



Financial Statements and Supplemental Information

For the Years Ended December 31, 2010 and 2009



**and
Report Thereon**



**Reports Required in Accordance with
Office of Management and Budget Circular A-133**

For the Year Ended December 31, 2010



THE TELLURIDE FOUNDATION

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For the Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Telluride Foundation

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statements of financial position of the Telluride Foundation (the Foundation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2011, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional

Continued

analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



RAFFA, P.C.

Washington, DC
August 8, 2011

THE TELLURIDE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 1,488,471	\$ 1,890,629
Investments	3,576,188	2,853,925
Accounts receivable, net	2,570	35,449
Pledges and grants receivable, net of discount and allowance for bad debt	2,383,668	2,459,962
Note receivable	85,000	95,000
Property and equipment, net	489,495	6,137
Other assets	6,172	4,689
TOTAL ASSETS	\$ 8,031,564	\$ 7,345,791
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,095,295	\$ 1,214,382
Accounts payable	23,886	26,404
Accrued liabilities	43,853	42,519
Agency payable	262,316	246,200
Charitable gift annuity liability	129,561	127,508
Loan payable	270,836	-
TOTAL LIABILITIES	1,825,747	1,657,013
Net Assets		
Unrestricted	3,728,925	3,450,036
Temporarily restricted	2,393,937	2,218,937
Permanently restricted	82,955	19,805
TOTAL NET ASSETS	6,205,817	5,688,778
TOTAL LIABILITIES AND NET ASSETS	\$ 8,031,564	\$ 7,345,791

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

THE TELLURIDE FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, CONTRIBUTIONS AND SUPPORT				
Individual contributions	\$ 1,438,978	\$ 1,242,500	\$ 63,150	\$ 2,744,628
Grant income	935,907	-	-	935,907
In-kind contributions	144,040	-	-	144,040
Interest and dividends	90,620	-	-	90,620
Other income	68,265	-	-	68,265
Net assets released from restrictions:				
Satisfaction of time restrictions	<u>1,067,500</u>	<u>(1,067,500)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE, CONTRIBUTIONS AND SUPPORT	 <u>3,745,310</u>	 <u>175,000</u>	 <u>63,150</u>	 <u>3,983,460</u>
 EXPENSES				
Program Services:				
Grants and assistance programs	3,145,053	-	-	3,145,053
Education and consulting	<u>140,434</u>	<u>-</u>	<u>-</u>	<u>140,434</u>
Total Program Services	<u>3,285,487</u>	<u>-</u>	<u>-</u>	<u>3,285,487</u>
Support Services:				
Development	291,781	-	-	291,781
General and administrative	<u>88,578</u>	<u>-</u>	<u>-</u>	<u>88,578</u>
Total Support Services	<u>380,359</u>	<u>-</u>	<u>-</u>	<u>380,359</u>
 TOTAL EXPENSES	 <u>3,665,846</u>	 <u>-</u>	 <u>-</u>	 <u>3,665,846</u>
 CHANGE IN NET ASSETS FROM OPERATIONS	 79,464	 175,000	 63,150	 317,614
Nonoperating Activities:				
Realized and unrealized investment gains, net	217,355	-	-	217,355
Change in value of charitable gift annuity	<u>(17,930)</u>	<u>-</u>	<u>-</u>	<u>(17,930)</u>
 CHANGE IN NET ASSETS	 278,889	 175,000	 63,150	 517,039
 NET ASSETS, BEGINNING OF YEAR	 <u>3,450,036</u>	 <u>2,218,937</u>	 <u>19,805</u>	 <u>5,688,778</u>
 NET ASSETS, END OF YEAR	 <u>\$ 3,728,925</u>	 <u>\$ 2,393,937</u>	 <u>\$ 82,955</u>	 <u>\$ 6,205,817</u>

