THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

THE DENVER CENTER FOR THE PERFORMING ARTS

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KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Board of Trustees
The Denver Center for the Performing Arts:

We have audited the accompanying consolidated statements of financial position of The Denver Center for the Performing Arts (the DCPA) and subsidiary as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the DCPA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DCPA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Denver Center for the Performing Arts and subsidiary as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2(k) to the financial statements, during 2009 the DCPA adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurement*, Statement of Financial Accounting Standards No. 165, *Subsequent Events*, and Financial Accounting Standards Board Staff Position 117-1, *Endowments of Not-for-Profit Organizations – Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2009, on our consideration of the DCPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

KPMG LLP

October 26, 2009

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statements of Financial Position

June 30, 2009 and 2008

Assets		**2009**	**2008**
Current assets:			
Cash and cash equivalents	$	3,915,088	1,361,844
Accounts and interest receivable, net		772,502	487,334
Contributions receivable		798,698	531,281
Current portion of note receivable, net		—	30,273
Receivable from Helen G. Bonfils Foundation		—	7,034,173
Inventories and deferred production costs		1,705,772	1,186,839
Short-term investments		9,086,890	1,722,211
Total current assets		16,278,950	12,353,955
Restricted cash		118,996	82,042
Restricted short-term investments		158,701	158,701
Contributions receivable		440,712	432,409
Note receivable, net		—	403,349
Long-term investments		1,764,223	1,869,565
Furniture, equipment, leasehold improvements, and work in progress, net		5,150,388	5,015,676
Memorabilia and tapestries		331,630	331,630
Total assets	$	24,243,600	20,647,327
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	2,419,665	3,243,445
Accrued pension expense		—	417,103
Deferred ticket receipts		10,760,392	5,825,850
Deferred contributions		1,239,246	1,202,441
Current portion of planned gift annuities		11,530	11,530
Current portion of capital lease obligations		40,590	37,017
Total current liabilities		14,471,423	10,737,386
Planned gift annuities, less current portion		235,950	247,480
Capital lease obligations, less current portion		25,464	66,054
Total liabilities		14,732,837	11,050,920
Net assets:			
Unrestricted:			
Undesignated		6,061,721	6,081,431
Designated		(20,774)	181,930
Total unrestricted		6,040,947	6,263,361
Restricted:			
Temporarily restricted:			
Newman Fund		192,394	281,364
Scientific and Cultural Facilities District		1,003,877	1,162,710
Steinberg Fund		369,125	—
Women's Voices Fund		580,406	565,704
Other		1,459	3,458
Total temporarily restricted		2,147,261	2,013,236
Permanently restricted:			
Hearst Endowment		200,000	200,000
Newman Endowment		448,709	445,989
National Theatre Conservatory Endowment		673,846	673,821
Total permanently restricted		1,322,555	1,319,810
Total restricted		3,469,816	3,333,046
Total net assets		9,510,763	9,596,407
Total liabilities and net assets	$	24,243,600	20,647,327

See accompanying notes to consolidated financial statements.

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statement of Activities

Year ended June 30, 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Ticket sales	$ 30,212,174	—	—	30,212,174
Tuition	454,726	—	—	454,726
Investment loss	(34,094)	—	—	(34,094)
Other operating income	6,224,257	—	—	6,224,257
Contributed support:				
Helen G. Bonfils Foundation	2,368,100	—	—	2,368,100
Scientific and Cultural Facilities District	3,787,439	1,003,877	—	4,791,316
Federal grants	1,478,849	—	—	1,478,849
Individual, corporate, foundation, and other support	3,514,048	386,858	2,745	3,903,651
Special events	1,156,099	—	—	1,156,099
In-kind support	2,130,509	—	—	2,130,509
Net assets released from restrictions	1,256,710	(1,256,710)	—	—
Total revenues, gains, and other support	52,548,817	134,025	2,745	52,685,587
Expenses:				
Program expense:				
Denver Center Attractions	26,177,261	—	—	26,177,261
Denver Center Theatre Company	13,442,446	—	—	13,442,446
Education	2,012,782	—	—	2,012,782
National Center for Voice and Speech	1,620,296	—	—	1,620,296
Total program expense	43,252,785	—	—	43,252,785
Fund-raising expense:				
Development	941,742	—	—	941,742
Special events	250,095	—	—	250,095
In-kind expense	353,011	—	—	353,011
Total fund-raising expense	1,544,848	—	—	1,544,848
Supporting services:				
Administration	4,951,317	—	—	4,951,317
Event sales and operations	1,859,750	—	—	1,859,750
Total supporting services	6,811,067	—	—	6,811,067
Costs of direct benefits to donors	473,998	—	—	473,998
Total expenses before depreciation and amortization	52,082,698	—	—	52,082,698
Depreciation and amortization	688,533	—	—	688,533
Total expenses	52,771,231	—	—	52,771,231
Change in net assets	(222,414)	134,025	2,745	(85,644)
Net assets, beginning of year	6,263,361	2,013,236	1,319,810	9,596,407
Net assets, end of year	$ 6,040,947	2,147,261	1,322,555	9,510,763

