THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

EKS&H

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

THE DENVER CENTER FOR THE PERFORMING ARTS

Table of Contents

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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, 2011 and 2010, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

Ehrhardt Keefe Steiner & Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

Denver, Colorado
October 28, 2011

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statements of Financial Position

June 30, 2011 and 2010

Assets	**2011**	**2010**
Current assets:		
Cash and cash equivalents	$ 2,543,447	$ 1,998,199
Accounts and interest receivable, net	1,417,730	763,193
Contributions receivable, net	573,541	739,548
Receivable from Helen G. Bonfils Foundation	1,500,000	-
Inventories and deferred production costs	1,222,881	1,277,995
Total current assets	7,257,599	4,778,935
Unrestricted investments	8,560,865	6,391,942
Restricted cash	271,977	107,400
Restricted investments	2,746,966	2,385,759
Investment in limited partnership	500,000	-
Contributions receivable	21,696	226,506
Furniture, equipment, leasehold improvements, and work in progress, net	6,018,972	5,709,734
Memorabilia and tapestries	331,630	331,630
Total assets	$ 25,709,705	$ 19,931,906
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,293,241	$ 2,389,946
Deferred ticket receipts	10,139,534	6,082,977
Deferred contributions	480,370	841,538
Other deferred revenue	890,550	700,568
Current portion of planned gift annuities	11,530	11,530
Current portion of capital lease obligations	27,022	25,463
Total current liabilities	13,842,247	10,052,022
Planned gift annuities, less current portion	242,518	224,420
Capital lease obligations, less current portion	77,923	-
Note payable to related party	500,000	-
Total liabilities	14,662,688	10,276,442
Net assets:		
Unrestricted	6,870,024	6,162,548
Temporarily restricted	2,894,928	2,121,780
Permanently restricted	1,282,065	1,371,136
Total net assets	11,047,017	9,655,464
Total liabilities and net assets	$ 25,709,705	$ 19,931,906

See accompanying notes to consolidated financial statements.

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statement of Activities

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Ticket sales:				
Denver Center Attractions	$ 18,978,257	$ -	$ -	$ 18,978,257
Denver Center Theatre Company	6,467,986	-	-	6,467,986
National Theatre Conservatory	35,984	-	-	35,984
Tuition	387,179	-	-	387,179
Investment income, net	954,282	335,781	-	1,290,063
Loss on disposal of assets	(171,247)	-	-	(171,247)
Other operating income	5,700,176	-	-	5,700,176
Contributed support:				
Helen G. Bonfils Foundation	2,000,000	-	-	2,000,000
Scientific and Cultural Facilities District	3,681,626	1,148,337	-	4,829,963
Federal grants	55,000	-	-	55,000
Individual, corporate, foundation, and other support	4,122,817	554,317	114,775	4,791,909
Special events	1,182,372	-	-	1,182,372
In-kind support	2,564,813	-	-	2,564,813
Net assets released from restrictions	1,265,287	(1,265,287)	-	-
Net assets transferred from restrictions	203,846	-	(203,846)	-
Total revenues, gains, and other support	47,428,378	773,148	(89,071)	48,112,455
Expenses:				
Program expense:				
Denver Center Attractions	20,590,271	-	-	20,590,271
Denver Center Theatre Company	14,565,667	-	-	14,565,667
Education	1,866,338	-	-	1,866,338
Total program expense	37,022,276	-	-	37,022,276
Fund-raising expense:				
Development	984,595	-	-	984,595
Special events	224,119	-	-	224,119
In-kind expense	186,640	-	-	186,640
Total fund-raising expense	1,395,354	-	-	1,395,354
Supporting services:				
Administration	5,521,135	-	-	5,521,135
Venue sales and operations	1,489,135	-	-	1,489,135
Total supporting services	7,010,270	-	-	7,010,270
Costs of direct benefits to donors	402,255	-	-	402,255
Total expenses before depreciation and amortization	45,830,155	-	-	45,830,155
Depreciation and amortization	890,747	-	-	890,747
Total expenses	46,720,902	-	-	46,720,902
Change in net assets	707,476	773,148	(89,071)	1,391,553
Net assets, beginning of year	6,162,548	2,121,780	1,371,136	9,655,464
Net assets, end of year	$ 6,870,024	$ 2,894,928	$ 1,282,065	$ 11,047,017

See accompanying notes to consolidated financial statements.

