TELLURIDE FOUNDATION

Consolidated Financial Statements

For the Years Ended December 31, 2012 and 2011

and
Report Thereon

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Telluride Foundation and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Telluride Foundation and Affiliate (collectively referred to as the Foundation), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidated schedule of functional expenses for the year ended December 31, 2012, is presented for purposes of additional analysis and is 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 supplemental consolidated schedule of functional expenses has been subjected to the auditing procedures applied in the audit 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
June 14, 2013

THE TELLURIDE FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 1,816,448	$ 1,389,150
Investments	4,620,117	3,671,400
Accounts receivable	78,643	12,135
Pledges and contributions receivable, net	2,488,958	2,399,424
Note receivable	20,000	37,500
Other assets	12,284	8,881
Property and equipment, net	477,843	479,998
TOTAL ASSETS	$ 9,514,293	$ 7,998,488
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 115,759	$ 79,791
Grants payable	1,124,171	1,082,559
Agency payables	387,169	345,709
Charitable gift annuity	-	124,397
Loans payable	266,343	263,649
TOTAL LIABILITIES	1,893,442	1,896,105
Net Assets		
Unrestricted	5,026,764	3,917,687
Temporarily restricted	2,594,087	2,184,696
TOTAL NET ASSETS	7,620,851	6,102,383
TOTAL LIABILITIES AND NET ASSETS	$ 9,514,293	$ 7,998,488

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, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions and Grants	$ 1,832,497	$ 1,644,347	$ 3,476,844	$ 785,872	$ 1,480,336	$ 2,266,208
Federal Contract Revenue	540,872	-	540,872	635,630	-	635,630
Interest and dividends	217,511	-	217,511	142,112	-	142,112
Other income	238,371	-	238,371	70,630	-	70,630
Net assets released from restrictions:						
Satisfaction of time restrictions	958,100	(958,100)	-	1,460,764	(1,460,764)	-
Satisfaction of program restrictions	276,856	(276,856)	-	228,813	(228,813)	-
TOTAL REVENUE AND SUPPORT	4,064,207	409,391	4,473,598	3,323,821	(209,241)	3,114,580
EXPENSES						
Program Services:						
Grants and assistance programs	2,526,793	-	2,526,793	2,570,268	-	2,570,268
Education and consulting	156,603	-	156,603	132,193	-	132,193
Total Program Services	2,683,396	-	2,683,396	2,702,461	-	2,702,461
Support Services:						
Development	270,318	-	270,318	220,819	-	220,819
General and administrative	191,303	-	191,303	195,511	-	195,511
Total Supporting Services	461,621	-	461,621	416,330	-	416,330
TOTAL EXPENSES	3,145,017	-	3,145,017	3,118,791	-	3,118,791
CHANGE IN NET ASSETS FROM OPERATIONS	919,190	409,391	1,328,581	205,030	(209,241)	(4,211)
Nonoperating Activities:						
Realized and unrealized investment gains (losses)	189,887	-	189,887	(88,508)	-	(88,508)
Change in value of charitable gift annuity	-	-	-	(10,715)	-	(10,715)
CHANGE IN NET ASSETS	1,109,077	409,391	1,518,468	105,807	(209,241)	(103,434)
NET ASSETS, BEGINNING OF YEAR	3,917,687	2,184,696	6,102,383	3,811,880	2,393,937	6,205,817
NET ASSETS, END OF YEAR	$ 5,026,764	$ 2,594,087	$ 7,620,851	$ 3,917,687	$ 2,184,696	$ 6,102,383

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, 2012 and 2011
Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,518,468	$ (103,434)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized investment (gains) losses	(216,326)	139,278
Donated Stock	(660,885)	-
Provision for doubtful pledges receivable	2,213	25,389
Amortization of discount on pledges receivable	10,302	(41,794)
Depreciation and amortization	16,014	15,687
Change in value of charitable gift annuity	(116,458)	10,713
Change in operating assets and liabilities:		
Accounts receivable	(66,508)	(9,565)
Pledges and contributions receivable	(102,049)	649
Other assets	(3,403)	(2,709)
Accounts payable and accrued expenses	35,968	12,052
Grants payable	41,612	(12,736)
Agency payables	41,460	83,393
NET CASH PROVIDED BY OPERATING ACTIVITIES	500,408	116,923
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on note receivable	17,500	47,500
Proceeds from sale of investments	1,203,631	1,279,745
Purchases of investments	(1,275,137)	(1,514,235)
Purchases of property and equipment	(13,859)	(6,190)
NET CASH USED IN INVESTING ACTIVITES	(67,865)	(193,180)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on charitable gift annuity	(7,939)	(15,877)
Borrowings under loans payable	12,573	-
Repayments on loans payable	(9,879)	(7,187)
NET CASH USED IN FINANCING ACTIVITIES	(5,245)	(23,064)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	427,298	(99,321)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,389,150	1,488,471
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,816,448	$ 1,389,150
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 17,836	$ 16,472
Donated stock	$ 660,885	-

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

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. 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.