See accompanying notes to consolidated financial statements.

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statement of Activities

Year ended June 30, 2008

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and other support:				
Ticket sales	$ 31,285,387	—	—	31,285,387
Tuition	376,528	—	—	376,528
Investment income	99,819	—	—	99,819
Gain on sale of assets	453,513	—	—	453,513
Other operating income	5,289,772	—	—	5,289,772
Contributed support:		—	—	
Helen G. Bonfils Foundation	2,115,868	—	—	2,115,868
Scientific and Cultural Facilities District	3,843,030	1,162,710	—	5,005,740
Federal grants	1,220,312	—	—	1,220,312
Individual, corporate, foundation, and other support	3,624,560	22,033	4,126	3,650,719
Special events	1,263,693	—	—	1,263,693
In-kind support	2,232,835	—	—	2,232,835
Net assets released from restrictions	1,267,327	(1,267,327)	—	—
Total revenues, gains, and other support	53,072,644	(82,584)	4,126	52,994,186
Expenses:				
Program expense:				
Denver Center Attractions	26,307,240	—	—	26,307,240
Denver Center Theatre Company	13,339,366	—	—	13,339,366
Education	1,945,718	—	—	1,945,718
National Center for Voice and Speech	1,327,893	—	—	1,327,893
Theatre and Film Production	6,963	—	—	6,963
Total program expense	42,927,180	—	—	42,927,180
Fund-raising expense:				
Development	1,088,572	—	—	1,088,572
Special events	264,614	—	—	264,614
In-kind expense	343,380	—	—	343,380
Total fund-raising expense	1,696,566	—	—	1,696,566
Supporting services:				
Administration	4,974,939	—	—	4,974,939
Event sales and operations	1,870,847	—	—	1,870,847
Total supporting services	6,845,786	—	—	6,845,786
Costs of direct benefits to donors	473,433	—	—	473,433
Total expenses before depreciation and amortization	51,942,965	—	—	51,942,965
Depreciation and amortization	572,493	—	—	572,493
Total expenses	52,515,458	—	—	52,515,458
Change in net assets	557,186	(82,584)	4,126	478,728
Net assets, beginning of year	5,706,175	2,095,820	1,315,684	9,117,679
Net assets, end of year	$ 6,263,361	2,013,236	1,319,810	9,596,407

See accompanying notes to consolidated financial statements.

