities		
Change in net assets	$	6,370,468
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		40,437
Operating lease asset and liability noncash expense		1,330
Finance lease asset and liability noncash expense		96
Change in operating assets and liabilities		
Grants and contributions receivable		5,529
Prepaid expenses and other assets		(5,670)
Accounts payable		(770,749)
Accrued payroll and other liabilities		(29,535)
Net cash provided by operating activities		5,611,906
Cash flows from investing activities		
Purchases of investments		(5,850,466)
Purchases of property and equipment		(26,932)
Net cash used in investing activities		(5,877,398)
Net increase in cash and cash equivalents		(265,492)
Cash and cash equivalents, beginning of year		706,759
Cash and cash equivalents, end of year	$	441,267
Supplemental disclosure of non-cash operating and financing activities		
Operating lease asset and liability noncash expense	$	1,330
Operating lease right of use asset	$	245,893
Operating lease liability	$	247,223
Finance lease asset and liability noncash expense	$	96
Finance lease right of use asset	$	8,499
Finance lease liability	$	8,662

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The Denver Preschool Program, Inc. (DPP) is a Colorado tax-exempt charitable organization whose purpose is to administer the Denver Preschool Program as defined in Article III of Chapter 11, Denver Revised Municipal Code, as amended. This administration is conducted in accordance with agreements between DPP and the City and County of Denver (the City).

DPP offers tuition credits to Denver families for children the year before they start kindergarten. DPP also extends tuition credits for 3-year-olds from Denver households with the highest need. Families can use these credits at any preschool licensed by the State of Colorado and contracted with DPP, regardless of the provider's location. Additionally, DPP provides grants to help childcare providers enhance the quality of their programs.

The Denver Preschool Program leads 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.

(b) Basis of Accounting

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

(c) Financial Statement Presentation

DPP is required to present information regarding its financial position and activities according to the following net asset classifications:

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 DPP. These net assets may be used at the discretion of DPP's management and the board of directors.

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. At December 31, 2023, there were no assets with perpetual donor restrictions.

(d) Cash and Cash Equivalents

DPP considers all demand deposits, money market accounts, and highly liquid investments with original maturities of three months or less, and which are not held as part of the investment portfolio, to be cash equivalents.

(1) Summary of Significant Accounting Policies, Continued

(e) Concentrations

Financial instruments that potentially subject DPP to concentrations of credit risk consist of cash and cash equivalents and grants and contributions from the City and County of Denver. DPP places its cash and cash equivalents with creditworthy, high quality, financial institutions. In addition to any Federal Deposit Insurance Corporation 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.

For the year ended December 31, 2023, revenue from the grant with the City and County of Denver comprised 96% of total revenue and support. A decrease in this funding from the City could have an adverse effect on DPP's operations.

Denver Public Schools (DPS) provides a significant portion of the preschool services that families select for their children. During the year ended December 31, 2023, DPP paid to DPS $8,982,212 in parent tuition credit and quality improvement expenses. This represents 36% of total parent tuition credit and quality improvement expenses. In addition, DPS accounts payable totaled $2,656,805, representing 52% of total accounts payable at December 31, 2023.

(f) Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully discussed in note 1(g). DPP's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of the DPP's distributive share of any interest, dividends, and capital gains and losses generated from sales of investments. Interest income is included in the change in net assets in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor law.

(g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles in the U.S. establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped in three levels based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1	Unadjusted quoted market prices for identical assets or liabilities in active markets for identical instruments as of the measurement date.
Level 2	Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
Level 3	Unobservable inputs that cannot be corroborated by observable market data.

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements, Continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not an indication of risk or liquidity. Investments in money market funds and domestic time deposits with readily determinable fair values are reported at fair value based on quoted prices in active markets.

(h) Property and Equipment

Property and equipment is recorded at cost, if purchased or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized ratably over the lesser of the lease term or the estimated useful life. DPP's policy is to capitalize all expenditures for property and equipment in excess of $1,000 and with an estimated useful life greater than one year, and to expense normal repairs and maintenance as incurred. When assets are sold, retired, or otherwise disposed of, the applicable costs are removed from the accounts and any resulting gain or loss is recognized.