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

THE TELLURIDE FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, CONTRIBUTIONS AND SUPPORT				
Individual contributions	\$ 818,793	\$ 1,439,000	\$ 19,805	\$ 2,277,598
Grant income	72,473	-	-	72,473
In-kind contributions	144,040	-	-	144,040
Interest and dividends	150,471	-	-	150,471
Other income	59,746	-	-	59,746
Net assets released from restrictions:				
Satisfaction of time restrictions	1,598,375	(1,598,375)	-	-
TOTAL REVENUE, CONTRIBUTIONS AND SUPPORT	2,843,898	(159,375)	19,805	2,704,328
EXPENSES				
Program Services:				
Grants and assistance programs	2,562,955	-	-	2,562,955
Education and consulting	116,825	-	-	116,825
Total Program Services	2,679,780	-	-	2,679,780
Support Services:				
Development	280,361	-	-	280,361
General and administrative	85,309	-	-	85,309
Total Support Services	365,670	-	-	365,670
TOTAL EXPENSES	3,045,450	-	-	3,045,450
CHANGE IN NET ASSETS FROM OPERATIONS	(201,552)	(159,375)	19,805	(341,122)
Nonoperating Activities:				
Realized and unrealized investment gains, net	225,690	-	-	225,690
Change in value of charitable gift annuity	(76,917)	-	-	(76,917)
CHANGE IN NET ASSETS	(52,779)	(159,375)	19,805	(192,349)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	3,502,815	2,378,312	-	5,881,127
NET ASSETS, END OF YEAR	\$ 3,450,036	\$ 2,218,937	\$ 19,805	\$ 5,688,778

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

THE TELLURIDE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009
Increase (Decrease) in Cash and Cash Equivalents

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 517,039	\$ (192,349)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	31,115	33,609
Realized and unrealized investment gains, net	(217,356)	(225,690)
Depreciation and amortization	16,409	4,798
Change in value of charitable gift annuity	17,930	76,917
Amortization of discount on pledges receivable, net	(8,742)	78,012
Change in operating assets and liabilities:		
Accounts receivable	32,879	(32,249)
Pledges and grants receivable	53,921	31,200
Note receivable	10,000	5,000
Other assets	(1,483)	(1,848)
Grants payable	(119,087)	(106,401)
Accounts payable	(2,518)	10,048
Accrued liabilities	1,521	19,204
Agency payable	3,034	6,233
Charitable gift annuity liability	(15,877)	(15,878)
	<u>318,785</u>	<u>(309,394)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>318,785</u>	<u>(309,394)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of building	(499,767)	-
Proceeds from sale of investments	344,839	2,894,546
Purchases of investments	(837,236)	(1,149,523)
	<u>(992,164)</u>	<u>1,745,023</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(992,164)</u>	<u>1,745,023</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	298,838	-
Repayments of loan	(27,617)	-
	<u>271,221</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>271,221</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(402,158)</u>	<u>1,435,629</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,890,629</u>	<u>455,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,488,471</u>	<u>\$ 1,890,629</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 8,489</u>	<u>\$ 60</u>

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

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization

The Telluride Foundation (the Foundation) was incorporated in Colorado as a nonprofit corporation on August 3, 2000. The Foundation is committed to enriching the human experience in the region by fostering private giving, strengthening service providers and conducting events that celebrate the community. To this end, the Foundation provides leadership in philanthropy, serves as a responsible steward for entrusted funds, and promotes understanding and respect for diversity.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The financial statements are prepared using the accrual basis of accounting and include all material receivables and payables.

New Accounting Pronouncements and Changes in Accounting Policy

Effective January 1, 2009, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *FASB Codification* (the Codification). The Codification is the single source of authoritative GAAP. Accordingly, references to GAAP have been updated for the appropriate Codification reference.

Cash and Cash Equivalents

The Foundation considers all highly liquid investment instruments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of certificates of deposit and money market accounts.

Short-Term and Long-Term Investments

The investment portfolios of all funds are carried at fair value based on quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For the Foundation's multi-asset fund, fair value is determined based on net asset value (NAV), as disclosed in the fund's annual audited financial statements. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise designated by the donor.

Donor-Advised Funds

The Foundation determined that, due to the variance power it has over its donor-advised funds and the common practice among community foundations, all donor-advised funds are presented as unrestricted net assets. This classification does not affect the Foundation's responsibilities with respect to each fund as detailed in the fund agreements.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2010 and 2009

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

Pledges and Grants Receivable

The Foundation reports unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises to give are received. Outstanding promises to give were discounted by \$147,668 and \$138,926 at December 31, 2010 and 2009, respectively. For the years ended December 31, 2010 and 2009, the Foundation recorded a bad debt expense associated with the pledges and grants receivable of \$31,115 and \$33,609, respectively. An allowance for uncollectible pledges receivable of \$25,564 has been established in the current year and approximates 1% of the outstanding pledges and grants receivable at year-end.