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statements of Cash Flows

Years ended June 30, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Change in net assets	$	(85,644)	478,728
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		688,533	572,493
Gain on sale of assets		—	(453,513)
Transfer of equipment to third-party		100,461	—
Amortization on discount		(1,167)	(10,684)
Write-off of note receivable		403,349	—
Video production services in trade		24,284	—
Unrealized losses on investments		124,220	116,842
Donated securities		(111,853)	(41,690)
Contributions restricted for investment in endowment		(92,000)	(92,000)
Increase in accounts and interest receivable		(284,986)	(140,814)
(Increase) decrease in contributions receivable		(274,553)	263,815
Decrease (increase) in receivable from Helen G. Bonfils Foundation		7,033,991	(92,261)
(Increase) decrease in inventories and deferred production costs		(518,933)	1,065,208
(Decrease) increase in accounts payable and accrued expenses		(919,788)	933,499
(Decrease) increase in accrued pension expense		(417,103)	98,665
Increase (decrease) in deferred ticket receipts		4,934,542	(4,898,079)
Increase in deferred contributions		36,805	39,874
Net cash provided by (used in) operating activities		10,640,158	(2,159,917)
Cash flows from investing activities:			
Purchases of furniture, equipment, leasehold improvements, and work in progress		(823,818)	(1,289,018)
Purchases of short-term investments		(36,472,244)	(11,598,154)
Purchases of long-term investments		(373,920)	(580,350)
Proceeds from sales of short-term investments		29,222,211	13,500,000
Proceeds from sales of long-term investments		352,249	621,919
Proceeds from sales of equipment		—	20,000
Receipt of noncurrent restricted cash		(36,954)	(60,411)
Net cash provided by (used in) investing activities		(8,132,476)	613,986
Cash flows from financing activities:			
Principal payments on capital lease obligations		(37,017)	(33,758)
Receipts of note receivable payments		2,109	16,378
Contributions restricted for investment in endowment		92,000	92,000
Payments of gift annuity obligations		(11,530)	(11,530)
Net cash provided by financing activities		45,562	63,090
Net increase (decrease) in cash and cash equivalents		2,553,244	(1,482,841)
Cash and cash equivalents, beginning of year		1,361,844	2,844,685
Cash and cash equivalents, end of year	$	3,915,088	1,361,844
Noncash transactions:			
Note receivable payments received via trade	$	28,164	—
Note receivable issued for sale of assets		—	450,000

See accompanying notes to consolidated financial statements.

(1) Organization

The Denver Center for the Performing Arts (the DCPA), a tax-exempt, public nonprofit corporation, was originally incorporated on December 15, 1953 as the Denver Civic Theatre. On October 11, 1972, its name was changed to The Denver Center for the Performing Arts for the purpose of creating and promoting an interest in, and an appreciation and knowledge of the performing arts. The majority of the DCPA's revenue comes from public support and ticket sales to productions of the Denver Center Theatre Company and Denver Center Attractions.

As the flagship theatre of the Rocky Mountain region, the DCPA creates and presents exceptional theatre that engages, excites, provokes, and inspires both artists and audiences. The DCPA embraces the classics while striving to create new plays and musicals that advance the American theatre movement. The DCPA is committed to being a center for lifelong learning and civic engagement. The DCPA's current programs include the following:

- Denver Center Attractions presents Broadway touring shows to Denver and produces plays and musicals.
- The Denver Center Theatre Company is a professional, resident acting company, producing classics, contemporary plays, and new works. Many of its world premieres have been translated and produced in this country and abroad.
- The National Theatre Conservatory (NTC) is a three-year graduate acting school providing a Master of Fine Arts degree to its graduates. The NTC provides gifted students from across the nation the opportunity to develop their talents within the challenging environment of a performing arts center and to prepare them for active careers in the American theatre and in the film and television industries.
- The Denver Center Theatre Academy (the Academy) offers theatre training programs for the public, which provide aspiring artists the opportunity to develop their talents under the guidance of the Academy faculty and the resident, professional staffs of the DCPA. The Academy also offers Arts in Education programs for children of all ages. Academy classes use dance, movement, music, visual arts, and creative drama to encourage students to explore, reflect, imitate, and understand the world around them.

In February 2009, the DCPA formed Girls Only LLC, a single-member limited liability corporation, for the purpose of producing out of town productions of *Girls Only: The Secret Comedy of Women*. The DCPA is the sole member of Girls Only LLC, and all Girls Only LLC activity is included in the DCPA's consolidated financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

The net assets, revenues, gains, and other support in the accompanying consolidated financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the DCPA and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated by the board of trustees for specific purposes at any time and redesignated by the board of trustees at any time.

