



Consolidated Financial Statements

For the Years Ended December 31, 2011 and 2010



**and
Report Thereon**





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Telluride Foundation and Affiliate

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying consolidated statements of financial position of the Telluride Foundation and Affiliate (collectively referred to as the Foundation) as of December 31, 2011 and 2010, and the related consolidated 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. 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011 and 2010, 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidated schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RAFFA, P.C.

Washington, DC
June 6, 2012

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 1,389,150	\$ 1,488,471
Investments	3,671,400	3,576,188
Accounts receivable	12,135	2,570
Pledges and contributions receivable, net	2,399,424	2,383,668
Note receivable	37,500	85,000
Other assets	8,881	6,172
Property and equipment, net	<u>479,998</u>	<u>489,495</u>
TOTAL ASSETS	<u><u>\$ 7,998,488</u></u>	<u><u>\$ 8,031,564</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 79,791	\$ 67,739
Grants payable	1,082,559	1,095,295
Agency payables	345,709	262,316
Charitable gift annuity	124,397	129,561
Loan payable	<u>263,649</u>	<u>270,836</u>
TOTAL LIABILITIES	<u>1,896,105</u>	<u>1,825,747</u>
Net Assets		
Unrestricted	3,917,687	3,811,880
Temporarily restricted	<u>2,184,696</u>	<u>2,393,937</u>
TOTAL NET ASSETS	<u>6,102,383</u>	<u>6,205,817</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,998,488</u></u>	<u><u>\$ 8,031,564</u></u>

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

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions	\$ 785,872	\$ 1,480,336	\$ 2,266,208	\$ 1,646,168	\$ 1,242,500	\$ 2,888,668
Federal contract revenue	635,630	-	635,630	848,956	-	848,956
Interest and dividends	142,112	-	142,112	90,620	-	90,620
Other income	70,630	-	70,630	68,265	-	68,265
Net assets released from restrictions:						
Satisfaction of time restrictions	1,460,764	(1,460,764)	-	1,067,500	(1,067,500)	-
Satisfaction of program restrictions	228,813	(228,813)	-	-	-	-
TOTAL REVENUE AND SUPPORT	3,323,821	(209,241)	3,114,580	3,721,509	175,000	3,896,509
EXPENSES						
Program Services:						
Grants and assistance programs	2,570,268	-	2,570,268	3,058,102	-	3,058,102
Education and consulting	132,193	-	132,193	140,434	-	140,434
Total Program Services	2,702,461	-	2,702,461	3,198,536	-	3,198,536
Support Services:						
Development	220,819	-	220,819	260,666	-	260,666
General and administrative	195,511	-	195,511	119,693	-	119,693
Total Supporting Services	416,330	-	416,330	380,359	-	380,359
TOTAL EXPENSES	3,118,791	-	3,118,791	3,578,895	-	3,578,895
CHANGE IN NET ASSETS FROM OPERATIONS	205,030	(209,241)	(4,211)	142,614	175,000	317,614
Nonoperating Activities:						
Realized and unrealized investment losses	(88,508)	-	(88,508)	217,355	-	217,355
Change in value of charitable gift annuity	(10,715)	-	(10,715)	(17,930)	-	(17,930)
CHANGE IN NET ASSETS	105,807	(209,241)	(103,434)	342,039	175,000	517,039
NET ASSETS, BEGINNING OF YEAR	3,811,880	2,393,937	6,205,817	3,469,841	2,218,937	5,688,778
NET ASSETS, END OF YEAR	\$ 3,917,687	\$ 2,184,696	\$ 6,102,383	\$ 3,811,880	\$ 2,393,937	\$ 6,205,817

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

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010
Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (103,434)	\$ 517,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized investment losses (gains)	139,278	(230,438)
Provision for doubtful pledges receivable	25,389	(385)
Amortization of discount on pledges receivable	(41,794)	8,742
Depreciation and amortization	15,687	16,409
Change in value of charitable gift annuity	10,713	17,930
Change in operating assets and liabilities:		
Accounts receivable	(9,565)	32,879
Pledges and contributions receivable	649	67,937
Other assets	(2,709)	(1,483)
Accounts payable and accrued expenses	12,052	(997)
Grants payable	(12,736)	(119,087)
Agency payables	83,393	3,034
	<u>116,923</u>	<u>311,580</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on note receivable	47,500	10,000
Proceeds from sale of investments	1,279,745	357,921
Purchases of investments	(1,514,235)	(837,236)
Purchases of property and equipment	(6,190)	(499,767)
	<u>(193,180)</u>	<u>(969,082)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on charitable gift annuity	(15,877)	(15,877)
Borrowings under loan payable	-	298,838
Repayments on loan payable	(7,187)	(27,617)
	<u>(23,064)</u>	<u>255,344</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(99,321)	(402,158)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,488,471</u>	<u>1,890,629</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,389,150</u>	<u>\$ 1,488,471</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 16,472</u>	<u>\$ 8,489</u>

