DENVER EARLY CHILDHOOD COUNCIL

Financial Statements

June 30, 2013

(Together with Independent Auditors' Report)

KNIGHT | FIELD | FABRY LLP

Denver Early Childhood Council
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CERTIFIED PUBLIC ACCOUNTANTS
AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Denver Early Childhood Council

We have audited the accompanying financial statements of Denver Early Childhood Council which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Early Childhood Council as of June 30, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Denver Early Childhood Council's 2012 financial statements, and our report dated October 11, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Knight Field Fabry LLP

October 17, 2013
Denver, Colorado

DENVER EARLY CHILDHOOD COUNCIL

Statement of Financial Position
June 30, 2013
(With Comparative Totals for June 30, 2012)

ASSETS

	2013	2012
Current Assets		
Cash and cash equivalents	$ 283,346	$ 68,275
Government grants receivable	83,643	171,689
Contributions receivable, current portion	392,485	37,500
Other receivables	2,899	1,342
Prepaid expenses and other	20,012	3,788
Total Current Assets	782,385	282,594
Contributions receivable, net of current portion	269,407	-
Deposits	2,350	1,200
Total Assets	$ 1,054,142	$ 283,794

LIABILITIES AND NET ASSETS

	2013	2012
Current Liabilities		
Accounts and subcontractors payable	$ 74,577	$ 94,501
Accrued payroll liabilities	12,524	4,419
Note payable	-	50,000
Total Current Liabilities	87,101	148,920
Net Assets		
Unrestricted	57,246	36,943
Temporarily restricted	909,795	97,931
Total Net Assets	967,041	134,874
Total Liabilities and Net Assets	$ 1,054,142	$ 283,794

The accompanying notes are an integral part of the financial statements.

DENVER EARLY CHILDHOOD COUNCIL

Statement of Activities
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Support and Revenue				
Government grants	$ 1,245,758	$ -	$ 1,245,758	$ 1,074,925
Foundation grants	46,376	976,881	1,023,257	134,678
Other contributions	7,924	-	7,924	1,950
Program service fees	25,760	-	25,760	9,431
Other income	725	-	725	17
In-kind services received	-	-	-	1,750
Net assets released from restrictions	165,017	(165,017)	-	-
Total Support and Revenue	1,491,560	811,864	2,303,424	1,222,751
Expenses				
Program Services				
Quality improvement	865,664	-	865,664	874,680
Professional development	262,785	-	262,785	72,550
Systems building	207,139	-	207,139	157,860
Total Program Services	1,335,588	-	1,335,588	1,105,090
Supporting Services				
Management and general	124,475	-	124,475	113,920
Fundraising	11,194	-	11,194	7,641
Total Supporting Services	135,669	-	135,669	121,561
Total Expenses	1,471,257	-	1,471,257	1,226,651
Change in Net Assets	20,303	811,864	832,167	(3,900)
NET ASSETS, Beginning of Year	36,943	97,931	134,874	138,774
NET ASSETS, End of Year	$ 57,246	$ 909,795	$ 967,041	$ 134,874

The accompanying notes are an integral part of the financial statements.

DENVER EARLY CHILDHOOD COUNCIL

Statement of Functional Expenses
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30,2012)