(i) Leases

In accordance with the provisions of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, DPP has elected not to record on the statement of financial position a lease whose term is twelve months or less and does not include a purchase option that DPP is reasonably certain to exercise. DPP has elected to use the risk-free rate to determine the present value of the lease payments for the purpose of calculating the right of use asset and lease liability. In addition, DPP has elected the practical expedient not to separate lease and non-lease components for the office lease.

(j) Revenue Recognition

<u>Grants and contributions</u>
Grants and contributions are recognized when cash, securities or other assets, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Payments received in advance of conditions being met are recorded as refundable advances. Conditional grants and contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Contributions, including contributions receivable, that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Grants and contributions, Continued
Grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2023, amounts totaling $276,961 under a certain government grant has not been recognized in the accompanying financial statements as the conditions have not been met.

Grants and contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. At December 31, 2023, all grants and contributions receivable are expected to be collected within one year. Management has determined that all grants and contributions receivable are fully collectable; therefore, no allowance for uncollectable accounts is considered necessary at December 31, 2023.

In-kind Contributions
Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by DPP. Many individuals volunteer their time and perform a variety of tasks that assist DPP in its programs and general operations. However, the value of this contributed time is not reflected in the accompanying financial statements as it does not meet the criteria of recognition under generally accepted accounting principles (GAAP). Contributed goods are recorded at fair value at the date of donation. No significant contributions of goods or services were received during the year ended December 31, 2023.

(k) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. DPP incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. General and administrative expenses include those costs that are defined by the City grant (see note 7) as being exclusively general and administrative, such as salaries, benefits, taxes, professional fees, occupancy, and depreciation and amortization. DPP has adopted this definition of general and administrative for the presentation of support services incurred on the City grant. Other funding sources may include general and administrative costs for the overall support and direction of the organization. For the year ended December 31, 2023, all costs were recorded either as program costs or management and general costs.

Quality improvement (QI) consists of several components: quality rating for providers and resources that include coaching on Early Childhood Education (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.

(l) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(1) Summary of Significant Accounting Policies, Continued

(m) Income Taxes

DPP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, DPP qualifies for the charitable contribution deduction. In addition, because DPP is considered a component of the City and County of Denver (a government entity), DPP is not required to file a tax return with the Internal Revenue Service. However, income from activities not directly related to DPP's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in December 31, 2023.

Management is required to evaluate tax positions taken by DPP, and to recognize a tax liability if DPP has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. DPP believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. DPP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(n) Subsequent Events

DPP has evaluated subsequent events through March 19, 2024, which is the date the financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

The following reflects DPP's financial assets that are available for general expenditure within one year as of December 31, 2023:

Financial assets at year-end	
Cash and cash equivalents	$ 441,267
Grants and contributions receivable	76,997
Investments	28,296,224
Total financial assets	28,814,488
Less amounts not available to be used within one year	
Board-designated net assets (note 6)	(6,348,371)
Donor restricted net assets (note 6)	(16,243,742)
Total financial assets not available	(22,592,113)
Financial assets available for expenditures within one year	$ 6,222,375

As part of its liquidity management, DPP has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, DPP invests excess cash in money market and insured cash sweep accounts. DPP has the financial goal of keeping adequate operating cash on hand to meet operational expenditures for at least eight months and utilizes the annual budget to estimate the anticipated funding needs for the next year. In the event the need arises to utilize the board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution during the budgeting process.

(3) Investments

Investments are comprised of money market funds of $4,137,341 and domestic time deposits of $24,158,883. All investments are considered to be valued at Level 1.

(4) Property and Equipment

Property and equipment consist of the following at December 31, 2023:

Leasehold improvements	$ 493,783
Furniture, fixtures, and equipment	96,170
	589,953
Less accumulated depreciation	(547,266)
Property and equipment, net	$ 42,687

(5) Operating Lease Right of Use Asset and Operating Lease Liability

DPP leases office space under a long-term non-cancelable operating lease through March 31, 2028. DPP includes in the determination of the right of use asset and lease liability any renewal options when the options are reasonably certain to be exercised. Renewal options have not been exercised as of December 31, 2023. DPP's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreements requires DPP to pay utilities and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. DPP has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The total operating lease cost for the office space for the year ended December 31, 2023 was $58,253 and is included with occupancy in the statement of functional expenses.