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Ticket sales:				
Denver Center Attractions	$ 30,129,651	$ -	$ -	$ 30,129,651
Denver Center Theatre Company	4,920,658	-	-	4,920,658
National Theatre Conservatory	55,609	-	-	55,609
Tuition	346,197	-	-	346,197
Investment income, net	341,161	116,056	-	457,217
Other operating income	5,815,628	-	-	5,815,628
Contributed support:				
Helen G. Bonfils Foundation	2,000,000	-	-	2,000,000
Scientific and Cultural Facilities District	3,414,894	1,038,287	-	4,453,181
Federal grants	45,000	-	-	45,000
Individual, corporate, foundation, and other support	2,674,984	42,511	48,581	2,766,076
Special events	1,113,201	-	-	1,113,201
In-kind support	2,151,485	-	-	2,151,485
Net assets released from restrictions	1,222,335	(1,222,335)	-	-
Total revenues, gains, and other support	54,230,803	(25,481)	48,581	54,253,903
Expenses:				
Program expense:				
Denver Center Attractions	30,654,764	-	-	30,654,764
Denver Center Theatre Company	12,414,610	-	-	12,414,610
Education	1,944,290	-	-	1,944,290
National Center for Voice and Speech	24,972	-	-	24,972
Total program expense	45,038,636	-	-	45,038,636
Fund-raising expense:				
Development	916,532	-	-	916,532
Special events	276,374	-	-	276,374
In-kind expense	250,110	-	-	250,110
Total fund-raising expense	1,443,016	-	-	1,443,016
Supporting services:				
Administration	4,776,866	-	-	4,776,866
Venue sales and operations	1,636,596	-	-	1,636,596
Total supporting services	6,413,462	-	-	6,413,462
Costs of direct benefits to donors	413,630	-	-	413,630
Total expenses before depreciation and amortization	53,308,744	-	-	53,308,744
Depreciation and amortization	800,458	-	-	800,458
Total expenses	54,109,202	-	-	54,109,202
Change in net assets	121,601	(25,481)	48,581	144,701
Net assets, beginning of year	6,040,947	2,147,261	1,322,555	9,510,763
Net assets, end of year	$ 6,162,548	$ 2,121,780	$ 1,371,136	$ 9,655,464

See accompanying notes to consolidated financial statements.

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statements of Cash Flows

Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 1,391,553	$ 144,701
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	890,747	800,458
Amortization of discount on contributions receivable	(1,845)	6,518
Loss of disposal of equipment	171,247	-
Change in value of gift annuity	29,628	-
Realized and unrealized gains on investments	(1,082,308)	(198,138)
Donated securities	(119,970)	(59,033)
Contributions restricted for investment in endowment	(114,775)	(48,581)
(Increase) decrease in accounts and interest receivable	(654,537)	9,309
Decrease in contributions receivable	372,662	266,838
Increase in receivable from Helen G. Bonfils Foundation	(1,500,000)	-
Decrease in inventories and deferred production costs	55,114	427,777
Decrease in accounts payable and accrued expenses	(118,021)	(98,091)
Increase (decrease) in deferred ticket receipts	4,056,557	(4,677,415)
(Decrease) increase in deferred contributions	(361,168)	245,253
Increase in other deferred revenue	189,982	57,607
Net cash provided by (used in) operating activities	3,204,866	(3,122,797)
Cash flows from investing activities:		
Purchases of furniture, equipment, leasehold improvements, and work in progress	(1,236,215)	(1,291,432)
Purchases of investments	(10,490,141)	(26,201,992)
Proceeds from sales of investments	8,662,289	30,886,111
(Receipt) use of noncurrent restricted cash	(164,577)	11,596
Net cash (used in) provided by investing activities	(3,228,644)	3,404,283
Cash flows from financing activities:		
Principal payments on capital lease obligations	(34,219)	(40,591)
Contributions restricted for investment in endowment	114,775	48,581
Payments of gift annuity obligations	(11,530)	(11,530)
Proceeds from note payable to related party	500,000	-
Net cash provided by (used in) financing activities	569,026	(3,540)
Net increase in cash and cash equivalents	545,248	277,946
Cash and cash equivalents, beginning of year	1,998,199	1,720,253
Cash and cash equivalents, end of year	$ 2,543,447	$ 1,998,199
Noncash transactions:		
Equipment acquired under capital lease	$ 113,701	$ -
Furniture, equipment, leasehold improvements, and work in progress in accounts payable	$ 185,695	$ 164,379

