

The Telluride Foundation

Financial Statements

December 31, 2004 and 2003

The Telluride Foundation
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December 31, 2004 and 2003

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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, 2004 and 2003, 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.

Denver, Colorado
March 31, 2005

The Telluride Foundation
Balance Sheets
December 31, 2004 and 2003

	2004	2003
Assets		
Cash and cash equivalents	\$ 337,077	\$ 578,240
Investments (Note 3)	2,397,264	1,429,874
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$14,539, respectively	250	15,543
Pledges and grants receivable, net of discount (Note 4)	2,044,127	1,635,098
Other assets	33,717	11,304
Note receivable (Note 5)	-	10,000
Property and equipment, net (Note 6)	31,407	17,375
Total assets	\$ 4,843,842	\$ 3,697,434
Liabilities and Net Assets		
Accounts payable	\$ 722,452	\$ 517,910
Accrued liabilities	29,231	22,882
Deferred income	4,860	350
Charitable gift annuity (Note 7)	129,980	-
Total liabilities	886,523	541,142
Commitments and contingencies (Note 8)		
Net assets		
Unrestricted	1,883,416	1,032,235
Temporarily restricted (Note 9)	2,073,903	2,124,057
Total net assets	3,957,319	3,156,292
Total liabilities and net assets	\$ 4,843,842	\$ 3,697,434

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

The Telluride Foundation
Statement of Activities
Year Ended December 31, 2004

	Unrestricted	Temporarily Restricted	Total
Revenue, contributions and support			
Individual contributions (Note 10)	\$ 864,186	\$ 1,645,448	\$ 2,509,634
In-kind contributions	107,566	-	107,566
Dividend, interest and other income	78,756	-	78,756
Total revenue, contributions and support	1,050,508	1,645,448	2,695,956
Net assets released from restrictions			
Satisfaction of activity restrictions	1,682,972	(1,682,972)	-
Total net assets released from restrictions	1,682,972	(1,682,972)	-
Expenses			
Program services			
Grants and assistance programs	1,454,879	-	1,454,879
Education and consulting	119,237	-	119,237
Total program services	1,574,116	-	1,574,116
Support services			
Development	215,445	-	215,445
General and administrative	142,309	-	142,309
Total support services	357,754	-	357,754
Total expenses	1,931,870	-	1,931,870
Realized and unrealized investment gains/(losses)	49,571	(12,630)	36,941
Change in net assets	851,181	(50,154)	801,027
Net assets, beginning of year	1,032,235	2,124,057	3,156,292
Net assets, end of year	\$ 1,883,416	\$ 2,073,903	\$ 3,957,319

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

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

	Unrestricted	Temporarily Restricted	Total
Revenue, Contributions and Support			
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
Total revenue, contributions and support	933,523	1,319,568	2,253,091
Satisfaction of activity restrictions	1,357,185	(1,357,185)	-
Total net assets released from restrictions	1,357,185	(1,357,185)	-
Expenses			
Program services			
Grants and assistance programs	1,291,218	-	1,291,218
Education and consulting	68,862	-	68,862
Total program services	1,360,080	-	1,360,080
Support services			
Development	286,690	-	286,690
General and administrative	92,522	-	92,522
Total support services	379,212	-	379,212
Total expenses	1,739,292	-	1,739,292
Realized and unrealized investment gains	9,977	5,373	15,350
Change in net assets	561,393	(32,244)	529,149
Net assets, beginning of year	470,842	2,156,301	2,627,143
Net assets, end of year	<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 Functional Expenses
Year Ended December 31, 2004

	Program Services		Support Services		Total Expenses
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Expenses					
Salaries	\$ 78,590	\$ 39,295	\$ 49,119	\$ 29,471	\$ 196,475
Employee benefits	12,255	6,127	7,659	4,596	30,637
Payroll taxes	6,091	3,046	3,807	2,284	15,228
Professional fees and services	36,009	327	772	51,478	88,586
Supplies	2,542	1,271	1,589	953	6,355
Telephone	2,487	1,244	1,555	933	6,219
Computer expense	5,860	2,930	3,663	2,198	14,651
Postage and shipping	1,134	567	851	284	2,836
Office and occupancy	8,810	4,405	6,607	2,202	22,024
Printing and publication	3,480	1,740	2,610	17,232	25,062
Travel	6,950	3,475	5,212	1,737	17,374
Advertising	697	2,409	697	-	3,803
Bank charges and investment fees	-	-	5,306	2,368	7,674
Bad debt expense	-	-	-	18,800	18,800
Miscellaneous	13,839	12,509	1,696	2,495	30,539
Awards and grants to charitable organizations	1,272,996	-	-	-	1,272,996
Fund-raising expense - contributed	-	26,891	110,865	-	137,756
Insurance	-	-	-	4,084	4,084
Special events and promotions	-	11,432	11,432	-	22,864
Membership dues and subscriptions	349	174	261	148	932
Depreciation and amortization	2,790	1,395	1,744	1,046	6,975
Total expenses	\$ 1,454,879	\$ 119,237	\$ 215,445	\$ 142,309	\$ 1,931,870