Temporarily Restricted Net Assets – Temporarily restricted net assets are those whose use by the DCPA has been limited by donors to a specific time period or purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. As of June 30, 2009 and 2008, temporarily restricted net assets were restricted for the purpose of showcasing the talents of women in theatre (Women's Voices Fund), supporting Arts in Education programs (Newman Fund), and commissioning new works (Steinberg Fund), sponsoring students at the NTC, and purchasing listening equipment for hearing impaired patrons (Other). Funds from the Scientific and Cultural Facilities District are restricted for use in the subsequent fiscal year.

Permanently Restricted Net Assets – Permanently restricted net assets are those that must be maintained in perpetuity by the DCPA in accordance with donor stipulations. Part of the income derived from the permanently restricted net assets must be used for the NTC and part for Arts in Education programs (Newman and Hearst Endowments).

(b) Contributed Support

Contributions received and legally enforceable pledges are recorded as revenue in the year made unless conditions are specified by the donor. Conditional contributions are deemed to be earned and are reported as revenues as the DCPA satisfies the specific conditions. Conditional contributions received but not yet earned are reported as deferred contributions and relate to activities and productions for subsequent fiscal years.

Contributions are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements. Net assets released from restrictions were $1,256,710 and $1,267,327 for the years ended June 30, 2009 and 2008, respectively.

Nonmonetary contributions are valued at the appraised or fair market value as of the date of donation. Nonmonetary contributions on hand include tapestries and memorabilia with a carrying value of $331,630 at June 30, 2009 and 2008, respectively.

In-kind contributions consist of items and services donated for use by the DCPA including advertising, software, and airfare and items donated for auction. In-kind support for the years ended June 30, 2009 and 2008 was $2,130,509 and $2,232,835, respectively.

(c) Functional Classification of Expenses

For the years ended June 30, 2009 and 2008, the DCPA incurred expenses of $43,252,785 and $42,927,180, respectively, to administer its programs, $6,811,067 and $6,845,786, respectively, for supporting services, $1,544,848 and $1,696,566, respectively, for fund-raising activities, and $473,998 and $473,433, respectively, for costs of direct benefits to donors. Costs have been allocated among the programs and supporting services benefited based on identifiable costs and relative efforts expended on each activity. The DCPA does not allocate depreciation expense among the programs and supporting services. Depreciation expense for the years ended June 30, 2009 and 2008 was $688,533 and $572,493, respectively.

(d) Taxes

The DCPA, as an organization described in Internal Revenue Code (IRC) Section 501(c)(3), is exempt from federal income tax under IRC Section 501(a) on income from activities related to its exempt purposes. The DCPA had no material unrelated business income at June 30, 2009 and 2008. The DCPA is classified as a public charity and not a private foundation under IRC Section 509(a)(1) because it is publicly supported. Girls Only LLC is a disregarded entity for federal tax purposes and its tax status follows that of its single member, the DCPA.

The DCPA is obligated to collect and remit Facilities Development Admissions (FDA) Tax in accordance with Article VII Sections 53-341 through 53-395 of the Revised Municipal Code of the City and County of Denver (the City). Tax expense for the years ended June 30, 2009 and 2008 was $2,631,014 and $2,760,398, respectively. The related revenue is included in ticket sales. Tax expense is included in program expense for Denver Center Attractions and Denver Center Theatre Company.

In fiscal years 2009 and 2008, the DCPA received $455,374 and $787,016 in contributions from the City, which is equal to the FDA Tax paid in calendar year 2008 and calendar years 2007 and 2006, respectively, for admissions to the Helen Bonfils Theatre Complex. The contributions are conditional on the DCPA using the funds for capital maintenance of and capital improvements to the Helen Bonfils Theatre Complex during the calendar year in which the contribution is received. The DCPA spent $490,923 for the intended purpose during fiscal year 2009, which is recorded in individual, corporate, foundation, and other support of which $294,831 relates to the 2009 contribution and $196,092 relates to the 2008 contribution. The remaining $160,543 of the 2009 contribution is recorded as deferred contributions at June 30, 2009 and will be used for its designated purpose in fiscal year 2010. The DCPA spent $590,024 for the intended purpose during fiscal year 2008. The remaining $196,092 was recorded as deferred contributions at June 30, 2008, and was used for its designated purpose in fiscal year 2009.