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. Due to resource constraints, the Board of Trustees voted to phase-out the NTC by the end of fiscal year 2012.
- 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. All intercompany accounts and transactions have been eliminated in consolidation.

(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 currently available at the discretion of the Board of Trustees for use in the DCPA's operations and those resources invested in property and equipment. Beginning in the year ended June 30, 2011, unrestricted amounts also include monies designated by the Board as an endowment for education in the amount of $203,846. There was no such endowment in 2010.

Temporarily restricted – Net assets restricted by donors specifically for certain time periods, purposes, or programs. 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.

Permanently restricted – Net assets that must be maintained in perpetuity by the DCPA as required by the donor. The DCPA is permitted to use or expend part or all of any income derived from those assets.

(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. Deferred contributions represent contributions received in relation with a specific production that is scheduled to occur in a subsequent fiscal year. These funds are returned to the donor in the event the production is canceled and, accordingly, are deferred until earned. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

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 $1,265,287 and $1,222,335 for the years ended June 30, 2011 and 2010, respectively.

(2) Summary of Significant Accounting Policies (continued)

(b) Contributed Support (continued)

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, 2011 and 2010, respectively.

In-kind contributions consist of items and services donated for use by the DCPA including building space, advertising, software, airfare, and items donated for auction. In-kind contributions are reported at fair value at the time of donation. In-kind support for the years ended June 30, 2011 and 2010 was $2,564,813 and $2,151,485, respectively.

(c) Functional Classification of Expenses

Costs have been allocated among the programs and supporting services benefited based on identifiable costs and relative efforts expended on each activity.

(d) Taxes

Income 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. Accordingly, no provision for income taxes is made for federal, state, or local taxes. The DCPA had no material unrelated business income at June 30, 2011 and 2010. 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 applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax provisions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2011 or 2010. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of June 30, 2011 or 2010. Tax years that remain subject to examination include 2007 through the current year.

Facilities Development Admissions Tax

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, 2011 and 2010 was $2,234,014 and $3,077,799, 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.

(2) Summary of Significant Accounting Policies (continued)

(d) Taxes (continued)

Facilities Development Admissions Tax (continued)

In fiscal years 2011 and 2010, the DCPA received $490,278 and $526,586, respectively, in contributions from the City, which is equal to the FDA Tax paid in calendar year 2009 and calendar year 2008, 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 $856,700 and $320,707 for the intended purpose during fiscal year 2011 and 2010, respectively, which is recorded in individual, corporate, foundation, and other support of which $490,278 relates to the 2011 contribution and $366,422 relates to the 2010 contribution. The remaining $366,422 of the 2010 contribution was recorded as deferred contributions at June 30, 2010 and was used for its designated purpose in fiscal year 2011.

(e) Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of these investments. At various times throughout the year and at year-end, the DCPA's cash balances exceeded federally insured limits.

(f) 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. Investments in certificates of deposit, open-ended commercial paper and open-ended Eurodollar are recorded at cost, which approximates fair value due to the short-term nature of the investments. Investments in limited partnerships are recorded at cost and are not measured at fair value due to the nature of the investment. 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 or temporarily restricted net assets as investment income.

Investments are classified on the consolidated statements of financial position based on intended use or donor restriction rather than maturity date. Restricted investments represent assets that are being held for a specific time period or purpose, as required by the donor.

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.