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		Total Expenses
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Expenses					
Salaries	\$ 68,951	\$ 34,476	\$ 43,095	\$ 25,857	\$ 172,379
Employee benefits	10,428	5,214	6,518	3,911	26,071
Payroll taxes	4,758	2,379	2,974	1,784	11,895
Professional fees and services	4,216	550	1,083	23,933	29,782
Supplies	1,777	889	1,111	666	4,443
Telephone	2,390	1,195	1,494	896	5,975
Computer expense	4,414	2,207	2,759	1,655	11,035
Postage and shipping	1,070	535	802	267	2,674
Office and occupancy	8,334	4,167	6,251	2,084	20,836
Printing and publication	4,492	2,246	3,369	10,482	20,589
Travel	1,863	932	1,397	466	4,658
Advertising	-	2,919	-	-	2,919
Bank charges and investment fees	-	-	7,195	3,221	10,416
Bad debt expense	-	-	-	13,039	13,039
Miscellaneous	996	3,019	747	239	5,001
Awards and grants to charitable organizations	1,175,230	-	-	-	1,175,230
Fund-raising expense - contributed	-	-	202,364	-	202,364
Insurance	-	-	-	3,160	3,160
Special events and promotions	-	4,094	4,094	-	8,188
Membership dues and subscriptions	-	2,890	-	-	2,890
Depreciation and amortization	2,299	1,150	1,437	862	5,748
Total expenses	\$ 1,291,218	\$ 68,862	\$ 286,690	\$ 92,522	\$ 1,739,292

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

The Telluride Foundation
Statements of Cash Flows
Years Ended December 31, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Change in net assets	\$ 801,027	\$ 529,149
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	18,800	13,039
Unrealized (gain)/loss on investments	(52,379)	(18,911)
Depreciation on property and equipment	6,975	5,748
Amortization of pledges and grants receivable discount	(84,374)	(27,908)
Change in operating assets and liabilities		
Receivables	(328,162)	247,744
Other assets	(22,413)	(9,003)
Accounts payable	204,542	22,228
Accrued liabilities	6,349	(9,710)
Charitable gift annuity	129,980	-
Note receivable	10,000	(10,000)
Deferred income	4,510	(80,430)
Net cash provided by operating activities	694,855	661,946
Cash Flows from Investing Activities		
Proceeds from sale of investments	930,817	726,945
Purchases of investments	(1,845,828)	(1,813,147)
Purchases of property and equipment	(21,007)	-
Net cash used in investing activities	(936,018)	(1,086,202)
Net decrease in cash and cash equivalents	(241,163)	(424,256)
Cash and cash equivalents at beginning of year	578,240	1,002,496
Cash and cash equivalents at end of year	\$ 337,077	\$ 578,240

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

The Telluride Foundation

Notes to Financial Statements

December 31, 2004 and 2003

1. Organization

The Telluride Foundation (the "Foundation") was incorporated on August 3, 2000 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, 2004 and 2003. Interest and dividend income is presented net of investment advisory fees of \$3,479 and \$3,115 for the years ended December 31, 2004 and 2003, 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 \$169,661 and \$147,402 at December 31, 2004 and 2003, respectively. For the years ended December 31, 2004 and 2003, the Foundation recorded a bad debt expense of \$18,800 and \$0, 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.

The Telluride Foundation

Notes to Financial Statements

December 31, 2004 and 2003

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, 2004 and 2003, \$578,232 and \$442,900, 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.

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.

Advertising and Promotion Costs

All advertising and promotion costs are expensed as incurred. Advertising costs totaled \$3,803 and \$2,919, for the years ended December 31, 2004 and 2003, respectively.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

The Telluride Foundation
Notes to Financial Statements
December 31, 2004 and 2003

3. Short-term and Long-term Investments

Investments at December 31, 2004 and 2003 and the related investment income for the years ended December 31, 2004 and 2003 for the Foundation consisted of the following:

	Interest and Dividends	Net Realized/ Unrealized Gains/(Loss)	Fair Value
December 31, 2004			
Corporate bonds	\$ 24,058	\$ (15,796)	\$ 585,179
Financial instruments	1,563	9,750	335,260
Mutual funds	9,926	12,510	323,831
Stocks and equities	138	32,071	132,775
U.S. government and government agency obligations	15,442	(1,594)	814,118
Certificates of deposits	3,823	-	206,101
Total	<u>\$ 54,950</u>	<u>\$ 36,941</u>	<u>\$ 2,397,264</u>
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
Total	<u>\$ 30,721</u>	<u>\$ 15,350</u>	<u>\$ 1,429,874</u>

4. Pledges and Grants Receivable

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

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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 was repaid during 2004 based upon the profits distributed to TMCVB from its subcontractor and profits generated by TMCVB in operating Telluride Tickets.

The Telluride Foundation
Notes to Financial Statements
December 31, 2004 and 2003

6. Property and Equipment

At December 31, 2004 and 2003, property and equipment held by the Foundation is as follows:

	2004	2003
Computer and software	\$ 23,773	\$ 3,500
Furniture, fixtures and equipment	30,036	29,302
	<u>53,809</u>	<u>32,802</u>
Less: Accumulated depreciation	<u>(22,402)</u>	<u>(15,427)</u>
	<u>\$ 31,407</u>	<u>\$ 17,375</u>

7. Charitable Gift Annuity

During 2004, the Foundation entered into an arrangement with a donor whereby the donor contributed assets to the Foundation in the amount of \$317,550 in exchange for the Foundations' requirement to pay an annuity over a specified period of time. Accordingly, the Foundation has recorded as a liability on the Balance Sheet the present value of the payments of \$129,980.

8. 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, 2004 and 2003 was \$18,306 and \$17,993, respectively.

Future minimum lease payments at December 31, 2004 are as follows:

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9. Temporarily Restricted Net Assets

At December 31, 2004 and 2003, temporarily restricted net assets of \$2,073,903 and \$2,124,057, respectively, have been restricted due to time restrictions and donor imposed restrictions. 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.

10. Related Party Transactions

The Foundation has recorded donations of \$538,391 and \$572,864 from related parties as of December 31, 2004 and 2003, respectively. The Foundation received the donations through an arms length transaction.

11. 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.