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

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

1. Organization and Summary of Significant Accounting Policies

Organization

The Telluride Foundation and Affiliate (the Foundation) work to improve the quality of life for the people that live, work and visit the Telluride, Colorado region. These activities are funded primarily through contributions and grants.

Principles of Consolidation

The consolidated financial statements of the Foundation include the accounts of the Telluride Foundation (Telluride) and its affiliate, Tri-County Health Network (TCHN). All material intercompany balances and transactions have been eliminated in consolidation.

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

TCHN was incorporated in Colorado as a nonprofit corporation on February 17, 2010. TCHN's purpose is to improve the quality and coordination of health and healthcare services in the Dolores, San Miguel and Uncompahgre river basin regions of Colorado. Telluride has the right to appoint the majority of TCHN's Board of Directors.

Cash Equivalents

The Foundation considers money market funds and short-term investments which have a purchased maturity of three months or less to be cash equivalents.

Investments

Investments include a multi-asset fund, an intermediate bond fund, an intermediate government bond fund and certificates of deposit with purchased maturities greater than three months. These investments are recorded in the accompanying consolidated financial statements at their fair value as of December 31st.

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

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

Investments (continued)

The multi-asset fund is considered to be an alternative investment fund as the fund is not traded in an established market with published values. Access to participation in the fund is also limited primarily to foundations, endowments and other 501(c)(3) organizations and other nonprofit organizations meeting specified accreditation requirements. The fund may include long and short positions in common stock, U.S. and foreign corporate and government fixed income securities, forward and futures contracts, commodities, repurchase agreements and various other derivatives. The estimated value for the alternative investment fund was provided by the fund manager and may be based upon historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of the valuation of the Foundation's alternative investment fund, the value used for this investment may differ significantly from the value that would have been used had a ready market for the investment existed. This investment is recorded in the accompanying consolidated financial statements at its fair value, as provided by the investment custodian.

Realized gains and losses on investments are computed on an average cost method and are recorded on the trade date of the transaction and included in realized and unrealized investment returns in the accompanying consolidated statements of activities. Investment returns (dividends and realized and unrealized gains/losses) allocable to the portion of the Foundation's investment balance which represents funds held by the Foundation under the terms of agency agreements are not included in the investment returns in the accompanying consolidated statements of activities as such returns are required to be held solely for the purposes defined by the agency agreements and are not considered revenue of the Foundation. However, for purposes of reporting in the consolidated statements of cash flows, all investment realized and unrealized gains and losses, including those allocable to agency funds held by the Foundation, are reported.

Fair Value Measurements

In accordance with the fair value measurements and disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Foundation has categorized its applicable financial instruments into a 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.

Continued

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

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

Fair Value Measurements (continued)

As of and for the years ended December 31, 2011 and 2010, the Foundation's assets and liabilities which were measured at fair value on a recurring basis and subject to the disclosure requirements of the fair value measurements and disclosures topic of the FASB ASC include only its investments, as described in Note 2 of these financial statements.

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. This classification is applied to any investment of the Foundation that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

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, such as quoted prices for similarly structured securities in active markets.

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. This classification is applied to investments for which there is no established trading market. Fair value is generally determined based on the fund's net asset value (NAV) as provided by the fund's management using a variety of methodologies relevant to the particular investment portfolio that combine primary market data available from national securities exchanges for underlying securities that are actively traded as well as other factors that may lead to a determination of a fair value at a different amount.

Accounts, Pledges and Contributions Receivable

The Foundation uses the allowance method to determine uncollectible accounts, pledges and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Pledges and contributions receivable due to be received over periods beyond one year from the statement of financial position date are recognized at their estimated present value.