(2) Summary of Significant Accounting Policies (continued)

(f) Investments (continued)

The DCPA's investments also 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.

(g) 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 DCPA follows the practice of capitalizing all expenditures for land, buildings and equipment over $5,000 and with a useful life exceeding one year. The fair value of donated fixed assets is similarly capitalized.

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

(h) 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.

(2) Summary of Significant Accounting Policies (continued)

(i) 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 subsequent fiscal year.

(j) 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, 2011 and 2010 were $153,086 and $381,008, respectively. Advertising expense for the years ended June 30, 2011 and 2010 was $4,258,478 and $4,267,458, respectively.

(k) Restricted Cash

Restricted cash consists of cash collected from contributions that are restricted for the Women's Voices Fund, but have not been transferred to the Denver Foundation as of June 30, 2011 and 2010, and cash collected from contributions that are restricted for the New Play Fund.

(l) Concentrations

The DCPA had 704 and 661 employees during the fiscal years ended June 30, 2011 and 2010, respectively, of which approximately 40% and 36% were covered by collective bargaining agreements. Labor agreements covering approximately 10% of employees are set to expire during the year ending June 30, 2012.

(m) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

(n) Reclassifications

Certain 2010 amounts have been reclassified to conform to the 2011 financial statement presentation.

(o) Subsequent Events

The DCPA has evaluated all subsequent events through October 28, 2011, which is the date the consolidated financial statements were available to be issued and has determined that there are no events requiring disclosure.

(3) Investments

Investments held as of June 30 are as follows:

	2011	2010
Investments:		
Cash and cash equivalents	$ 849,711	$ 1,175,160
Equity funds and equity securities	3,494,513	2,109,531
Bonds and bond funds	1,355,282	2,760,761
Absolute return funds	1,023,598	300,000
Open-ended commercial paper	850,000	-
Open-ended Eurodollar	850,000	-
Real estate	137,761	46,490
Total investments	$ 8,560,865	$ 6,391,942
Restricted investments:		
Cash and cash equivalents	$ 29,338	$ 66,065
Certificates of deposit	158,701	158,701
Equity funds and equity securities	1,173,956	925,774
Bonds and bond funds	480,832	588,121
Absolute return funds	39,418	-
Hedged equity	15,080	-
Mutual funds-other strategies	114,457	65,342
Real estate	149,555	76,905
Total	2,161,337	1,880,908
Allocation of 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	43,429	37,296
Mutual funds invested in equity securities	158,326	165,779
Cash equivalents	35,570	5,805
	237,325	208,880
Alternative investments:		
Hedged equity	102,707	73,032
Venture capital/private equity	121,468	100,405
Absolute return funds	70,220	79,980
Real estate	53,909	42,554
	348,304	295,971
Total investment in Denver Foundation	585,629	504,851
Total restricted investments	$ 2,746,966	$ 2,385,759

(3) Investments (continued)

During 2011, the DCPA made an investment of $500,000 in a limited partnership for the purpose of producing a touring production. This investment is carried at cost.

Investment income from cash equivalents and investments is comprised of the following for the years ended June 30:

	2011					
	General Operations	Hearst Endowment	Newman Endowment	National Theatre Conservatory Endowment	Women's Voices Fund	Total
Dividends and interest	$ 160,056	$ 7,254	$ 12,535	$ 26,959	$ 951	$ 207,755
Unrealized gains	744,572	31,548	54,519	117,254	78,998	1,026,891
Realized gains	24,499	3,422	5,913	12,718	8,865	55,417
Total investment income	$ 929,127	$ 42,224	$ 72,967	$ 156,931	$ 88,814	$ 1,290,063

	2010					
	General Operations	Hearst Endowment	Newman Endowment	National Theatre Conservatory Endowment	Women's Voices Fund	Total
Dividends and interest	$ 212,653	$ 6,556	$ 7,448	$ 24,364	$ 8,058	$ 259,079
Unrealized gains	7,918	8,235	9,357	30,607	44,468	100,585
Realized gains (losses)	76,513	3,790	4,306	14,086	(1,142)	97,553
Total investment income	$ 297,084	$ 18,581	$ 21,111	$ 69,057	$ 51,384	$ 457,217