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position based on quoted market prices. Short-term investments are recorded at cost, which approximates fair value due to the short-term nature of the investments, and consist of certificates of deposit and bonds with maturity dates greater than 90 days and up to one year and open-ended commercial paper and

 (Continued)

open-ended Eurodollar investments. Dividends, interest, and realized and unrealized gains and losses on investments are included in the consolidated statements of activities as increases or decreases in unrestricted net assets as investment income.

Contributions received for the Women's Voices Fund (the Fund) are held in an endowment account at the Denver Foundation, a Colorado nonprofit corporation. No variance power was granted to the Denver Foundation, which will pay distribution amounts from the Fund as directed by the DCPA in writing.

The DCPA's investments consist of units purchased of the Denver Foundation's total investment portfolio. The market value of these investments represents the DCPA's pro rata interest in the Denver Foundation's total investment portfolio and is based on monthly statements received from the Denver Foundation.

The Denver Foundation's investment portfolio consists of mutual funds invested in fixed-income securities, mutual funds invested in domestic and international equity securities, government securities, corporate bonds, cash equivalents, hedged equity funds, private equity funds, absolute return funds, and real estate.

Alternative investments in the Denver Foundation's portfolio include hedged equity funds, private equity funds, absolute return funds, and real estate. Alternative investments not publicly traded on national security exchanges are generally illiquid, and their fair values have been estimated by investment managers in the absence of readily ascertainable market values. Because of inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Realized and unrealized gains and losses and investment income are recognized based upon the DCPA's pro rata share of the Denver Foundation's realized and unrealized gains and losses and investment income.

The DCPA is charged investment management fees through a quarterly reduction in investment income. The DCPA's investment management fees were 1.7%, or $5,661, and 1.6%, or $5,095, of the DCPA's pro rata share of the Denver Foundation's total investment market value for the years ended June 30, 2009 and 2008, respectively.

(f) Furniture, Equipment, Leasehold Improvements, and Work in Progress

Furniture, equipment, leasehold improvements, and work in progress are stated at cost when acquired or at estimated fair value if donated.

The provision for depreciation and amortization of furniture, equipment, and leasehold improvements is computed by the straight-line method using estimated useful lives as follows:

Furniture and equipment	3 – 7 years
Leasehold improvements	5 – 39 years

(g) Capital Lease

Assets under capital lease are recorded at the present value of the future minimum lease payments and are amortized using the straight-line method over the shorter of the estimated useful life of the asset being leased or the lease term.

(h) Deferred Ticket Receipts and Deferred Production Costs

Deferred ticket receipts and deferred production costs represent amounts received and paid, respectively, in advance for productions for the ensuing fiscal year.

(i) Advertising

The DCPA defers direct advertising costs associated with a particular production until the year the production runs. Total advertising costs deferred at June 30, 2009 and 2008 were $97,573 and $74,784, respectively. Advertising expense for the years ended June 30, 2009 and 2008 was $3,915,465 and $4,427,716, respectively.

(j) Cash Equivalents and Restricted Cash

Cash equivalents consist of liquid investments with original maturities of 90 days or less. Restricted cash consists of cash collected from contributions receivable that are restricted, but have not been transferred to investments as of June 30, 2009 and 2008.

(k) Adoption of New Accounting Pronouncements

During 2009, the DCPA adopted three new accounting pronouncements:

- Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. See further discussion in note 12.
- Statement of Financial Accounting Standards No. 165, *Subsequent Events* (FAS 165), which establishes standards for the disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued. The DCPA has evaluated subsequent events through October 26, 2009, the date the financial statements were available to be issued. The DCPA did not identify any subsequent events for disclosure as of October 26, 2009.
- Financial Accounting Standards Board Staff Position 117-1, *Endowments of Not-for-Profit Organizations – Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP FAS 117-1), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FSP FAS 117-1 also establishes disclosure requirements for all not-for-profit organizations regarding both donor restricted and board-designated endowment funds. See further discussion in note 6.

(l) Use of Estimates

The preparation of consolidated 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 consolidated statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

(m) Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 financial statement presentation.