	Program Services				Supporting Services			Total	Total
	Quality Improvement	Professional Development	Systems Building	Total	Management and General	Fund-Raising	Total	Year Ended June 30, 2013	Year Ended June 30, 2012
Salaries and benefits:									
Salaries	$ 234,075	$ 29,767	$ 115,722	$ 379,564	$ 79,600	$ 10,166	$ 89,766	$ 469,330	$ 279,270
Payroll taxes	20,342	2,374	9,674	32,390	6,042	753	6,795	39,185	24,481
Employee benefits	35,610	1,319	13,663	50,592	4,087	157	4,244	54,836	28,078
	290,027	33,460	139,059	462,546	89,729	11,076	100,805	563,351	331,829
Direct program expenses:							-	-	-
Coaching	235,557	-	-	235,557	-	-	-	235,557	253,192
Learning materials	184,886	712	-	185,598	-	-	-	185,598	220,299
Conference attendance	3,419	133,542	-	136,961	-	-	-	136,961	38,420
Provider training/resources	45,028	63,891	118	109,037	-	-	-	109,037	54,149
College coursework	-	21,382	-	21,382	-	-	-	21,382	143,946
Teacher incentives/technology	16,095	-	-	16,095	-	-	-	16,095	-
Planning & development	2,612	3,783	750	7,145	-	-	-	7,145	10,574
Trainer development	-	-	6,677	6,677	-	-	-	6,677	-
Assessment & evaluation	2,762	2,525	-	5,287	-	-	-	5,287	34,275
	490,359	225,835	7,545	723,739	-	-	-	723,739	754,855
Other operating expenses:									
Professional fees	27,208	103	16,210	43,521	14,488	-	14,488	58,009	46,537
Facilities and equipment	27,889	2,447	18,937	49,273	6,002	-	6,002	55,275	42,749
Information technology	10,084	309	6,351	16,744	4,496	-	4,496	21,240	16,918
Travel	7,170	65	4,116	11,351	62	7	69	11,420	3,876
Office expenses	6,360	356	2,876	9,592	2,052	111	2,163	11,755	10,186
Conferences and meetings	2,150	81	5,658	7,889	703	-	703	8,592	5,015
Staff development	3,052	-	265	3,317	2,109	-	2,109	5,426	3,491
Community outreaach	-	-	4,320	4,320	-	-	-	4,320	-
Insurance	-	-	-	-	3,743	-	3,743	3,743	3,006
Printing	1,365	129	1,802	3,296	712	-	712	4,008	6,117
Interest	-	-	-	-	379	-	379	379	322
In-kind legal services	-	-	-	-	-	-	-	-	1,750
	85,278	3,490	60,535	149,303	34,746	118	34,864	184,167	139,967
Total Expenses	$ 865,664	$ 262,785	$ 207,139	$ 1,335,588	$ 124,475	$ 11,194	$ 135,669	$ 1,471,257	$ 1,226,651

The accompanying notes are an integral part of the financial statements.

DENVER EARLY CHILDHOOD COUNCIL

Statement of Cash Flows
Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	$ 832,167	$ (3,900)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Receivables	(537,903)	(93,774)
Prepaid expenses and other	(16,224)	(2,000)
Deposits	(1,150)	-
Increase (decrease) in:		
Accounts payable and subcontractors payable	(19,924)	79,858
Accrued payroll liabilities	8,105	4,419
Net Cash Provided by (Used in) Operating Activities	265,071	(15,397)
Cash Flows From Financing Activities		
(Repayment of) Proceeds from note payable	(50,000)	50,000
Net Cash Provided by (Used in) Financing Activities	(50,000)	50,000
Net Increase in Cash and Cash Equivalents	215,071	34,603
CASH AND CASH EQUIVALENTS, beginning of year	68,275	33,672
CASH AND CASH EQUIVALENTS, end of year	$ 283,346	$ 68,275

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The vision of the Denver Early Childhood Council (DECC) is that every young child in Denver enters school ready to succeed. We serve as Denver's early childhood hub by leveraging resources, opportunities and connections to create a quality system that impacts the lives of children and their families. DECC operates the following major programs:

- *Quality Improvement* -The School Readiness Quality Improvement Program (SRQIP), Denver Preschool Program (DPP), Social Emotional Early Development Initiative (SEED), and Expanding Quality for Infants & Toddlers (EQIT) strive to enhance quality in early childhood education to improve the school readiness of Denver children birth to five years old. Through these programs, Childcare Providers receive targeted coaching, training, qualified classroom learning materials and technology resources. In FY12-13, we provided 2,810 hours of coaching, over $187,000 in tuition assistance for college coursework and professional development, and over $215,000 of qualified learning materials and technology to approximately 580 classrooms in 235 childcare provider sites in Denver. All sites participating in SRQIP and DPP are required to be quality rated by an independent third-party. Participating childcare providers have recognized consistent and statistically significant gains in quality year over year as a result of the additional quality improvement supports and resources provided. This is the first year of the SEED Initiative. Our goals are to implement the Pyramid Plus Approach (PPA) in childcare centers by offering a combination of training, coaching, professional development, learning materials and technology; to expand the number of certified PPA trainers and coaches (we enrolled four in annual certification process in FY12-13); and offer training to the broader early childhood community in Denver.