(4) Contributions Receivable

Contributions receivable consist of the following as of June 30:

	2011	2010
Unrestricted	$ 430,244	$ 486,728
Temporarily restricted		
Arts in Education	-	102,000
New Play Development	125,000	248,032
Women's Voices Fund	48,193	54,744
Permanently restricted		
Arts in Education	-	82,000
New Play Fund	1,800	2,550
Total contributions receivable	$ 605,237	$ 976,054

(4) Contributions Receivable (continued)

Unconditional contributions are due as follows at June 30:

	2011	2010
Less than one year	$ 575,341	$ 824,098
One to five years	30,835	154,740
Present value discount	(939)	(2,784)
Total	605,237	976,054
Allowance for uncollectible contributions	(10,000)	(10,000)
Total contributions receivable	$ 595,237	$ 966,054

The DCPA discounts material contributions expected to be collected in one to five years commensurate with the risk. The discount rate used in 2011 and 2010 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,	
	2011	2010
Furniture and equipment	$ 4,195,937	$ 3,893,660
Leasehold improvements	13,462,652	12,636,853
	17,658,589	16,530,513
Less accumulated depreciation and amortization	(12,015,686)	(11,476,790)
	5,642,903	5,053,723
Work in progress	376,069	656,011
	$ 6,018,972	$ 5,709,734

(6) Planned Gift Annuities

The DCPA has entered into several charitable gift annuity contracts. These contracts require the DCPA to make fixed payments to the beneficiaries over their lifetimes. Under a charitable gift annuity contract, the assets received by the DCPA are held in trust separately from other investments of the DCPA. On the date each charitable gift annuity was established, the DCPA recorded a contribution equal to the difference between the amount transferred from the donor and the present value of the future cash flows expected to be paid to the specified beneficiaries using a discount rate equal to the then current Applicable Federal Rate. At the end of these contracts, the assets will be transferred for use in operations.

Assets held under gift annuity contracts	$ 359,971
Less associated liabilities	(254,048)
Net present value of assets held under contracts	$ 105,923

(7) Temporarily and Permanently Restricted Net Assets

The temporarily restricted net assets represent the net proceeds of donations and pledge receivables, which have been restricted by the donors and earnings on the endowment to be used only for the following purposes:

	June 30,	
	2011	2010
Arts in Education	$ -	$ 102,000
New Play Development	125,000	248,032
Ritchie Challenge Gift	500,000	-
Scientific and Cultural Facilities District	1,148,337	1,038,287
Women's Voices Fund	660,905	617,405
Other	8,849	-
Endowment earnings	451,837	116,056
	$ 2,894,928	$ 2,121,780

As of June 30, 2011 and 2010, temporarily restricted net assets were restricted for the purpose of supporting Arts in Education programs, commissioning new works, showcasing the talents of women in theatre, and audience development. Funds from the Scientific and Cultural Facilities District and the Ritchie Challenge Gift are restricted for use in the subsequent fiscal year.

(7) Temporarily and Permanently Restricted Net Assets (continued)

The permanently restricted net assets represent net proceeds of donations and pledges receivable which have been permanently restricted by the donors to be used only for the following purposes:

	June 30, 2011	June 30, 2010
Arts in Education		
Boettcher Fund	$ 120,000	$ -
Frost Fund	50,000	-
Hearst Fund	200,000	200,000
Newman Fund	450,000	450,000
National Theatre Conservatory	300,000	673,846
New Play Fund	162,065	47,290
	$ 1,282,065	$ 1,371,136

All contributions to the funds are permanently restricted and can be used only to generate income through interest, dividends and appreciation. This income is temporarily restricted until the Board of Trustees approves the release of the funds for the appropriate purposes, which include the NTC, Arts in Education programs, and new play development.

The permanently restricted purpose of the Boettcher and Frost Funds was modified by the donors in 2011 from support of the National Theatre Conservatory to support all DCPA Arts in Education programs. The permanently restricted purpose of certain other National Theatre Conservatory net assets in the amount of $203,846 was changed by the donors to unrestricted. This change is shown as net assets transferred from restrictions on the consolidated statement of activities. The Board subsequently designated these net assets for an Arts in Education endowment.