(Continued)

(3) Investments

Investments held as of June 30 are as follows:

		2009	2008
Short-term investments:			
Certificates of deposit – restricted	$	158,701	158,701
Money market		475,456	—
Bond funds		4,111,434	—
Open-ended commercial paper		2,500,000	—
Open-ended Eurodollar		2,000,000	—
Repurchase agreement		—	1,722,211
Total short-term investments	$	9,245,591	1,880,912
Long-term investments:			
Equity funds and equity securities	$	722,867	837,545
Bonds and bond funds		645,447	624,764
Venture capital/private equity		—	34,978
Real estate		53,191	53,191
Total		1,421,505	1,550,478
Allocation of the DCPA's investment in the Denver Foundation's portfolio:			
Investments in equity securities with readily determinable fair values, and all debt securities:			
Mutual funds invested in fixed-income securities		39,505	34,866
Mutual funds invested in equity securities		117,586	120,618
Cash equivalents		4,131	9,695
		161,222	165,179
Alternative investments:			
Hedged equity		53,070	48,846
Venture capital/private equity		58,505	48,012
Absolute return funds		54,928	46,769
Real estate		14,993	10,281
		181,496	153,908
Total investment at Denver Foundation		342,718	319,087
Total long-term investments	$	1,764,223	1,869,565

Investment income from cash equivalents and investments comprises the following for the years ended June 30:

	2009					
	General operations	Hearst Endowment	Newman Endowment	National Theatre Conservatory Endowment	Women's Voices Fund	Total
Dividends and interest	$ 98,211	7,305	4,927	27,153	2,814	140,410
Unrealized gains (losses)	63,104	(25,854)	(17,437)	(96,090)	(47,943)	(124,220)
Realized losses	(15,993)	(4,963)	(3,347)	(18,447)	(7,534)	(50,284)
Total investment income (loss)	$ 145,322	(23,512)	(15,857)	(87,384)	(52,663)	(34,094)

	2008					
	General operations	Hearst Endowment	Newman Endowment	National Theatre Conservatory Endowment	Women's Voices Fund	Total
Dividends and interest	$ 156,956	8,114	8,809	30,157	5,048	209,084
Unrealized losses	(23,148)	(12,181)	(13,225)	(45,273)	(23,015)	(116,842)
Realized gains (losses)	7,491	(1,118)	(1,213)	(4,155)	6,572	7,577
Total investment income (loss)	$ 141,299	(5,185)	(5,629)	(19,271)	(11,395)	99,819

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires. Deficiencies of this nature are reported in unrestricted board-designated net assets and were $27,510 at June 30, 2009. These deficiencies resulted from unfavorable market fluctuations during the year. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted board-designated net assets.

(4) Contributions Receivable

Unconditional contributions are due as follows at June 30:

	2009	2008
Less than one year	$ 798,698	531,281
One to five years	460,014	452,878
Present value discount	(9,302)	(10,469)
Total	1,249,410	973,690
Allowance for uncollectible contributions	(10,000)	(10,000)
Total contributions receivable	$ 1,239,410	963,690

The DCPA discounts material contributions expected to be collected in one to five years commensurate with the risk. The discount rate used in 2009 and 2008 was 1.6%.

(5) Furniture, Equipment, Leasehold Improvements, and Work in Progress

The composition of furniture, equipment, leasehold improvements, and work in progress is as follows:

		June 30	
		2009	**2008**
Furniture and equipment	$	3,768,655	3,106,047
Leasehold improvements		11,861,106	11,650,294
		15,629,761	14,756,341
Less accumulated depreciation and amortization		(10,731,399)	(10,344,364)
		4,898,362	4,411,977
Work in progress		252,026	603,699
	$	5,150,388	5,015,676

(6) Net Assets

During the year ended June 30, 2009, the State of Colorado passed UPMIFA. UPMIFA was effective September 1, 2008, and provides statutory guidance for the management, investment, and expenditure of endowment funds held by not-for-profit organizations. Amongst other provisions, UPMIFA eliminates the "historical dollar value" rule for endowment funds, in favor of guidelines regarding what constitutes prudent spending and explicitly requires consideration of the following factors (if relevant):

1. Duration and preservation of the fund
2. Purposes of the organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the organization
7. Investment policies of the organization

The DCPA has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the DCPA classifies permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the DCPA in a manner consistent with the standard of prudence prescribed by FSP FAS 117-1.