Property and Equipment

Property and equipment consist of a building; computer and software; and furniture, fixtures, and equipment and are capitalized and recorded at cost, less accumulated depreciation. Expenditures for major additions, renewals and improvements are capitalized; expenditures for repairs and maintenance are expensed when incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally three to 40 years.

Net Assets

The net assets of the Foundation are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Foundation's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the resources be maintained in perpetuity and that only the investment earnings on such amounts be used in the manner specified by the donor.

Reserve Policy

The Foundation's Board of Directors has created and approved a reserve policy in which the Foundation reserves a certain portion of its cash and investment balance to ensure that, if a catastrophic event occurs, the Foundation can continue business operations. Based on the reserve calculation, the Foundation's reserve is \$1,558,796 and \$1,592,682 at December 31, 2010 and 2009, respectively.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2010 and 2009

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

Revenue Recognition

The Foundation has grants from the U.S. government. Revenue from these grants is recognized as allowable costs are incurred. All other contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. Unconditional promises to give without a stipulated due date or for which the Foundation has met all conditions precedent to receipt of the contribution prior to the Foundation's year-end are classified as unrestricted net assets.

A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions

In-kind contributions, consisting primarily of donated ski passes, are reflected as contributions at their estimated fair values when received or when an unconditional pledge to contribute has been made.

Awards and Grants

The Foundation provides awards and grants for community, education and children's organizations in Telluride and its surrounding counties. The minimum amount for which the Foundation is obligated to pay is recorded upon the Board of Directors' approval. At December 31, 2010 and 2009, the Foundation had \$1,095,295 and \$1,214,382, respectively, of unconditional community grants payable, which have been included in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs attributable to program services and expenses associated with fundraising have been summarized in the accompanying schedules of functional expenses. Accordingly, certain general and administrative costs have been allocated among the programs benefited based primarily on evaluations of employees' time incurred on each program.

Tax Status

The Foundation is a nonprofit voluntary charitable organization exempt from income tax under Section 501(a) of the U.S. Internal Revenue Code and provisions of the State of Colorado. The Foundation has been classified by the Internal Revenue Service as an organization that is not a private foundation and has been designated as a publicly supported organization.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2010 and 2009

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

Fair Value of Financial Instruments

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, as of and for the year ended December 31, 2010, the Foundation has categorized its applicable financial instruments into the required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of and for the years ended December 31, 2010 and 2009, only the Foundation's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis.

Effective December 31, 2009, the Foundation elected to adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, to its alternative investments. The guidance amends the *Fair Value Measurements* topic and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value or its equivalent. Net asset value, in many instances, will not equal the fair value that would be calculated pursuant to the *Fair Value Measurements* topic.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

2. Investments

Investments, at fair value at December 31, 2010, and the related investment income for the Foundation for the year ended December 31, 2010, consisted of the following:

	Interest and Dividends	Unrealized Gains	Realized Gains (Losses)	Fair Value
Intermediate-term bond	\$ 43,260	\$ 66,425	\$ -	\$ 1,637,982
Multi-asset fund	34,114	149,800	-	1,707,002
Certificates of deposit	<u>5,202</u>	<u>-</u>	<u>-</u>	<u>231,204</u>
Total	<u>\$ 82,576</u>	<u>\$ 216,225</u>	<u>\$ -</u>	<u>\$ 3,576,188</u>

Investments, at fair value at December 31, 2009, and the related investment income for the Foundation for the year ended December 31, 2009, consisted of the following:

	Interest and Dividends	Unrealized Gains	Realized Gains (Losses)	Fair Value
Intermediate-term bond	\$ 35,388	\$ 54,858	\$ 11,176	\$ 1,101,422
Multi-asset fund	58,474	516,853	(344,617)	1,432,184
Certificates of deposit	<u>55,661</u>	<u>-</u>	<u>-</u>	<u>320,319</u>
Total	<u>\$ 149,523</u>	<u>\$ 571,711</u>	<u>\$ (333,441)</u>	<u>\$ 2,853,925</u>