Continued

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

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

Property and Equipment

The Foundation owns a building which is recorded at cost. Depreciation on the building and related building improvements are principally provided on a straight line basis over a period of thirty-nine years. Furniture and equipment are also stated at cost. Depreciation on furniture and equipment is provided principally on a straight line basis over the estimated useful lives of the respective assets which range from three to seven years. Expenditures for major additions, repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed when incurred.

Grants Payable

The Foundation provides awards and grants for community, education and children's organizations in Telluride, Colorado and its surrounding counties. Unconditional awards and grants are recognized upon approval by the Foundation's Board of Directors. Conditional awards and grants are recognized at the time the conditions are substantially met by the grantee. When grant commitments are to be paid over several years, the Foundation records such liabilities at their estimated present value.

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.

The Foundation has 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.

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

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

Revenue Recognition

Contributions

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Foundation reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets as unrestricted support if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets received with donor stipulations limiting the use of the donated assets are reported as temporarily restricted if such donor stipulations are not fully met in the year the award is received. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

In-Kind Contributions

In-kind contributions are recognized as contributions at the estimated fair value of the good or service when received or when an unconditional pledge to contribute has been made.

Contract Revenue

The Foundation has pass-through agreements with United States governmental agencies in exchange for services. Revenue from these agreements is recognized as costs are incurred on the basis of direct costs.

The reporting requirements specified by Office of Management and Budget (OMB) Circular A-133 were not required for the year ended December 31, 2011 as the federal expenditure thresholds for OMB reporting were not met.

Agency Transactions

The Foundation is the recipient of funds from two unaffiliated nonprofit organizations whereby the Foundation has agreed to maintain a fund on behalf of both organizations for an administrative fee ranging between 0.75% and 1.00% per year. The amounts received and disbursed by the Foundation for these funds are not considered revenue and expenses of the Foundation as the unaffiliated organization retains the exclusive right to determine the expenditures. The balances of funds received by the Foundation but not yet disbursed are reflected as agency payables in the accompanying consolidated statements of financial position. Income earned on the funds received and held by the Foundation is recorded as an increase to the agency payable.

Continued

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Measure of Operations

The Foundation considers realized and unrealized gains (losses) and the change in value of the charitable gift annuity resulting from adjustments to the present value of the annuity to be non-operating in nature.

Reclassifications

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

2. Investments

The Foundation has used the following fair value measurements as of December 31, 2011:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Multi-asset fund	\$ 1,755,667	\$ -	\$ 1,755,667	\$ -
Intermediate bond fund	1,681,130	1,681,130	-	-
Intermediate government bond fund	106,910	106,910	-	-
Certificate of deposit	<u>127,693</u>	<u>-</u>	<u>127,693</u>	<u>-</u>
Total	<u>\$ 3,671,400</u>	<u>\$ 1,788,040</u>	<u>\$ 1,883,360</u>	<u>\$ -</u>

Continued

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

2. Investments (continued)

The Foundation has used the following fair value measurements as of December 31, 2010:

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

The fair value of the multi-asset fund as of December 31, 2011 and 2010 was estimated using the net asset value per share reported by the fund. As permitted under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-12, the Foundation reports this investment as Level 2 as the investment can be redeemed at NAV, without restriction, at the measurement date.

A yield-based matrix system was used to arrive at an estimated market value for the certificates of deposit held as of December 31, 2011 and 2010.

Investment returns, including the interest earned on cash and cash equivalents, are summarized as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 142,112	\$ 90,620
Unrealized (losses) gains	(44,210)	216,224
Realized (losses) gains	<u>(44,298)</u>	<u>1,131</u>
Total	<u>\$ 53,604</u>	<u>\$ 307,975</u>

Not included in these figures are the net investment (loss) earnings of (\$50,770) and \$13,083 for the years ended December 31, 2011 and 2010, respectively, attributable to the investment balance held by the Foundation under the terms of agency agreements as described in Note 1 of these consolidated financial statements.