The DCPA has adopted investment and spending policies for endowment assets that provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in corporate stocks, bonds, and cash and cash equivalents, with a conservative investment approach.

To satisfy its long-term rate-of-return objectives, the DCPA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The DCPA targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The spending policy for endowment assets is determined on a year-to-year basis by the board of trustees upon recommendation of the DCPA's investment committee based on the factors included in UPMIFA. This is consistent with the DCPA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Board Designated

As of June 30, 2009, board-designated net assets by program consisted of the following:

	Hearst Endowment	Newman Endowment	National Theatre Conservatory Endowment	Total
Balance at June 30, 2008	$ 20,559	(4,678)	145,914	161,795
Interest and dividends	7,305	4,927	27,153	39,385
Unrealized losses	(25,854)	(17,437)	(96,090)	(139,381)
Realized losses	(4,963)	(3,347)	(18,447)	(26,757)
Investment expenses	(2,402)	(1,620)	(8,927)	(12,949)
Balance at June 30, 2009	$ (5,355)	(22,155)	49,603	22,093

Permanently Restricted

As of June 30, 2009, permanently restricted net assets by program consisted of the following:

	Hearst Endowment	Newman Endowment	National Theatre Conservatory Endowment	Total
Balance at July 1, 2008	$ 200,000	445,989	673,821	1,319,810
Contributions	—	2,720	25	2,745
Balance at June 30, 2009	$ 200,000	448,709	673,846	1,322,555

(Continued)

(7) Other Operating Income

For the years ended June 30, 2009 and 2008, other operating income consists of the following:

		2009	2008
Service fees	$	3,415,106	2,690,652
Rental, concessions, and production services		2,247,972	2,107,079
Other		561,179	492,041
Total other operating income	$	6,224,257	5,289,772

(8) Letters of Credit

The DCPA has two letters of credit, $17,657 and $141,044 as of June 30, 2009, to support its commitments to the Actors' Equity Association. Funds may be drawn on the letters at the bank-stated rate, which was 4.41% and 6.00% at June 30, 2009 and 2008, respectively. As of June 30, 2009 and 2008, no funds have been drawn on the letters of credit. The DCPA is required to maintain certificates of deposit equal to the available credit as collateral as long as the letters of credit are outstanding. The certificates of deposit are included in restricted short-term investments at June 30, 2009 and 2008.

(9) Leases

(a) Operating Leases

The DCPA signed two long-term lease agreements with the City in 1977 covering the Helen Bonfils Theatre Complex and in 1978 covering the Denver Center Office Building. The original leases were for a period of 50 years for the Helen Bonfils Theatre Complex and 25 years for the Denver Center Office Building. The leases were renegotiated with significantly similar terms in 1999 with the termination date of both leases extended until 2049. Annual rent is $1 for each lease. In-kind revenue and expense are not recorded for these leases since the fair value of the donated rent is less than the expenses paid by the DCPA to operate the buildings.

The DCPA has a noncancelable operating lease with GPAC, Inc. for the Galleria Theatre.

As of June 30, 2009, the future minimum payments for the aforementioned leases were as follows:

2010	$	126,633
2011		130,432
2012		134,345
2013		68,165
	$	459,575

Rental expense for the years ended June 30, 2009 and 2008 was $148,692 and $190,413, respectively.

(b) Capital Lease

The DCPA leases office equipment under one capital lease that expires in 2011. The leased equipment is included in furniture, equipment, leasehold improvements, and work in progress at a cost of $150,003 with accumulated amortization of $93,739 and $56,264 as of June 30, 2009 and 2008, respectively.