The following is a summary of the inputs used in valuing the Foundation's assets carried at fair value as of December 31, 2010:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Intermediate-term bond	\$ 1,637,982	\$ 1,637,982	\$ -
Multi-asset fund	1,707,002	-	1,707,002
Certificates of deposit	<u>231,204</u>	<u>-</u>	<u>231,204</u>
Total	<u>\$ 3,576,188</u>	<u>\$ 1,637,982</u>	<u>\$ 1,938,206</u>

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

2. Investments (continued)

The following is a summary of the inputs used in valuing the Foundation's assets carried at fair value as of December 31, 2009:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Intermediate-term bond	\$ 1,101,422	\$ 1,101,422	\$ -
Multi-asset fund	1,432,184	-	1,432,184
Certificates of deposit	<u>320,319</u>	<u>-</u>	<u>320,319</u>
Total	<u>\$ 2,853,925</u>	<u>\$ 1,101,422</u>	<u>\$ 1,752,503</u>

Intermediate-term bond – Are based on quoted prices available in an active market for identical assets. This investment is classified within Level 1 of the valuation hierarchy.

Multi-asset fund – Valued based on as reported net asset value per share by the investee. These investments are measured at fair value using Level 2 inputs. Investments are categorized as Level 2 instruments when the Foundation has the ability to redeem its investments at net asset value per share at the measurement date.

Certificates of deposit – Valued based on model inputs that are observable, thus classified as Level 2 of the valuation hierarchy.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

3. Pledges and Grants Receivable

Pledges and grants receivable consisted of the following unconditional promises to give at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
In one year or less	\$ 1,364,400	\$ 1,503,337
Between 1-5 years	<u>1,192,500</u>	<u>1,121,500</u>
Total Unconditional Promises to Give before Unamortized Discount	2,556,900	2,624,837
Less: Unamortized Discount	(147,668)	(138,926)
Less: Allowance for Uncollectible Pledges	<u>(25,564)</u>	<u>(25,949)</u>
Total Unconditional Promises to Give after Unamortized Discount, Net	<u>\$ 2,383,668</u>	<u>\$ 2,459,962</u>

Changes in the Foundation's allowance for uncollectible pledges receivable are as follows:

Beginning balance	\$ 25,949
Bad debt expense	31,115
Accounts written off	<u>(31,500)</u>
Ending balance	<u>\$ 25,564</u>

4. Note Receivable

On August 1, 2007, the Foundation issued an unsecured note receivable in the amount of \$100,000 to the San Miguel Resource Center, an unrelated third party. The note has a maturity date of August 1, 2012, and bears interest at a rate of 0% per annum. The note receivable balance was \$85,000 and \$95,000 as of December 31, 2010 and 2009, respectively.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2010 and 2009

5. Property and Equipment

Property and equipment held by the Foundation is as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Building and improvements	\$ 499,767	\$ -
Computer and software	32,260	32,260
Furniture, fixtures and equipment	<u>30,037</u>	<u>30,037</u>
Total Property and Equipment	562,064	62,297
Less: Accumulated Depreciation and Amortization	<u>(72,569)</u>	<u>(56,160)</u>
Property and Equipment, Net	<u>\$ 489,495</u>	<u>\$ 6,137</u>

Depreciation and amortization expense was \$16,409 and \$4,798 for the years ended December 31, 2010 and 2009, respectively.

6. Loan Payable

In September 2010, the Foundation obtained a loan from the Colorado Housing and Finance Authority in the amount of \$300,000. The loan is secured by a deed of trust on the building located at 220 East Colorado Avenue, Suite 106, Telluride, Colorado. Interest accrues at a fixed annual rate of 6.75%. Starting September 1, 2010, interest and principal of \$2,281 are payable monthly until August 1, 2030. For the year ended December 31, 2010, interest expense related to the loan totaled \$8,404.