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

3. Pledges and Contributions Receivable

Pledges and contributions receivable consisted of the following unconditional promises due to be received as follows as of December 31st:

	<u>2011</u>	<u>2010</u>
In one year or less	\$ 1,365,251	\$ 1,364,400
Between 1 to 5 years	<u>1,191,000</u>	<u>1,192,500</u>
Subtotal	2,556,251	2,556,900
Less: Unamortized discount	(105,874)	(147,668)
Less: Allowance for uncollectible pledges	<u>(50,953)</u>	<u>(25,564)</u>
Total pledges and contributions receivable, net	<u>\$ 2,399,424</u>	<u>\$ 2,383,668</u>

Discount rates used in the determination of the net present value were based upon a risk free rate of return as of the date the promise was made based upon the term of the promised future payments and adjusted for risk factors and the probability of future cash flows of such receivables.

4. Property and Equipment

Property and equipment held by the Foundation consisted of the following as of December 31st:

	<u>2011</u>	<u>2010</u>
Building and improvements	\$ 500,929	\$ 499,767
Computer and software	37,288	32,260
Furniture, fixtures and equipment	<u>30,037</u>	<u>30,037</u>
Total property and equipment	568,254	562,064
Less: Accumulated depreciation and amortization	<u>(88,256)</u>	<u>(72,569)</u>
Property and equipment, net	<u>\$ 479,998</u>	<u>\$ 489,495</u>

Depreciation and amortization expense was \$15,687 and \$16,409 for the years ended December 31, 2011 and 2010, respectively.

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THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

5. Grants Payable

The Foundation distributes grants to various organizations. As of December 31, 2011 and 2010, the Foundation had unconditionally promised to give \$1,082,559 and \$1,095,295, respectively, in grants. As of December 31, 2011, all grants payable are due to be paid within one year.

6. Charitable Gift Annuity

During 2004, the Foundation entered into an agreement 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 \$15,877 annually to the donor over the donor's lifetime. The investments are recorded at fair value. The present value of the annuity at the time of the agreement was estimated to be \$130,718. The Foundation's remaining liability was \$124,397 and \$129,561 as of December 31, 2011 and 2010, respectively, which has been included in the consolidated statements of financial position.

7. Loan Payable

In September 2010, the Foundation obtained a loan from the Colorado Housing and Finance Authority in the amount of \$300,000 in order to finance the purchase of its building. The loan is secured by a deed of trust on the building. Interest accrues at a fixed annual rate of 6.75%. Beginning September 1, 2010, interest and principal of \$2,281 are payable monthly. The loan matures August 1, 2030.

The schedule of future minimum payments under this loan as of December 31, 2011 is as follows:

For the Years Ending December 31,	
2012	\$ 8,038
2013	8,597
2014	9,196
2015	9,836
2016	10,251
Thereafter	<u>217,731</u>
Total	<u>\$ 263,649</u>

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THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

8. Concentration of Credit Risk

The Foundation's cash and cash equivalents are comprised of amounts in accounts at various financial institutions. While the amounts at times exceed the amount guaranteed by federal agencies and, therefore, bear some risk, the Foundation has not experienced, nor does it anticipate, any loss of funds. There was no amount held by the Foundation in excess of the FDIC insured limit as of December 31, 2011 but as of January 1, 2012, the amount held in excess of the FDIC insured limit was \$1,032,474 due to the Temporary Liquidity Guarantee Program (TLGP) expiring December 31, 2011.

9. Net Assets

Temporarily Restricted

As of December 31, 2011 and 2010, temporarily restricted net assets were restricted for the following time periods and purposes:

	<u>2011</u>	<u>2010</u>
General operations for 2011	\$ -	\$ 1,477,169
General operations for 2012	1,047,000	706,000
General operations for 2013	715,000	364,000
General operations for 2014	376,000	20,000
General operations for 2015	60,000	-
General operations for 2016	25,000	-
General operations for 2017	15,000	-
Education programs	<u>103,523</u>	<u>-</u>
Subtotal	2,341,523	2,567,169
Less: Unamortized discount	(105,874)	(147,668)
Less: Allowance for uncollectible receivables	<u>(50,953)</u>	<u>(25,564)</u>
Total temporarily restricted net assets	<u>\$ 2,184,696</u>	<u>\$ 2,393,937</u>

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THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

10. Donated Goods and Services

For the year ended December 31, 2011, in-kind contributions received by the Foundation included of ski passes valued at approximately \$120,000, professional accounting services valued at approximately \$15,000 and food and merchandise valued at approximately \$16,000. For the year ended December 31, 2010, in-kind contributions received by the Foundation included ski passes valued at approximately \$144,000 and food and merchandise valued at approximately \$20,000. These in-kind contributions are recognized as revenue and expense in the accompanying consolidated statements of activities at their estimated fair value, as provided by the donor, at the date of receipt. The ski passes and food and merchandise are used in fundraising efforts and included in fundraising costs. The professional accounting services are included in general and administrative costs.