Continued

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 fair 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.

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 realized and unrealized gains and losses from investments, 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.

As of and for the years ended December 31, 2012 and 2011, 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.

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

Fair Value Measurements (continued)

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 consolidated statement of financial position date are recognized at their estimated present value.

Continued

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.

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.

Continued

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

Revenue Recognition (continued)

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 plus allowable indirect costs.

The reporting requirements specified by Office of Management and Budget (OMB) Circular A-133 were not required for the years ended December 31, 2012 and 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 I.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 organizations retain 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.

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.

Continued

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

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 2011 amounts have been reclassified to conform with the 2012 presentation.

2. Investments

The Foundation has used the following fair value measurements as of December 31, 2012:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-asset fund	$ 2,481,567	$ -	$ 2,481,567	$ -
Intermediate bond fund	2,029,023	2,029,023	-	-
Intermediate government bond fund	109,527	109,527	-	-
Total	$ 4,620,117	$ 2,138,550	$ 2,481,567	$ -

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	-	-
Certificates of deposits	127,693	-	127,693	-
Total	$ 3,671,400	$ 1,788,040	$ 1,883,360	$ -

Continued

2. Investments (continued)

The fair value of the multi-asset fund as of December 31, 2012 and 2011 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. There were no certificates of deposit held in investments at December 31, 2012.

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

	2012	2011
Interest and dividends	$ 217,511	$ 142,112
Unrealized gains (losses)	135,472	(44,210)
Realized gains (losses)	54,415	(44,298)
Total	$ 407,398	$ 53,604

Not included in these figures are the net investment realized and unrealized gain(loss) of $26,439 and ($50,770) for the years ended December 31, 2012 and 2011, 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.

3. Pledges and Contributions Receivable

Pledges and contributions receivable are due to be received as follows as of December 31:

	2012	2011
In one year or less	$ 1,516,800	$ 1,365,251
Between 1 to 5 years	1,141,500	1,191,000
Subtotal	2,658,300	2,556,251
Less: Unamortized discount	(116,176)	(105,874)
Less: Allowance for uncollectible pledges	(53,166)	(50,953)
Total pledges and contributions receivable, net	$ 2,488,958	$ 2,399,424

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.

Continued

4. Property and Equipment

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

	2012	2011
Building and improvements	$ 514,788	$ 500,929
Computer and software	37,288	37,288
Furniture, fixtures and equipment	30,037	30,037
Total property and equipment	582,113	568,254
Less: Accumulated depreciation and amortization	(104,270)	(88,256)
Property and equipment, net	$ 477,843	$ 479,998

Depreciation and amortization expense was $16,014 and $15,687 for the years ended December 31, 2012 and 2011, respectively.

5. Grants Payable

The Foundation distributes grants to various organizations. As of December 31, 2012 and 2011, the Foundation had unconditionally promised to give $1,124,171 and $1,082,559, respectively, in grants. As of December 31, 2012, 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 as of December 31, 2011, which has been included in the consolidated statements of financial position as charitable gift annuity. There was no liability at December 31, 2012, as the annuity ended and the remaining balance of $116,459 was recorded in other income which is included in the consolidated statements of activities.

7. Loans 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.

In January 2012, the Foundation obtained a loan from Funding Partners for Housing Solutions in the amount of $13,860 in order to finance building renovations. The loan is unsecured. Interest accrues at a fixed rate of 3.5%. Beginning May 5, 2012, interest and principal of $169 is payable monthly. The loan matures on February 5, 2020.

The schedule of future minimum payments under these loans as of December 31, 2012 is as follows:

For the Years Ending December 31,	
2013	$ 10,629
2014	11,227
2015	11,867
2016	12,552
2017	13,285
Thereafter	206,783
Total	$ 266,343

8. Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions which aggregate balances may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2012 and 2011, the Foundation had no demand deposits (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2012 and 2011) which exceeded the maximum limit insured by the FDIC.

