THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Financial Statements

June 30, 2010 and 2009

(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 statement of financial position of The Denver Center for the Performing Arts (the DCPA) and subsidiary as of June 30, 2010, and the related consolidated statements of activities and cash flows for the year 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 audit. The consolidated financial statements of The Denver Center for the Performing Arts as of June 30, 2009, were audited by other auditors whose report dated October 26, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides 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, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ehrhardt Keefe Steiner & Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

Denver, Colorado
October 29, 2010

THE DENVER CENTER FOR THE PERFORMING ARTS

Consolidated Statements of Financial Position

June 30, 2010 and 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents	$ 2,042,939	$ 1,720,253
Accounts and interest receivable, net	763,193	772,502
Contributions receivable, net	739,548	706,698
Inventories and deferred production costs	1,277,995	1,705,772
Total current assets	4,823,675	4,905,225
Unrestricted investments	6,391,942	11,151,938
Restricted cash	62,660	118,996
Restricted investments	2,385,759	2,052,711
Contributions receivable	226,506	532,712
Furniture, equipment, leasehold improvements, and work in progress, net	5,709,734	5,150,388
Memorabilia and tapestries	331,630	331,630
Total assets	$ 19,931,906	$ 24,243,600
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,389,946	$ 2,419,665
Deferred ticket receipts	6,082,977	10,760,392
Deferred contributions	1,542,106	1,239,246
Current portion of planned gift annuities	11,530	11,530
Current portion of capital lease obligations	25,463	40,590
Total current liabilities	10,052,022	14,471,423
Planned gift annuities, less current portion	224,420	235,950
Capital lease obligations, less current portion	-	25,464
Total liabilities	10,276,442	14,732,837
Net assets:		
Unrestricted	6,162,548	6,040,947
Temporarily restricted	2,121,780	2,147,261
Permanently restricted	1,371,136	1,322,555
Total net assets	9,655,464	9,510,763
Total liabilities and net assets	$ 19,931,906	$ 24,243,600

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	$ 35,105,918	$ -	$ -	$ 35,105,918
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 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, net	(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
Venue 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 Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 144,701	$ (85,644)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	800,458	688,533
Transfer of equipment to third-party	-	100,461
Amortization on discount	6,518	(1,167)
Write-off of note receivable	-	403,349
Video production services in trade	-	24,284
Realized and unrealized (gains) losses on investments	(198,138)	156,394
Donated securities	(59,033)	(111,853)
Contributions restricted for investment in endowment	(48,581)	(2,720)
Decrease (increase) in accounts and interest receivable	9,309	(285,168)
Decrease (increase) in contributions receivable	266,838	(274,553)
Decrease in receivable from Helen G. Bonfils Foundation	-	7,034,173
Decrease (increase) in inventories and deferred production costs	427,777	(518,933)
Decrease in accounts payable and accrued expenses	(98,091)	(919,788)
Decrease in accrued pension expense	-	(417,103)
(Decrease) increase in deferred ticket receipts	(4,677,415)	4,934,542
Increase in deferred contributions	302,860	36,805
Net cash provided by (used in) operating activities	(3,122,797)	10,761,612
Cash flows from investing activities:		
Purchases of furniture, equipment, leasehold improvements, and work in progress	(1,291,432)	(823,818)
Purchases of investments	(26,201,992)	(36,505,476)
Proceeds from sales of investments	30,886,111	27,136,029
Receipt (use) of noncurrent restricted cash	56,336	(36,954)
Net cash provided by (used in) investing activities	3,449,023	(10,230,219)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(40,591)	(37,017)
Receipts of note receivable payments	-	2,109
Contributions restricted for investment in endowment	48,581	2,720
Payments of gift annuity obligations	(11,530)	(11,530)
Net cash used by financing activities	(3,540)	(43,718)
Net increase in cash and cash equivalents	322,686	487,675
Cash and cash equivalents, beginning of year	1,720,253	1,232,578
Cash and cash equivalents, end of year	$ 2,042,939	$ 1,720,253
Noncash transactions:		
Note receivable payments received via trade	$ -	$ 28,164

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. 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.

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 amounts received for productions in subsequent fiscal years. 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 statements of activities. Net assets released from restrictions were $1,222,335 and $1,256,710 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009.

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, 2010 and 2009 was $2,151,485 and $2,130,509, 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, 2010 and 2009. 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.

On July 1, 2009, the DCPA adopted guidance related to uncertainty in income taxes under the provisions of Accounting Standards Codification (ASC) 740. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2010 or 2009. 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, 2010 or 2009. Tax years that remain subject to examination include 2006 through the current year.

(2) Summary of Significant Accounting Policies (continued)

(d) Taxes (continued)

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, 2010 and 2009 was $3,077,799 and $2,631,014, 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 2010 and 2009, the DCPA received $526,586 and $455,374 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 $320,707 for the intended purpose during fiscal year 2010, which is recorded in individual, corporate, foundation, and other support of which $160,164 relates to the 2010 contribution and $160,543 relates to the 2009 contribution. The remaining $366,422 of the 2010 contribution is recorded as deferred contributions at June 30, 2010 and will be used for its designated purpose in fiscal year 2011. The DCPA spent $490,923 for the intended purpose during fiscal year 2009. The remaining $160,543 was recorded as deferred contributions at June 30, 2009 and was used for its designated purpose in fiscal year 2010.