(8) Investment in Endowments

The DCPA's endowment consists of various individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(8) Investment in Endowments (continued)

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 UPMIFA. In accordance with UPMIFA, the DCPA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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 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 DCPA's investment committee based on the factors included in UPMIFA. If the committee recommends spending endowment assets, the Board of Trustees must approve or reject the recommendation. No expenditures of endowment assets were recommended in the years ended June 30, 2011 and 2010. 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.

(8) Investment in Endowments (continued)

Invested endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 451,837	$ 1,282,065	$ 1,733,902
Board-designated endowment	203,846	-	-	203,846
	$ 203,846	$ 451,837	$ 1,282,065	$ 1,937,748

Changes in invested endowment net assets for the fiscal year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ -	$ 116,056	$ 1,371,136	$ 1,487,192
Investment return	-	335,781	-	335,781
Contributions	-	-	114,775	114,775
Appropriation of endowment assets for expenditure	-	-	-	-
Transfer to board-designated endowment	203,846	-	(203,846)	-
Endowment assets, end of year	$ 203,846	$ 451,837	$ 1,282,065	$ 1,937,748

Invested endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 116,056	$ 1,371,136	$ 1,487,192

(8) Investment in Endowments (continued)

Changes in invested endowment net assets for the fiscal year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ (20,774)	$ -	$ 1,322,555	$ 1,301,781
Investment return	20,774	116,056	-	136,830
Contributions	-	-	48,581	48,581
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment assets, end of year	$ -	$ 116,056	$ 1,371,136	$ 1,487,192

(9) Other Operating Income

For the years ended June 30, 2011 and 2010, other operating income consists of the following:

	June 30, 2011	June 30, 2010
Service fees	$ 3,286,825	$ 3,477,173
Rental, concessions, and production services	1,892,652	1,948,962
Other	520,699	389,493
Total other operating income	$ 5,700,176	$ 5,815,628

(10) Letters of Credit

The DCPA has two letters of credit, $17,657 and $141,044 as of June 30, 2011, to support its commitments to the Actors' Equity Association. Funds may be drawn on the letters at the bank-stated rate, which was 4.1875% and 4.375% at June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, 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 investments at June 30, 2011 and 2010.

(11) 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 non-cancelable operating lease with GPAC, Inc. for the Galleria Theatre.

As of June 30, 2011, the future minimum payments for the aforementioned leases were as follows:

2012	$ 126,633
2013	64,252
	$ 190,885

Rental expense for the years ended June 30, 2011 and 2010 was $130,088 and $146,876, respectively.

(b) Capital Lease

The DCPA leases office equipment under one capital lease that expires in 2015. The leased equipment is included in furniture, equipment, leasehold improvements, and work in progress at a cost of $113,701 with accumulated amortization of $14,086 as of June 30, 2011.

The future minimum lease payments required for this capital lease at June 30, 2011 are as follows:

For the Year Ending June 30,	
2012	$ 30,960
2013	30,960
2014	30,960
2015	20,640
Total future minimum lease payments	113,520
Less amount representing interest at 4.25%	(8,575)
Present value of net minimum lease payments	104,945
Less current portion	(27,022)
Long-term portion	$ 77,923

(12) 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. The DCPA contributed $223,661 and $215,731 for the years ended June 30, 2011 and 2010, respectively.

(13) Related-Party Transactions

The DCPA receives a portion of its revenues from the Helen G. Bonfils Foundation (the Foundation). The Foundation was established to support the DCPA and operates 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, 2011 and 2010, the Foundation's audited financial statements reported net assets of $32,584,308 and $30,348,840, respectively. Contributions from the Foundation were $2,188,703 in 2011, including $188,703 of in-kind support, and $2,601,930 in 2010, including $601,930 of in-kind support.

The Board of Trustees of the DCPA is limited to 25 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.

