

# **The Telluride Foundation**

**Financial Statements**

**December 31, 2003 and 2002**

DRAFT – FOR DISCUSSION PURPOSES ONLY

**The Telluride Foundation**  
**Index**  
**December 31, 2003 and 2002**

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## Report of Independent Auditors

To the Board of Directors of  
The Telluride Foundation

In our opinion, the accompanying balance sheets and the related statements of activities, functional expenses and cash flows present fairly, in all material respects, the financial position of The Telluride Foundation (the “Foundation”) at December 31, 2003 and 2002, and the changes in its net assets, *functional expenses* and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

May 15, 2004

**The Telluride Foundation**  
**Balance Sheets**  
**December 31, 2003 and 2002**

	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 578,240	\$ 1,002,496
Short-term investments (donor advised account)	364,129	324,761
Other short-term investments	470,339	-
Accounts receivable, net of allowance for doubtful accounts of \$14,539 and \$6,000, respectively	15,543	51,976
Pledges and grants receivable, net of discount (Note 2)	1,635,098	1,831,540
Other assets	<u>11,304</u>	<u>2,301</u>
Total current assets	3,074,653	3,213,074
Long-term investments	595,406	-
Note receivable	10,000	-
Property and equipment, net	<u>17,375</u>	<u>23,123</u>
Total assets	<u>\$ 3,697,434</u>	<u>\$ 3,236,197</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 449,910	\$ 427,682
Accrued liabilities	22,882	32,592
Deferred income	<u>68,350</u>	<u>148,780</u>
Total liabilities	541,142	609,054
Commitments and contingencies (Note 6)		
Net assets		
Unrestricted	1,032,235	470,842
Temporarily restricted (Note 7)	<u>2,124,057</u>	<u>2,156,301</u>
Total net assets	<u>3,156,292</u>	<u>2,627,143</u>
Total liabilities and net assets	<u>\$ 3,697,434</u>	<u>\$ 3,236,197</u>

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

**The Telluride Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2003**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue, Contributions and Support</b>			
Individual contributions	\$ 710,569	\$ 1,319,568	\$ 2,030,137
In-kind contributions	169,200	-	169,200
Dividend, interest and other income	53,754	-	53,754
	<u>933,523</u>	<u>1,319,568</u>	<u>2,253,091</u>
<b>Net assets released from restrictions</b>			
Satisfaction of activity restrictions	1,357,185	(1,357,185)	-
	<u>1,357,185</u>	<u>(1,357,185)</u>	<u>-</u>
<b>Expenses</b>			
Program services			
Grants and assistance programs	1,291,218	-	1,291,218
Education and consulting	68,862	-	68,862
	<u>1,360,080</u>	<u>-</u>	<u>1,360,080</u>
Support services			
Development	286,690	-	286,690
General and administrative	92,522	-	92,522
	<u>379,212</u>	<u>-</u>	<u>379,212</u>
	<u>1,739,292</u>	<u>-</u>	<u>1,739,292</u>
Realized and unrealized investment gains	9,977	5,373	15,350
<b>Change in net assets</b>	561,393	(32,244)	529,149
<b>Net assets, beginning of year</b>	470,842	2,156,301	2,627,143
	<u>470,842</u>	<u>2,156,301</u>	<u>2,627,143</u>
<b>Net assets, end of year</b>	<u>\$ 1,032,235</u>	<u>\$ 2,124,057</u>	<u>\$ 3,156,292</u>

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

**The Telluride Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2002**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue, contributions and support</b>			
Individual contributions	\$ 319,454	\$ 1,539,329	\$ 1,858,783
In-kind contributions	93,600	-	93,600
Dividend, interest and other income	15,726	515	16,241
	<u>428,780</u>	<u>1,539,844</u>	<u>1,968,624</u>
<b>Net assets released from restrictions</b>			
Satisfaction of activity restrictions	1,382,167	(1,382,167)	-
	<u>1,382,167</u>	<u>(1,382,167)</u>	<u>-</u>
<b>Expenses</b>			
Program services			
Grants and assistance programs	965,952	-	965,952
Education and consulting	263,998	-	263,998
	<u>1,229,950</u>	<u>-</u>	<u>1,229,950</u>
Support services			
Development	381,550	-	381,550
General and administrative	102,927	-	102,927
	<u>484,477</u>	<u>-</u>	<u>484,477</u>
<b>Total expenses</b>	<u>1,714,427</u>	<u>-</u>	<u>1,714,427</u>
Realized and unrealized investment losses	(8,165)	(13,721)	(21,886)
<b>Change in net assets</b>	88,355	143,956	232,311
<b>Net assets, beginning of year</b>	<u>382,487</u>	<u>2,012,345</u>	<u>2,394,832</u>
<b>Net assets, end of year</b>	<u>\$ 470,842</u>	<u>\$ 2,156,301</u>	<u>\$ 2,627,143</u>