7. Agency Agreements

The Foundation enters into agreements with unaffiliated not-for-profit organizations whereby the Foundation agrees to maintain a fund balance on behalf of the unaffiliated organizations for an administrative fee ranging between 0.75% and 1.00% per year. The Foundation records the funds' balances within the Foundation's investments and as an agency payable. Income on the fund is recorded as an increase to investments and agency payable. At December 31, 2010 and 2009, an agency payable amount of \$262,316 and \$246,200, respectively, is shown in the accompanying statements of financial position.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2010 and 2009

8. Charitable Gift Annuity

During 2004, the Foundation entered into an arrangement with a donor whereby the donor contributed investment assets to the Foundation in the amount of \$317,550 in exchange for the Foundation's requirement to pay an annuity of \$15,878 to the donor over a specified period of time. The investments are recorded at fair value. The present value of the annuity at the time of the agreement was calculated using an adjustment factor of 8.23, resulting in an initial liability of \$130,718. The Foundation's remaining liability was \$129,561 and \$127,508 as of December 31, 2010 and 2009, respectively, which has been included in the statements of financial position.

9. Commitments and Contingencies

Office of Management and Budget Circular A-133

The Foundation has instructed its independent auditors to audit its federal programs for the year ended December 31, 2010, in compliance with Circular A-133 issued by the U.S. Office of Management and Budget (OMB). Until such audit is finalized, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that matters arising from the federal agency's review of the independent auditor's reports for 2010 will not have a material effect on the financial position of the Foundation.

Retirement Plan

The Foundation sponsors a SIMPLE 401(k) plan for employees who have attained the age of 21 and have completed at least one year or 1,000 hours of employment. Eligible employees may contribute 100% of their pre-tax compensation up to the maximum allowed by the Internal Revenue Code. The Foundation is obligated to match 100% of employees' contributions up to 3% of their salary. The Foundation's contribution to the plan was \$4,562 and \$4,500 for the years ended December 31, 2010 and 2009, respectively.

10. Endowment Funds

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

10. Endowment Funds (continued)

Interpretation of Relevant Law (continued)

and (c) accumulations to the permanent endowment made in accordance with the direction of the endowment fund's applicable donor gift instruments 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation
- The investment policies of the Foundation.

As of December 31, 2010, the endowment net asset composition by type of fund is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 82,955	\$ 82,955
Total Funds	\$ -	\$ 82,955	\$ 82,955

As of December 31, 2009, the endowment net asset composition by type of fund is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 19,805	\$ 19,805
Total Funds	\$ -	\$ 19,805	\$ 19,805

Continued

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

10. Endowment Funds (continued)

Permanently Restricted Net Assets

Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA

\$ 82,955

Total Endowment Funds Classified as Permanently Restricted Net Assets

\$ 82,955

As of December 31, 2010, all of the permanently restricted net assets were received from individual trust contributions.

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2010 and 2009.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation currently appropriates all the interest and dividends and investment gains or losses for spending on operations.

11. Temporarily Restricted Net Assets

At December 31, 2010 and 2009, temporarily restricted net assets of \$2,393,937 and \$2,218,937, respectively, have been restricted due to time restrictions. Temporarily restricted net assets are released from restriction based on the lapse of time or upon their disbursements to various organizations and events within the Telluride community.

12. Income Taxes

The Foundation is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended December 31, 2010 and 2009, as the Foundation had no unrelated business income.

THE TELLURIDE FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2010 and 2009

12. Income Taxes (continued)

The Foundation follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation for uncertain tax positions for the year ended December 31, 2010, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2010, the statutes of limitations for tax years 2007 through 2009 remain open for the U.S. federal jurisdiction or the various states and local jurisdictions in which the Foundation files tax returns. It is the Foundation's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2010, the Foundation had no accrual for interest and/or penalties.

13. Prior Period Adjustment

During the year ended December 31, 2009, the Foundation restated its unrestricted and temporarily restricted net asset balances at the beginning of the year of \$3,049,065 and \$2,832,062, respectively, to correct the timing of the release to unrestricted net assets when a donor-imposed restriction expires with the passage of time. The effect of the adjustment was to increase unrestricted net assets and decrease temporarily restricted net assets by \$453,750 as of December 31, 2008.