The weighted-average term and discount rates for the operating lease outstanding as of December 31, 2023 are as follows:

Weighted-average term (years)	4.25
Weighted-average discount rate	3.73%

Future payments due under the operating lease are as follows as of December 31, 2023:

Undiscounted cash flows due in:

2024	$ 58,908
2025	59,792
2026	60,689
2027	61,599
2028	15,456
Total undiscounted cash flows	256,444
Impact of present value discount	(9,221)
Lease liability recognized	$ 247,223

(6) Net Assets

Designated
Board-designated net assets and reserves are reported as net assets without donor restrictions in the accompanying financial statements. Board-designated net assets consist of unexpended City funds available for management and general expenses of $6,348,371 at December 31, 2023 (see note 7).

Net Assets with Donor Restrictions
Net assets subject to donor restrictions consist of the following at December 31, 2023:

City restricted funds	$ 16,112,968
UPK	130,774
Total net assets with donor restrictions	$ 16,243,742

Unexpended City funds, restricted by the donor, consist of the following at December 31, 2023:

Long-term reserve – program wind down	$ 13,888,295
3-year-old tuition credit pilot	1,409,611
DPP scholarships	815,062
Total City restricted funds	$ 16,112,968

Long-term Reserve – Program Wind Down: 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 2023-2024 program year, the reserve target equals eight months of tuition support for families with 4-year-olds, tuition support for the preschool-for-3s cohort, scholarships, and quality improvement dollars, totaling approximately $17,693,000; administrative expenses in alignment with the 7% allocation totaling approximately $1,239,000; plus data storage/transfer and any transition costs estimated at $500,000, for an approximate total of $19,432,000 (+/- 10%). Additionally, the allocated portion of this long-term reserve is included in board-designated net assets totaling $6,348,371 at December 31, 2023 (see note 7).

3-year-old Tuition Credit Pilot: This fund supports a small cohort of families with 3-year-olds who have a household income at or below 185 percent of the federal poverty line and are enrolled in a high-quality DPP-participating community-based preschool program.

DPP Scholarships: Scholarships are designed to fully cover the cost of care for families living at or below 185% of the federal poverty line, who have children attending at least 25 hours per week at preschool, and who are not receiving other public funding.

Net assets were released from donor restrictions as follows for the year ended December 31, 2023:

Satisfaction of purpose restrictions	
Denver Preschool Program	$ 27,619,761
UPK	592,716
Total net assets released from restrictions	$ 28,212,477

(7) City and County of Denver Grant Revenue

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. In the November 2023 elections, the ballot initiative to make the Preschool tax permanent was passed.

Funding under the agreement is made through appropriation by City Council on an annual basis. For the year ended December 31, 2023, sales and use tax revenue totaled $30,720,920. 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 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. Revenue or expenses are recorded in the calendar year the reconciliation amount is determined. For the year ended December 31, 2023, revenue from the reconciliation totaled $4,036,059. Revenue is contingent upon the City's annual sales tax receipts and is recognized monthly as received.

As prescribed by the grant agreement, 93% of these funds, or $32,323,990, are reported as restricted revenue. Expenditures are subject to various programmatic and eligibility requirements and stipulations. The agreement also provides that no more than 7% of the distributions can be expended on management and general or administration expenses, and, thus, are reported as revenue without donor restrictions.

For the year ended December 31, 2023, DPP used 5.09% of the distributions for management and general 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 management and general funds as of December 31, 2023:

Unexpended funds carried over from 2022	$ 5,428,564
Management and general expenses allowed in 2023	2,432,989
Management and general expenses incurred in 2023	(1,513,182)
Unexpended funds available for use in 2024	$ 6,348,371

These funds are included in board-designated net assets as described in note 6.

(8) Retirement Plan

DPP maintains a 401(k) retirement plan (the Plan) which covers substantially all employees. Eligible employees may begin to participate in the Plan with elective deferral contributions on the first day of any month after the date of hire. Participants are eligible to contribute an amount not to exceed limits set by the Internal Revenue Service. Under the Plan, DPP makes a safe harbor matching contribution for all employees over the age of 21 in an amount equal to 100% of the employee's contributions, up to the first 4% of compensation that employees contribute. During the year ended December 31, 2023, DPP made matching contributions to the plan totaling $32,132.