(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 those 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. 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.

(2) Summary of Significant Accounting Policies (continued)

(f) Investments (continued)

Investments are classified on the statement 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.

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.

(2) Summary of Significant Accounting Policies (continued)

(g) Furniture, Equipment, Leasehold Improvements, and Work in Progress (continued)

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.

(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 ensuing 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, 2010 and 2009 were $103,988 and $97,573, respectively. Advertising expense for the years ended June 30, 2010 and 2009 was $4,267,458 and $3,915,465, respectively.

(k) Restricted Cash

Restricted cash consists of cash collected from contributions receivable that are restricted for the Women's Voices Fund, but have not been transferred to the Denver Foundation as of June 30, 2010 and 2009.

(l) Concentrations

The DCPA had 661 employees during fiscal year 2010, of which approximately 36% were covered by collective bargaining agreements. Labor agreements covering approximately 25 employees expire during the year ending June 30, 2011.

(2) Summary of Significant Accounting Policies (continued)

(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 2009 amounts have been reclassified to conform to the 2010 financial statement presentation.

(o) Subsequent Events

The DCPA has evaluated all subsequent events through October 29, 2010, which is the date the consolidated financial statements were available to be issued.

(3) Investments

Investments held as of June 30 are as follows:

	2010	2009
Unrestricted investments:		
Cash and cash equivalents	$ 1,175,160	$ 2,540,504
Equity funds and equity securities	2,156,021	-
Bonds and bond funds	2,760,761	4,111,434
Venture capital/private equity	300,000	-
Open-ended commercial paper	-	2,500,000
Open-ended Eurodollar	-	2,000,000
Total unrestricted investments	$ 6,391,942	$ 11,151,938
Restricted investments:		
Cash and cash equivalents	$ 66,065	$ 129,787
Certificates of deposit	158,701	158,701
Equity funds and equity securities	991,116	722,867
Bonds and bond funds	588,121	645,447
Real estate	76,905	53,191
Total	1,880,908	1,709,993
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	37,296	39,505
Mutual funds invested in equity securities	165,779	117,586
Cash equivalents	5,805	4,131
	208,880	161,222
Alternative investments:		
Hedged equity	73,032	53,070
Venture capital/private equity	100,405	58,505
Absolute return funds	79,980	54,928
Real estate	42,554	14,993
	295,971	181,496
Total investment in Denver Foundation	504,851	342,718
Total restricted investments	$ 2,385,759	$ 2,052,711

(3) Investments (continued)

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

	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

	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)

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 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 were classified as an increase in unrestricted net assets. There was no such deficit at June 30, 2010.

(4) Contributions Receivable

Contributions receivable consist of the following as of June 30:

	2010	2009
Unrestricted	$ 486,728	$ 435,772
Temporarily restricted		
Arts in Education	102,000	192,394
New Play Development	248,032	369,125
Women's Voices Fund	54,744	79,410
Permanently restricted		
Arts in Education	82,000	172,709
New Play Fund	2,550	-
Total contributions receivable	$ 976,054	$ 1,249,410

Unconditional contributions are due as follows at June 30:

	2010	2009
Less than one year	$ 824,098	$ 798,698
One to five years	154,740	460,014
Present value discount	(2,784)	(9,302)
Total	976,054	1,249,410
Allowance for uncollectible contributions	(10,000)	(10,000)
Total contributions receivable	$ 966,054	$ 1,239,410

The DCPA discounts material contributions expected to be collected in one to five years commensurate with the risk. The discount rate used in 2010 and 2009 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, 2010	June 30, 2009
Furniture and equipment	$ 3,893,660	$ 3,768,655
Leasehold improvements	12,636,853	11,861,106
	16,530,513	15,629,761
Less accumulated depreciation and amortization	(11,476,790)	(10,731,399)
	5,053,723	4,898,362
Work in progress	656,011	252,026
	$ 5,709,734	$ 5,150,388

(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	$ 320,680
Less associated liabilities	(235,950)
Net present value of assets held under contracts	$ 84,730

(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, 2010	June 30, 2009
Arts in Education	$ 102,000	$ 192,394
New Play Development	248,032	369,125
Scientific and Cultural Facilities District	1,038,287	1,003,877
Women's Voices Fund	617,405	580,406
Other	-	1,459
Endowment earnings	116,056	-
	$ 2,121,780	$ 2,147,261

As of June 30, 2010 and 2009, 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 purchasing listening equipment for hearing impaired patrons. Funds from the Scientific and Cultural Facilities District are restricted for use in the subsequent fiscal year.