On January 1, 2013, as a result of the expiration of the temporary provision of The Dodd-Frank Act for unlimited deposit insurance coverage for noninterest-bearing transaction accounts, the balances exceeded the maximum limit insured by the FDIC by approximately $1,040,000. The Foundation monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Continued

9. Net Assets

Temporarily Restricted

As of December 31, 2012 and 2011, temporarily restricted net assets were restricted for the following time periods and purposes:

	2012	2011
General operations for 2012	$ -	$ 1,047,000
General operations for 2013	1,093,400	715,000
General operations for 2014	698,000	376,000
General operations for 2015	368,500	60,000
General operations for 2016	60,000	25,000
General operations for 2017	15,000	15,000
Tri-County Health Network Programs	225,201	61,652
Neil Armstrong Scholarship Fund	220,085	-
Telluride Venture Accelerator	55,056	-
Education programs	16,788	41,871
Health programs	11,399	-
Subtotal	2,763,429	2,341,523
Less: Unamortized discount	(116,176)	(105,874)
Less: Allowance for uncollectible receivables	(53,166)	(50,953)
Total Temporarily Restricted Net Assets	$ 2,594,087	$ 2,184,696

10. Donated Goods and Services

For the years ended December 31, 2012 and 2011, in-kind contributions received by the Foundation consisted of the following:

	2012	2011
Ski Passes	$ 116,388	$ 120,000
Professional Services	20,000	10,000
Food and Merchandise	39,092	30,000
Total Donated Goods and Services	$ 175,480	$ 160,000

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 services are included in general and administrative costs.

Continued

11. Pension Plan

In 2011 the Foundation sponsored 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. Under the plan eligible employees made pre-tax contributions up to the maximum allowed by the Internal Revenue Code. The Foundation was obligated to match 100% of employees' contributions up to 3% of their salary.

In May 2012 the Foundation converted the 401(k) plan to a SIMPLE IRA plan for employees who have received at least $5,000 in compensation during any two calendar years. Under the plan 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 plans was $12,426 and $7,475 for the years ended December 31, 2012 and 2011, 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, 2012 and 2011, management did not identify any uncertain tax positions requiring recognition or disclosure in these consolidated financial statements. As of December 31, 2012, tax years reasonably considered open and subject to examination include returns for the years ended December 31, 2009 through December 31, 2011.

There was no provision for income tax related to Telluride or TCHN for the years ended December 31, 2012 and 2011, 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 years ended December 31, 2012 and 2011 of approximately $112,600 and $4,000, respectively, is not significant to these consolidated financial statements.

13. Subsequent Events

The Foundation's management has evaluated subsequent events through June 14, 2013, the date the consolidated financial statements were available to be issued. Except as disclosed in Note 8 related to the concentration of credit risk, there were no subsequent events identified that require recognition of, or disclosure in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

THE TELLURIDE FOUNDATION AND AFFILIATE

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Program Services		Support Services		
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	Total
Awards and grants to charitable organizations	$ 1,229,089	$ -	$ -	$ -	$ 1,229,089
Salaries	328,322	77,740	36,268	35,502	477,832
Professional fees and services	593,283	3,700	6,305	47,313	650,601
In-kind expense	-	-	135,480	20,000	155,480
Employee benefits	83,605	20,381	9,609	9,274	122,869
Supplies and equipment	112,732	1,189	849	340	115,110
Travel	51,295	4,390	3,760	1,254	60,699
Bad debt expense	-	-	-	55,003	55,003
Special events	-	-	46,802	-	46,802
Payroll taxes	23,108	5,473	2,519	2,510	33,610
Computer expense	15,292	8,414	5,897	2,753	32,356
Administrative fee expense	16,045	8,022	-	2,674	26,741
Office and occupancy	13,607	2,255	3,384	1,666	20,912
Mortgage and loan interest expense	7,135	3,567	5,351	1,783	17,836
Training and development	12,269	4,061	132	76	16,538
Depreciation and amortization	4,180	3,945	4,063	3,826	16,014
Membership dues and subscriptions	11,712	1,055	1,583	528	14,878
Printing and publication	5,025	5,081	2,859	954	13,919
Telephone	6,293	1,898	1,356	542	10,089
Miscellaneous	4,282	2,935	1,248	1,123	9,588
Insurance	2,169	814	350	3,889	7,222
Website design and maintenance	3,181	266	392	176	4,015
Bank charges and investment fees	1,339	-	2,005	74	3,418
Postage and shipping	2,532	71	106	43	2,752
Advertising	298	1,346	-	-	1,644
TOTAL	$ 2,526,793	$ 156,603	$ 270,318	$ 191,303	$ 3,145,017