(9) 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 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 grant referred to in note 6 with the City should be considered as negotiated with a related party. DPP has entered into a lease agreement to rent its offices located in a building in which the Housing Authority of the City and County of Denver is the Master Tenant/Landlord. See note 5 for a summary of the lease.

(10) Other Commitments

DPP has entered into various contracts with vendors to provide services on behalf of DPP. These contracts terminate through 2026. The estimated amount of the future payments under these agreements at December 31, 2023 are as follows:

2024	$ 3,805,541
2025	730,748
2026	65,528
Total	$ 4,601,817

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

(11) Prior Period Restatement

During the 2023 audit, it was determined that board-designated net assets of $5,428,564 were incorrectly reported as net assets with donor restrictions as of December 31, 2022. Corrections to the net asset classifications resulted in the following restated balances for 2022. These reclassifications had no effect on the previously reported total change in net assets.

	As originally stated	Correction	As Restated
Net assets			
Without donor restrictions, December 31, 2022	$ 430,738	5,428,564	5,859,302
With donor restrictions, December 31, 2022	16,940,992	(5,428,564)	11,512,428
Total net assets, December 31, 2022	$ 17,371,730	–	17,371,730

Denver Preschool Program
Management Discussion and Analysis

Since 2006, Denver Preschool Program (DPP) has been transforming the futures of young children and their families by strengthening and funding the early childhood experience. Our vision is for every Denver child to have equitable access to a strong foundation to thrive in kindergarten and beyond.

A non-profit organization, DPP is the designated administrator of Denver's .15 percent sales tax. These funds are specifically dedicated to supporting high-quality preschool education for all families in Denver, no matter their household income. Initially approved by Denver voters in 2006, the tax was subsequently reauthorized and expanded in 2014. In 2023, Denver voters approved making the sales tax permanent, ensuring continued support for preschool education in the City.

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. At DPP, we are committed to our guiding values, centering on equity, increasing access, promoting choice, leading collaboratively, and delivering quality. These efforts include leaning into the significant challenges and opportunities that the Denver community faces.

The 2023 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 2023 include:

- Provided $27.8 million in programming expenses utilizing the Denver preschool tax and $28.2 million overall.
- Continued our commitment to providing two years of tuition support for our children with the highest financial need.
- Serving as the Local Coordinating Organization (LCO) for Denver as the State implemented the first year of Colorado Universal Preschool.
- Continued to utilize our reserves to support the needs of the community.

Foundational Programs

DPP provided **$21.0 million** in tuition credits in 2023. The tuition credit system is inclusive of the following:

- The 4-year-old tuition credit scale;
- DPP Scholarship, which fully covers the cost of tuition for children at or below 270% 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

4,481 4-year-old students, and 507 3-year-olds who attended preschool in the 2022-2023 school year and 3,670 4-year-old students, and 400 3-year-olds who attended preschool in the 2023-2024 school year thus far.

DPP proudly invested **$3.7 million** in quality improvement resources for more than 268 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

DPP continued its record of strong financial management– including a clean 2023 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

As part of the 2023-2025 strategic plan, the organization has a goal to ensure DPP has the infrastructure, staffing and governance to thrive. This goal underscores our commitment to updating our reserves policy subsequent to a successful reauthorization to become a permanent fund of the city. Additionally, our strategic focus encompasses the development and implementation of a robust investment strategy, alongside a comprehensive review and overhaul of our current information technology and cybersecurity policies and processes.

Embarking on the journey of 2024, DPP welcomed five new board members, marking a pivotal moment characterized by a renewed dedication to our equity, diversity, and inclusion objectives. With an enhanced programmatic and financial diversity, DPP remains committed to a trajectory of continuous improvement. Our community landscape continues to evolve, notably with the inclusion of new migrants into our vibrant city, contributing to an increase in the presence of children within Denver. Furthermore, the inauguration of a new mayor and city administration heralds fresh opportunities and promising partnerships on the horizon.

Throughout 2024 and beyond, DPP will continue to strive to realize the vision of every Denver child having equitable access to a strong foundation to thrive in kindergarten and beyond.

Staff
As of 12/31/2023

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