- *Professional Development* - Professional Development and Denver Childcare Resource & Referral programs expand access to high quality training and scholarship programs that provide trainings on industry best practice and evidence-based curriculum to help early childhood professionals increase their knowledge and apply it in the classroom. Our professional development offerings are often paired with on-site coaching that enhances the application and effectiveness of the delivered content. We provided 294 hours of Expanding Quality for Infants & Toddlers training and 132 hours of related coaching for more than 130 providers in the FY12-13. We also provided 291 hours of stand-alone training, and an additional 33 hours of training paired with coaching. In order to expand access to high-quality trainings and information sessions, DECC braids funding to offer additional community slots to all Denver early childhood education professionals, including home providers, family care providers, and other early childhood stakeholders. In total, we had 1026 registrations for 74 professional development trainings, with 207 sessions in FY12-13. Additionally, through our Resource & Referral program, DECC provided answers to over 60 early childhood related questions from providers through our Help Desk system.

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

- *Systems Building* - As part of our Early Childhood Systems Building work, we coordinate collaborative decision-making about federal, state, local, and philanthropic early childhood financial resources in Denver and facilitate service delivery to public and private early learning providers. We are working to increase the quality, access, and availability of early childhood care and education (ECE) services. We are also working to better understand the integration of health and mental health services in the ECE community in Denver by conducting environmental scans related to home visitation and the developmental screening and referral system, and by building infrastructure related to mapping entities and available resources. This has allowed us to bring new partners together to examine systemic duplication and service gaps. Our staff actively participated in various workgroups and committees which contributed to providing feedback and design guidance on the new tiered quality rating improvement system for the state of Colorado and other statewide early childhood systems efforts that will be funded by the Race to the Top Early Learning Challenge Grant. This information paired with the data we're collecting through our Quality Improvement and Professional Development programs will allow us to better inform stakeholders and more effectively serve the early childhood workforce in the early learning, child health, mental health and family support domains.

Basis of Accounting
The financial statements of DECC have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation
The financial statement presentation follows the recommendations of FASB ASC 958-205. Under FASB ASC 958-205, DECC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of June 30, 2013, DECC had no permanently restricted net assets.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
For purposes of the statement of cash flows, DECC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

1. Organization and Summary of Significant Accounting Policies (continued)

Receivables

DECC believes that its receivables, which are recorded at fair value, are fully collectible; accordingly there is no allowance for doubtful accounts at June 30, 2013. DECC's policy for charging off receivables is when future payments thereon are determined to be improbable.

Property and Equipment

DECC capitalizes the cost of all property and equipment expenditures in excess of $5,000. Contributed property and equipment is recorded at fair value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the respective asset.

DECC did not hold any individual assets with an acquisition value greater than $5,000 at June 30, 2013.

Concentration of Credit Risk

DECC maintains a bank account at one financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balance, at times, may exceed the FDIC insured limit. DECC believes it is not exposed to any significant credit risk on its cash balances.

During the year ended June 30, 2013, DECC received approximately 55% of its revenues from government support (including both current and multi-year foundation revenues recognized in 2012-2013). Last fiscal year ended June 30, 2012, DECC received approximately 90% of its revenues from government support. Even as revenues increased by 46% (including multi-year foundation grants), this 35% decrease in reliance on government grants is due to the intentional diversification of funding. DECC's Board of Directors approved strategic and operating plans highlight the importance of diversifying funding and generating program service fees in order to enhance programmatic sustainability in the event that government support decreases.

During the year ended June 30, 2013, DECC received approximately 80% of its Foundation grant revenue from one donor. Amounts due from this donor total approximately $562,000 at June 30, 2013.

Contributions and Grants

DECC accounts for contributions and grants as unrestricted, temporarily restricted or permanently restricted assets depending on the existence and/or nature of any donor restrictions. When a 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.

DECC's policy is to record contributions whose restrictions are met in the same reporting period as unrestricted contributions. Contributions whose restrictions are not met in the same reporting period are reported as temporarily restricted assets.

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Services
A substantial number of volunteers have contributed significant amounts of time to DECC; however, no amounts have been reflected in the accompanying financial statements for such contributed services as these services do not meet the criteria for recognition as contributions under generally accepted accounting principles.

Tax Exempt Status
DECC is a not-for-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation under Section 509(a) of the Code. As such, donors are entitled to a charitable deduction for their contributions to DECC. Accordingly, the accompanying financial statements do not include a provision for income taxes.