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

**The Telluride Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2003**

	Program Services		Support Services	
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative
<b>Expenses</b>				
Salaries	\$ 68,951	\$ 34,476	\$ 43,095	\$ 25,85
Employee benefits	10,428	5,214	6,518	3,91
Payroll taxes	4,758	2,379	2,974	1,78
Professional fees and services	4,216	550	1,083	23,93
Supplies	1,777	889	1,111	66
Telephone	2,390	1,195	1,494	89
Computer expense	4,414	2,207	2,759	1,65
Postage and shipping	1,070	535	802	26
Office and occupancy	8,334	4,167	6,251	2,08
Printing and publication	4,492	2,246	3,369	10,48
Travel	1,863	932	1,397	46
Advertising	-	2,919	-	-
Bank charges and investment fees	-	-	7,195	3,22
Bad debt expense	-	-	-	13,03
Miscellaneous	996	3,019	747	23
Awards and grants to charitable organizations	1,175,230	-	-	-
Fund-raising expense	-	-	202,364	-
Insurance	-	-	-	3,16
Special events and promotions	-	4,094	4,094	-
Membership dues and subscriptions	-	2,890	-	-
Depreciation and amortization	2,299	1,150	1,437	86
Total expenses	<u>\$ 1,291,218</u>	<u>\$ 68,862</u>	<u>\$ 286,690</u>	<u>\$ 92,52</u>

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

**The Telluride Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2002**

	Program Services		Support Services	
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative
<b>Expenses</b>				
Salaries	\$ 74,578	\$ 37,289	\$ 46,611	\$ 27,96
Employee benefits	8,302	4,151	5,189	3,11
Payroll taxes	5,880	2,940	3,675	2,20
Professional fees and services	3,203	8,635	1,136	29,56
Supplies	1,593	797	996	59
Telephone	2,550	1,275	1,593	95
Computer expense	1,717	859	1,073	66
Postage and shipping	1,259	629	944	31
Office and occupancy	7,633	3,816	5,725	1,90
Printing and publication	7,779	3,889	5,834	21,29
Travel	2,665	1,333	1,999	66
Advertising	1,519	1,509	1,519	
Bank charges and investment fees	-	-	6,156	3,20
Bad debt expense	-	-	-	6,00
Miscellaneous	1,713	1,810	1,285	36
Awards and grants to charitable organizations	843,080	-	-	
Fund-raising expense	-	-	108,193	
Insurance	-	-	-	3,18
Special events and promotions	-	188,071	188,071	
Membership dues and subscriptions	-	5,754	-	
Depreciation and amortization	2,481	1,241	1,551	93
<b>Total expenses</b>	<b>\$ 965,952</b>	<b>\$ 263,998</b>	<b>\$ 381,550</b>	<b>\$ 102,92</b>

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



**The Telluride Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2003 and 2002**

	2003	2002
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 529,149	\$ 232,311
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	13,039	6,000
Unrealized (gain)/loss on short-term investments	(18,911)	9,342
Depreciation on property and equipment	5,748	6,203
Amortization of pledges and grants receivable discount	(27,908)	(82,451)
Change in operating assets and liabilities		
Receivables	247,744	(79,650)
Other assets	(9,003)	140,378
Accounts payable	22,228	44,537
Accrued liabilities	(9,710)	9,017
Note receivable	(10,000)	-
Deferred income	(80,430)	(23,111)
	<u>661,946</u>	<u>262,576</u>
Net cash provided by operating activities	661,946	262,576
<b>Cash Flows from Investing Activities</b>		
Sale of investments	726,945	225,896
Purchases of investments	(1,813,147)	(308,393)
Purchases of property and equipment	<u>-</u>	<u>(1,866)</u>
	<u>(1,086,202)</u>	<u>(84,363)</u>
Net cash used in investing activities	(1,086,202)	(84,363)
Net (decrease)/increase in cash and cash equivalents	(424,256)	178,213
Cash and cash equivalents at beginning of year	<u>1,002,496</u>	<u>824,283</u>
Cash and cash equivalents at end of year	<u>\$ 578,240</u>	<u>\$ 1,002,496</u>

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

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

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**1. Organization**

The Telluride Foundation (the “Foundation”) was incorporated on August 3, 2000 (“Inception”) in Colorado as a not-for-profit corporation. The Foundation is committed to enriching the human experience in the region by fostering private giving, strengthening service providers, and conducting events that celebrate our 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.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from initial estimates. In the opinion of the Foundation’s management, such differences would not be significant.