11. Pension 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 service. Eligible employees may make pre-tax contributions 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 \$7,475 and \$4,562 for the years ended December 31, 2011 and 2010, respectively.

12. Income Taxes

Telluride is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). TCHN has applied for exemption from federal income taxes under Section 501(c)(3) of the IRC. Management of TCHN believes the application for exemption will be approved.

The Foundation reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the years ended December 31, 2011 and 2010, management did not identify any uncertain tax positions requiring recognition or disclosure in these consolidated financial statements. As of December 31, 2011, tax years reasonably considered open and subject to examination include returns for the years ended December 31, 2008 through December 31, 2011.

There was no provision for income tax related to Telluride or TCHN for the years ended December 31, 2011 or 2010, as neither organization had any net unrelated business income. Should the exemption application of TCHN be denied, TCHN would be characterized as a taxable corporation. The resulting tax liability for the year ended December 31, 2011 of approximately \$4,000 is not significant to these consolidated financial statements.

Continued

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

13. Subsequent Events

The Foundation's management has evaluated subsequent events through June 6, 2012, the date the consolidated financial statements were available to be issued. There were no subsequent events identified through June 6, 2012 required to be disclosed in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Contributions and expenses incurred under federal award agreements	\$ 2,208,011	\$ -	\$ -	\$ -	\$ 2,208,011
Salaries	237,124	66,691	40,756	25,935	370,506
In-kind expenses	-	-	135,918	15,000	150,918
Professional fees and services	23,812	11,706	4,784	47,165	87,467
Employee benefits	34,050	9,886	7,140	3,844	54,920
Bad debt expense	-	-	-	84,389	84,389
Administrative fee expense	19,348	9,674	-	3,225	32,247
Payroll taxes	14,696	4,139	3,294	1,520	23,649
Mortgage interest expense	6,697	3,348	5,023	1,674	16,742
Depreciation and amortization	4,098	3,863	3,981	3,745	15,687
Computer expense	4,408	4,985	3,526	1,435	14,354
Office and occupancy	5,145	2,572	3,858	1,285	12,860
Travel	3,789	1,896	2,842	948	9,475
Miscellaneous	1,732	3,970	1,302	883	7,887
Telephone	1,967	2,297	1,640	656	6,560
Membership dues and subscriptions	2,499	1,249	1,874	625	6,247
Training	-	3,400	-	-	3,400
Website design and maintenance	1,203	601	901	301	3,006
Bank charges and investment fees	-	-	1,386	1,410	2,796
Supplies	707	824	589	236	2,356
Insurance	262	525	328	1,055	2,170
Postage and shipping	720	360	540	180	1,800
Special events and promotions	-	-	1,137	-	1,137
Advertising	-	207	-	-	207
TOTAL EXPENSES	\$ 2,570,268	\$ 132,193	\$ 220,819	\$ 195,511	\$ 3,118,791

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

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Contributions and expenses incurred under federal award agreements	\$ 2,810,378	\$ -	\$ -	\$ -	\$ 2,810,378
Salaries	129,342	45,595	36,290	16,749	227,976
In-kind expenses	-	-	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
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
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
Computer expense	4,448	5,187	3,706	1,482	14,823
Office and occupancy	13,536	6,874	10,164	3,397	33,971
Travel	1,786	893	1,340	447	4,466
Miscellaneous	4,608	13,700	6,659	3,021	27,988
Telephone	1,539	1,798	1,284	514	5,135
Membership dues and subscriptions	1,723	862	1,292	431	4,308
Website design and maintenance	655	327	491	164	1,637
Bank charges and investment fees	-	-	1,280	690	1,970
Supplies	704	821	586	234	2,345
Insurance	252	502	314	903	1,971
Postage and shipping	1,293	647	971	324	3,235
Special events and promotions	-	7,517	7,517	-	15,034
Advertising	-	1,430	-	-	1,430
Capacity building workshops	-	11,665	-	-	11,665
TOTAL EXPENSES	\$ 3,058,102	\$ 140,434	\$ 260,666	\$ 119,693	\$ 3,578,895