DECC follows *Accounting for Uncertainty in Income Taxes*, which requires DECC to determine whether a tax position (and related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended June 30, 2013, DECC's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

Fair Value Measurements
The carrying amounts reported in the statement of financial position for cash and cash equivalents, government grants receivable, contributions and other receivables, prepaid expenses and other, accounts payable, and accrued liabilities approximates fair value because of the immediate or short-term maturities of these financial instruments.

Functional Allocation of Expenses
The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Subsequent Events
In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. DECC's financial statements were available to be issued on October 17, 2013 and this is the date through which subsequent events were evaluated.

Reclassifications
Prior year amounts have been reclassified to conform to the current year's presentation and to better represent program functional areas. The reclassifications had no effect on previously reported net assets.

2. Contributions Receivable

Contributions are recorded as receivable and revenue when received. DECC distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions receivable are recorded after being discounted to the anticipated net present value of the future cash flows. The discount rate was computed using the risk free rate adjusted for a market risk premium or the credit worthiness of the donor. Contributions receivable are expected to be realized in the following periods:

In one year or less	$ 392,485
Between one and five years	273,031
	665,516
Less: Discount for present value	3,624
	$ 661,892

3. Note Payable

In March 2012, DECC entered into an unsecured note agreement to borrow up to $50,000 from The Colorado Nonprofit Loan Fund. Interest was payable monthly at 6%. Repayments on the note were due in two $25,000 installments payable in July and August 2012. The note and related accrued interest were repaid in full on August 23, 2012, and the note was canceled.

4. Temporarily Restricted Net Assets

Temporary restricted net assets are restricted for the following purposes at June 30, 2013:

Contributions receivable:	
The Colorado Health Foundation	$ 558,637
Mile High United Way	37,500
The Colorado Trust Health Integration	65,755
The Colorado Health Foundation:	
Social Emotional Early Development Initiative	187,690
Mile High United Way:	
Child Care Tax Credit	8,037
Community Partner Impact investment for 2013-2014	12,500
The Colorado Trust Health Integration	39,676
Total	$ 909,795

A total of $165,017 was released from temporarily restricted net assets to unrestricted net assets during fiscal 2013.

5. Lease Commitments

DECC leases its administrative office facility under an operating agreement that was renewed and updated in July 2012 for a term of seven years. Additionally, DECC leases office equipment under a three year operating lease. Approximate future minimum rental payments under these operating lease agreements as of June 30, 2013 are as follows:

Year Ending June 30,	
2014	$ 32,000
2015	29,000
2016	30,000
2017	31,000
2018	32,000
2019	32,000
Total	$ 186,000

Total rent expense for the year ended June 30, 2013 was $28,117.

6. Related Party Transactions

During the year ended June 30, 2013, DECC incurred expenses totaling $262,651 to Clayton Early Learning (Clayton) for program expenses relating to quality improvement services including specialized coaching and training for DECC's Denver Preschool Program and School Readiness initiatives. Clayton was selected to provide these services through a funder-driven, competitive RFP process. Clayton is a Colorado 501(c)(3) nonprofit organization. Amounts owed to Clayton total $15,905 at June 30, 2013. A Board member of DECC is employed by Clayton. Additionally, one DECC Board member also serve on the Board of Clayton or entities related to Clayton.

DECC takes precautions as outlined in its Conflict of Interest Policy to maintain its commitment to integrity and fairness in the conduct of all activities including annual written disclosure by all board members of any relationships that could constitute a conflict of interest. Participants who have a conflict of interest shall abstain from voting on those decisions, and that abstention is formally noted in the board minutes. With disclosure to other participants, the work of the DECC is furthered by the willingness of its participants to share information bearing upon the matter under consideration.

7. Employee Retirement Plan

DECC offers a Simple IRA Plan for qualified employees. Participants become eligible to join the Plan on the first day of the month following the date of hire, as defined by the Plan. DECC contributes 2% of participating employees' compensation annually, subject to IRS limitations. Employer contributions to the plan for the year ending June 30, 2013, totaled $9,120.

8. Contingencies

DECC receives certain revenues from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. However, management believes DECC is in compliance with its grant requirements, and no liability has arisen in the past or is currently expected.