During the fiscal year ended June 30, 2011, the DCPA entered into a $500,000 related-party note payable with the CEO and Chairman of the Board of Trustees for the purpose of investing in a limited partnership touring production. As distribution payments are received from the limited partnership, the DCPA will make payments to the Chairman to repay the note. Once the note is repaid, the DCPA will retain any investment income in excess of $500,000. In the event the $500,000 investment is not recouped, the Chairman shall forgive the outstanding balance of the loan.

(14) Fair Value

The DCPA's financial assets recorded at fair value on a recurring basis primarily relate to investments.

Generally accepted accounting principles defines fair value as an exit price, representing the amount 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. It 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.

(14) Fair Value (continued)

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 following is a description of the valuation methodologies used for assets measured at fair value:

Short-term investments – Valued based on quoted prices in active markets as of the closing date.

Certificates of deposit – Valued based on the amortized cost or original cost plus accrued interest which approximates fair value due to the short-term maturities of these financial instruments.

Equities and equity funds – Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income – Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Alternative investments – Valued based on 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.

Investments at Denver Foundation – Valued based upon information determined and reported by the Denver Foundation, and corroborated with the Denver Foundation's audited financial statements by management.

The following tables present 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 fair value hierarchy in which the fair value measurements fall at June 30, 2011 and 2010.

(14) Fair Value (continued)

	June 30, 2011			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 879,050	$ 879,050	$ -	$ -
Short-term investments/CDs				
Certificates of deposit	158,701	-	158,701	-
Open-ended commercial paper	850,000	850,000	-	-
Open-ended Eurodollar	850,000	850,000	-	-
Equities and equity funds				
Domestic equities	1,213,495	1,213,495	-	-
Domestic mutual funds	1,881,475	1,881,475	-	-
International equities	466,474	466,474	-	-
International mutual funds	1,107,024	1,107,024	-	-
Real estate	137,761	137,761	-	-
Fixed income				
Domestic mutual funds	1,572,824	1,572,824	-	-
International mutual funds	156,605	156,605	-	-
Corporate obligations	106,685	-	106,685	-
Alternative investments				
Mutual funds-other strategies	114,457	-	114,457	-
Hedged equity	15,080	-	15,080	-
Absolute return funds	1,063,016	-	1,063,016	-
Real estate	149,555	-	149,555	-
Investments at Denver Foundation	585,629	-	-	585,629
Total	$ 11,307,831	$ 9,114,708	$ 1,607,494	$ 585,629

(14) Fair Value (continued)

	June 30, 2010			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1,241,226	$ 1,241,226	$ -	$ -
Short-term investments/CDs				
Certificates of deposit	158,701	-	158,701	-
Open-ended commercial paper	-	-	-	-
Open-ended Eurodollar	-	-	-	-
Equities and equity funds				
Domestic equities	820,375	820,375	-	-
Domestic mutual funds	1,347,175	1,347,175	-	-
International equities	322,908	322,908	-	-
International mutual funds	544,847	544,847	-	-
Real estate	46,490	46,490	-	-
Fixed income				
Domestic mutual funds	2,699,945	2,699,945	-	-
International mutual funds	98,092	98,092	-	-
Corporate obligations	445,298	-	445,298	-
Government obligations	105,547	-	105,547	-
Alternative investments				
Mutual funds-other strategies	65,342	-	65,342	-
Hedged equity	-	-	-	-
Absolute return funds	300,000	-	300,000	-
Real estate	76,904	-	76,904	-
Investments at Denver Foundation	504,851	-	-	504,851
Total	$ 8,777,701	$ 7,121,058	$ 1,151,792	$ 504,851

(14) Fair Value (continued)

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 at June 30:

	Investments at Denver Foundation	
	2011	**2010**
Beginning balance	$ 504,851	$ 342,718
Total realized and unrealized gains and losses	87,862	43,326
Interest income	950	8,058
Investment management fees	(8,034)	(8,251)
Purchases	-	119,000
Ending balance	$ 585,629	$ 504,851

Realized and unrealized gains and losses at June 30, 2011 and 2010 are included in investment income or loss on the consolidated statements of activities.