14. Subsequent Events

The Foundation's management has evaluated subsequent events through August 8, 2011, the date the financial statements were available to be issued. There were no subsequent events identified through August 8, 2011, required to be disclosed in these financial statements.

SUPPLEMENTAL INFORMATION

THE TELLURIDE FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	<u>Program Services</u>		<u>Support Services</u>		<u>Total</u>
	<u>Grants and Assistance Programs</u>	<u>Education and Consulting</u>	<u>Development</u>	<u>General and Administrative</u>	
EXPENSES					
Awards and grants to charitable organizations	\$ 2,897,329	\$ -	\$ -	\$ -	\$ 2,897,329
Salaries	129,342	45,595	36,290	16,749	227,976
In-kind sport and activity tickets	-	-	164,199	-	164,199
Professional fees and services	22,213	13,880	6,399	47,212	89,704
Employee benefits	31,919	11,251	8,954	4,131	56,255
Office and occupancy	13,536	6,874	10,164	3,397	33,971
Bad debt expense	-	-	31,115	-	31,115
Administrative fee expense	17,002	8,501	-	2,834	28,337
Payroll taxes	9,157	3,228	2,569	1,186	16,140
Computer expense	4,448	5,187	3,706	1,482	14,823
Printing and publication	2,850	7,827	5,340	1,780	17,797
Miscellaneous	1,758	5,873	1,319	1,241	10,191
Special events and promotions	-	7,517	7,517	-	15,034
Advertising	-	1,430	-	-	1,430
Bank charges and investment fees	-	-	1,280	690	1,970
Mortgage interest expense	3,362	1,681	2,521	840	8,404
Depreciation and amortization	4,185	4,075	4,130	4,019	16,409
Website design and maintenance	655	327	491	164	1,637
Telephone	1,539	1,798	1,284	514	5,135
Membership dues and subscriptions	1,723	862	1,292	431	4,308
Capacity building workshops	-	11,665	-	-	11,665
Insurance	252	502	314	903	1,971
Travel	1,786	893	1,340	447	4,466
Postage and shipping	1,293	647	971	324	3,235
Supplies	704	821	586	234	2,345
TOTAL EXPENSES	<u>\$ 3,145,053</u>	<u>\$ 140,434</u>	<u>\$ 291,781</u>	<u>\$ 88,578</u>	<u>\$ 3,665,846</u>

THE TELLURIDE FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
EXPENSES					
Awards and grants to charitable organizations	\$ 2,347,341	\$ -	\$ -	\$ -	\$ 2,347,341
Salaries	117,146	46,291	36,844	17,005	217,286
In-kind sport and activity tickets	-	-	159,332	-	159,332
Professional fees and services	18,780	16,650	7,288	48,351	91,069
Employee benefits	27,636	10,920	8,690	4,011	51,257
Office and occupancy	13,854	7,313	10,439	3,512	35,118
Bad debt expense	-	-	33,609	-	33,609
Administrative fee expense	17,104	8,552	-	2,851	28,507
Payroll taxes	7,783	3,076	2,448	1,130	14,437
Computer expense	3,649	4,256	3,041	1,216	12,162
Printing and publication	253	4,841	2,547	849	8,490
Miscellaneous	2,096	3,057	1,572	888	7,613
Special events and promotions	-	3,612	3,612	-	7,224
Bank charges and investment fees	-	-	4,882	1,585	6,467
Depreciation and amortization	1,198	1,200	1,200	1,200	4,798
Website design and maintenance	1,355	678	1,017	339	3,389
Telephone	962	1,123	802	321	3,208
Membership dues and subscriptions	1,209	604	906	302	3,021
Training	-	2,558	-	-	2,558
Insurance	278	558	349	1,123	2,308
Travel	822	413	618	206	2,059
Postage and shipping	921	461	692	231	2,305
Supplies	568	662	473	189	1,892
	<u>\$ 2,562,955</u>	<u>\$ 116,825</u>	<u>\$ 280,361</u>	<u>\$ 85,309</u>	<u>\$ 3,045,450</u>
TOTAL EXPENSES					



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

To the Board of Directors of the
Telluride Foundation

We have audited the financial statements of the Telluride Foundation (the Foundation) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. See findings 2010-1 and 2010-2. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2010-1 and 2010-2.