The future minimum lease payments required for this capital lease at June 30, 2009 are as follows:

For the year ending June 30:		
2010	$	45,008
2011		26,255
Total future minimum lease payments		71,263
Less amount representing interest at 9.25%		(5,209)
Present value of net minimum lease payments		66,054
Less current portion		(40,590)
Long-term portion	$	25,464

(10) Defined Contribution Retirement Plan

Effective July 1, 2008, the DCPA amended and restated its defined contribution retirement plan to include a safe-harbor 401(k) formula and to change the formula for allocating employer contributions. Under the amended and restated defined contribution retirement plan document, an eligible employee may contribute any percentage of his or her compensation (up to the maximum amount permitted by law) to the plan commencing with the first day of the calendar month following the employee's hire date. Employees who are volunteers, students, interns, independent contractors, or covered by a collective bargaining agreement are not eligible to participate in the plan. The DCPA will make a mandatory 3% contribution for eligible employees who have one year of service and are age 21 or older.

Prior to July 1, 2008, the DCPA sponsored a defined contribution retirement plan covering all employees who have one year of service, are aged 21 or older, are active employees on the last day of the plan year, and are not covered by a collective bargaining agreement. It is subject to the Employee Retirement Income Security Act of 1974. Annual contributions are determined based upon a percentage of each participant's salary and years of service. Total pension expense was $417,103 for the year ended June 30, 2008.

(11) Related-Party Transactions

The DCPA receives a portion of its revenues from the Helen G. Bonfils Foundation (the Foundation). The Foundation is legally obligated to expend substantially all of its income exclusively for the support of the DCPA in perpetuity. Any expenditure of principal funds must be for the DCPA. At June 30, 2009 and 2008, the Foundation's audited financial statements reported net assets of $30,713,705 and $46,766,052, respectively. Contributions from the Foundation were $2,655,454 in 2009, including $287,354 of in-kind support, and $2,418,628 in 2008, including $302,760 of in-kind support. Amounts receivable from the Foundation were $7,034,173 as of June 30, 2008.

The board of trustees of the DCPA is limited to 23 members, eight of which are reserved for the trustees of the Foundation. Two of the Foundation trustees, which constitute a minority of the Foundation's board of trustees, are designated by the DCPA.

(12) Fair Value

Effective July 1, 2009, the DCPA adopted FAS 157. FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The DCPA's financial assets recorded at fair value on a recurring basis primarily relate to investments.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The DCPA has classified money market funds, certificates of deposit, equity funds and equity securities, bond funds and bonds, open-ended Eurodollar, and open-ended commercial paper in the Level 1 category since quoted market prices are available for identical securities in an active market for these investments.

The DCPA has classified investments in real estate and the portion of the investment at the Denver Foundation which is invested in debt and equity mutual funds and cash equivalents in the Level 2 category. The investments at the Denver Foundation classified as Level 2 invest in underlying investments that are valued using observable inputs consisting of quoted market prices in active markets for identical securities. However, given that the DCPA's investment is in the Denver Foundation's investment portfolio and not directly in the underlying securities, these investments are classified as Level 2.

The DCPA has classified the remaining investments at the Denver Foundation as Level 3, given that the primary inputs are not observable and/or cannot be corroborated by observable market data. These investments include hedged equity, venture capital/private equity, absolute return funds and real estate.

(Continued)

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market funds	$ 475,456	475,456	—	—
Certificates of deposit	158,701	158,701	—	—
Equity funds and equity securities	722,867	722,867	—	—
Bond funds and bonds	4,756,881	4,756,881	—	—
Open-ended Eurodollar	2,000,000	2,000,000	—	—
Open-ended commercial paper	2,500,000	2,500,000	—	—
Real estate	53,191	—	53,191	—
Investments at Denver Foundation	342,718	—	161,222	181,496
Total	$ 11,009,814	10,613,905	214,413	181,496

The following is a reconciliation of the beginning and ending balances of recurring fair value measurement recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Investments at Denver Foundation
Balance at July 1, 2008	$ 153,098
Total realized and unrealized gains and losses	(29,380)
Interest income	1,491
Investment management fees	(2,998)
Purchases, issuances, and settlements	59,285
Transfers out of Level 3	—
Balance at June 30, 2009	$ 181,496

Realized and unrealized gains and losses at June 30, 2009 are included in investment loss on the consolidated statement of activities.