**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 corporate or municipal bonds.

**Short-term and Long-term Investments**

The investment portfolios of all funds are carried at fair value at December 31, 2003 and 2002. Interest and dividend income is presented net of investment advisory fees of \$3,115 and \$2,747 for the years ended December 31, 2003 and 2002, respectively. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise designated by the donor.

**Pledges and Grants Receivable**

The Foundation reports unconditional promises to give that are expected to be collected within one year at the 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 \$147,402 and \$110,210 at December 31, 2003 and 2002, respectively.

**Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation, and are depreciated using the straight-line method over the estimated useful lives of the respective assets, generally three to seven years.

**In-kind Contributions**

In-kind contributions 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 makes awards and grants for community, education and children's organizations in the Telluride and surrounding counties. The minimum amount for which the Foundation is obligated is recorded upon the board of directors' approval. At December 31, 2003 and 2002, \$442,900 and \$364,515, respectively, of unconditional community grants promised to give was included in accounts payable on the Balance Sheets.

**Accounting for Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support. 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.

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

**Functional Allocation of Expenses**

The costs attributable to program services and expenses associated with fundraising have been summarized in the accompanying Statements 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.

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***Advertising and Promotion Costs***

*All advertising and promotion costs are expensed as incurred. Advertising costs totaled \$2,919 and \$4,547 for the years ended December 31, 2003 and 2002, respectively.*

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**3. Short-term and Long-term Investments**

Investments at December 31, 2003 and 2002 and the related investment income for the years ended December 31, 2003 and 2002 for the Foundation consisted of the following:

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

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	<b>Interest and Dividends</b>	<b>Net Realized/ Unrealized Gains/(Loss)</b>	<b>Fair Value</b>
December 31, 2003			
Mutual Funds	\$ 18,018	\$ 19,505	\$ 632,190
U.S. government and government agency obligations	8,003	(4,604)	595,406
Certificates of Deposits	4,700	449	202,278
	<u>\$ 30,721</u>	<u>\$ 15,350</u>	<u>\$ 1,429,874</u>
December 31, 2002			
U.S. government and government agency obligations	\$ 15,359	\$ (21,886)	\$ 324,761

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

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**4. Pledges and Grants Receivable**

Pledges and grants receivables consist of the following unconditional promises to give at December 31, 2003:

In one year or less	\$ 996,750
Between one and five years	<u>785,750</u>
Unconditional promises to give before unamortized discount	1,782,500
Less unamortized discount	<u>(147,402)</u>
Total	<u>\$ 1,635,098</u>

**5. Note Receivable**

In April 2003, the Foundation entered into a no interest Loan Agreement (the "Loan") with the Telluride Mountain Village Convention and Visitor Bureau ("TMCVB") for start-up costs associated with TellurideTicket.com. The Loan will be repaid based upon the profits distributed to TMCVB from its subcontractor or any profits generated by TMCVB in operating Telluride Tickets. The Foundation received payment of \$5,000 subsequent to December 31, 2003.

**6. Property and Equipment**

At December 31, 2003 and 2002, property and equipment held by the Foundation is as follows:

	<b>2003</b>	<b>2002</b>
Computer and software	\$ 3,500	\$ 3,500
Furniture, fixtures and equipment	<u>29,302</u>	<u>29,302</u>
	32,802	32,802
Accumulated depreciation	<u>(15,427)</u>	<u>(9,679)</u>
	<u>\$ 17,375</u>	<u>\$ 23,123</u>

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2003 and 2002**

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**7. Commitments and Contingencies**

The Foundation occupies office space under a non-cancelable operating lease, which expires in May 2006. Rental expense under the leases for the years ended December 31, 2003 and 2002 was \$17,993 and \$16,817, respectively.

Future minimum lease payments at December 31, 2003 are as follows:

2004	\$ 25,540
2005	32,566
2006	14,440
2007 and thereafter	<u>-</u>
Total minimum lease payments	<u>\$ 72,546</u>

**8. Temporarily Restricted Net Assets**

At December 31, 2003 and 2002, temporarily restricted net assets of \$2,124,057 and \$2,156,301, respectively, have been restricted due to time restrictions and donor imposed restrictions.

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Temporarily restricted net assets are released from restriction based the lapse of time or upon their disbursements to various organizations and events within the Telluride community.

**9. 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 the state of Colorado provisions. 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.