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

	June 30, 2010	June 30, 2009
Arts in Education		
Hearst Fund	$ 200,000	$ 200,000
Newman Fund	450,000	448,709
National Theatre Conservatory	673,846	673,846
New Play Fund	47,290	-
	$ 1,371,136	$ 1,322,555

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.

(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.

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, 2010 and 2009. 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, 2010:

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

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

Invested endowment net asset composition by type of fund as of June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (20,774)	$ -	$ 1,322,555	$ 1,301,781

(8) Investment in Endowments (continued)

Changes in invested endowment net assets for the fiscal year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	$ 181,930	$ -	$ 1,319,810	$ 1,501,740
Net asset reclassification due to change in law	(181,930)	181,930	-	-
Endowment net assets after reclassification	-	181,930	1,319,810	1,501,740
Investment loss	(20,774)	(181,930)	-	(202,704)
Contributions	-	-	2,745	2,745
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment assets, end of year	$ (20,774)	$ -	$ 1,322,555	$ 1,301,781

(9) Other Operating Income

For the years ended June 30, 2010 and 2009, other operating income consists of the following:

	June 30, 2010	June 30, 2009
Service fees	$ 3,477,173	$ 3,415,106
Rental, concessions, and production services	1,948,962	2,247,972
Other	389,493	561,179
Total other operating income	$ 5,815,628	$ 6,224,257

(10) Letters of Credit

The DCPA has two letters of credit, $17,657 and $141,044 as of June 30, 2010, to support its commitments to the Actors' Equity Association. Funds may be drawn on the letters at the bank-stated rate, which was 4.375% and 4.41% at June 30, 2010 and 2009, respectively. As of June 30, 2010 and 2009, 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, 2010 and 2009.

(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, 2010, the future minimum payments for the aforementioned leases were as follows:

For the Year Ending June 30,	
2011	$ 122,945
2012	126,633
2013	53,544
	$ 303,122

Rental expense for the years ended June 30, 2010 and 2009 was $146,876 and $148,692, 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 $131,214 and $93,739 as of June 30, 2010 and 2009, respectively, which is reflected in accumulated depreciation in the accompanying statement of financial position.

The future minimum lease payments required for this capital lease at June 30, 2010 are as follows:

For the Year Ending June 30:	
2011	$ 26,255
Total future minimum lease payments	26,255
Less amount representing interest at 9.25%	(792)
Present value of net minimum lease payments	25,463
Less current portion	(25,463)
Long-term portion	$ -

(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 $215,731 and $241,525 for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, the Foundation's audited consolidated financial statements reported net assets of $30,348,840 and $30,713,705, respectively. Contributions from the Foundation were $2,601,930 in 2010, including $601,930 of in-kind support, and $2,655,454 in 2009, including $287,354 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.

(14) Fair Value

Effective July 1, 2008, the DCPA adopted ASC 820, which 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.

ASC 820 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. ASC 820 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.

(14) Fair Value (continued)

Level 3 Unobservable inputs that are supported by little or no market activity, which require the reporting entity to develop its own assumptions and that are significant to the fair value of the assets or liabilities.

The DCPA has classified cash and cash equivalents, equity funds and equity securities, bond funds, 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 a real estate fund, certificates of deposit, bonds, and venture capital/private equity in the Level 2 category since there are observable inputs other than Level 1 prices.

The DCPA has classified all investments at the Denver Foundation as Level 3, given that the direct investment is with the Denver Foundation and not in the underlying investments, therefore, primary inputs are not observable and/or cannot be corroborated by observable market data. These investments include cash equivalents, debt and equity mutual funds, hedged equity, venture capital/private equity, absolute return funds, and real estate.

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, 2010 and 2009:

	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	$ 1,241,225	$ 1,241,225	$ -	$ -
Certificates of deposit	158,701	-	158,701	-
Equity funds and equity securities	3,147,137	3,147,137	-	-
Bond funds and bonds	3,348,882	2,798,036	550,846	-
Venture capital/private equity	300,000	-	300,000	-
Real estate	76,905	-	76,905	-
Investments in Denver Foundation	504,851	-	-	504,851
Total	$ 8,777,701	$ 7,186,398	$ 1,086,452	$ 504,851

(14) Fair Value (continued)

	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)
Cash and cash equivalents	$ 2,670,291	$ 2,670,291	$ -	$ -
Certificates of deposit	158,701	-	158,701	-
Equity funds and equity securities	722,867	722,867	-	-
Bond funds and bonds	4,756,881	3,680,851	1,076,030	-
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 in Denver Foundation	342,718	-	-	342,718
Total	$ 13,204,649	$ 11,574,009	$ 1,287,922	$ 342,718

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 in The Denver Foundation	
	2010	2009
Beginning balance	$ 342,718	$ 319,041
Total realized and unrealized gains and losses	43,326	(55,477)
Interest income	8,058	2,815
Investment management fees	(8,251)	(5,661)
Purchases, issuances, and settlements	119,000	82,000
Ending balance	$ 504,851	$ 342,718

Realized and unrealized gains and losses at June 30, 2010 and 2009 are included in investment income or loss on the consolidated statements of activities.