We noted certain matters that we reported to management of the Foundation in a separate letter dated August 8, 2011.

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the U.S. Department of Health and Human Services and is not intended to be and should not be used by anyone other than these specified parties.



RAFFA, P.C.

Washington, DC
August 8, 2011



RAFFA

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Accountants*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of the
Telluride Foundation

Compliance

We have audited the Telluride Foundation's (the Foundation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2010. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 2010-1 and 2010-2.

Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on

Continued

compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as findings 2010-1 and 2010-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the U.S. Department of Health and Human Services and is not intended to be and should not be used by anyone other than these specified parties.



RAFFA, P.C.

Washington, DC
August 8, 2011

THE TELLURIDE FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2010

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grant Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Strengthening Communities Fund Non-Profit Capacity Building Program	93.711	90SI0030/01	\$ 707,579
Children's Health Insurance Program Outreach and Enrollment Grant	93.767	1Z0CMS030477/01	190,690
Rural Health Network Development Planning Grant Program	93.912	P10RH12719	<u>36,335</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 934,604</u>

See accompanying notes to this schedule.

THE TELLURIDE FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2010

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

2. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Revenue in the accompanying statements of activities is divided between the following categories:

Federal programs:	
Cost-reimbursable agreements and grants	\$ 934,604
Fixed-price contracts	-
Other nonfederal programs	<u>1,303</u>
Grant Income, per Statements of Activities	<u>\$ 935,907</u>

THE TELLURIDE FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2010

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2010-01

Condition: We noted that the Foundation has a dual signature policy for checks written for more than \$5,000. We noted one instance where the check was written for more than \$5,000 but was not signed by the second signatory.

Criteria: The Foundation's current check signing policy requires two signatures on checks that are more than \$5,000.

Effect: The Foundation's check signing policy has not been followed.

Cause: Failure by management to require two authorized employees to sign checks that are more than \$5,000.

Recommendation: It is critical that management follows the check signing policy and ensures that checks that are more than \$5,000 are signed by two check signers.

Management's

Response: All checks for amounts above \$5,000 will be delivered with backup documentation and related check registry, to the chair or vice-chair of the Investment & Finance Committee for review and second signature.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding No. 2010-2

Condition: We noted that the Foundation does not maintain a formal time and attendance system so as to complete contemporaneous timesheets and that time is allocated to grants based on management's estimates. Subsequent to year-end, management recreated the timesheets based on other documentation that had been contemporaneously kept by the staff. These recreated timesheets were then reviewed and approved by the President and a member of the Board of Directors. We reviewed the process of recreation and tested the timesheets against the documentation and for proper approval on a test basis.

THE TELLURIDE FOUNDATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT (continued)**

Finding No. 2010-2 (continued)

Criteria: Office of Management and Budget (OMB) Circular A-122 requires that time or activity reports be maintained by all employees who charge their time, in whole or in part, directly to any federal awards.

OMB Circular A-122 also states that, to satisfy these requirements, reports maintained by the organization must meet the following standards:

1. The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
2. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
3. The reports must be signed by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the report.
4. The reports must be prepared at least monthly and must coincide with one or more pay periods.

Effect: Direct salaries charged to the federal grants have not been documented in accordance with OMB Circular A-122.

Cause: Failure by management to require employees to adequately prepare and maintain timesheets on a regular basis.

Questioned Costs: None.

Recommendation: It is critical that direct labor charges are properly documented in order to assure their allowability. The most effective way to document labor adequately is to establish written time-charging policies and procedures and to apply those policies and procedures consistently throughout the year.

THE TELLURIDE FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2010

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT (continued)

Finding No. 2010-2 (continued)

Management's

Response:

The Foundation did not have a time and attendance system in place from the beginning of the grant, since the Foundation's management understood that the personnel allocation expenses approved in the grant budget were adequate documentation. Management recreated the timesheets for the period based on Outlook calendars and other underlying documents that would support the time charges to the federal grant. These recreated timesheets were reviewed and approved by either the President or a member of the Board of Directors. Management will implement a time and attendance system that is in compliance with OMB A-122 requirements and will ensure that this new timesheet policy is followed.