



Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014



**and
Report Thereon**



**Reports Required in Accordance with
the Uniform Guidance**

For the Year Ended December 31, 2015



THE TELLURIDE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Telluride Foundation and Affiliate
Telluride, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Telluride Foundation and Affiliate (separate nonprofit organizations collectively referred to as the Foundation), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Telluride Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2016, on our consideration of Telluride Foundation's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Telluride Foundation's internal control over financial reporting and compliance.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
June 17, 2016

THE TELLURIDE FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 3,537,653	\$ 3,025,942
Investments	4,770,007	4,626,730
Accounts receivable, net	423,295	484,638
Pledges and grants receivable, net of discount and allowance for bad debts	2,933,909	3,192,625
Note receivable	198,780	-
Property and equipment, net	495,700	495,389
Other assets	31,421	34,261
TOTAL ASSETS	\$ 12,390,765	\$ 11,859,585
LIABILITIES AND NET ASSETS		
Grants payable	\$ 1,105,026	\$ 1,093,470
Accounts payable and accrued expenses	153,996	153,332
Agency payable	488,656	466,417
Loan payable	-	9,281
TOTAL LIABILITIES	1,747,678	1,722,500
NET ASSETS		
Unrestricted	6,002,805	5,724,413
Temporarily restricted	4,640,282	4,412,672
Permanently restricted	-	-
TOTAL NET ASSETS	10,643,087	10,137,085
TOTAL LIABILITIES AND NET ASSETS	\$ 12,390,765	\$ 11,859,585

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

THE TELLURIDE FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Contributions and Grants	\$ 1,949,947	\$ 1,802,147	\$ -	\$ 3,752,094	\$ 1,481,296	\$ 3,034,617	\$ -	\$ 4,515,913
Federal Contract Revenue	890,156	-	-	890,156	870,716	-	-	870,716
Dividends and interest	203,260	-	-	203,260	249,582	-	-	249,582
Other income	305,840	10,092	-	315,932	122,314	-	-	122,314
Net assets released from restrictions								
Satisfaction of time restrictions	1,293,639	(1,293,639)	-	-	1,115,261	(1,115,261)	-	-
Satisfaction of program restrictions	290,990	(290,990)	-	-	842,461	(842,461)	-	-
TOTAL REVENUE AND SUPPORT	4,933,832	227,610	-	5,161,442	4,681,630	1,076,895	-	5,758,525
EXPENSES								
Program Services:								
Grants and assistance programs	3,574,443	-	-	3,574,443	3,343,270	-	-	3,343,270
Education and consulting	148,198	-	-	148,198	143,934	-	-	143,934
Total Program Services	3,722,641	-	-	3,722,641	3,487,204	-	-	3,487,204
Support Services:								
Development	372,721	-	-	372,721	332,288	-	-	332,288
General and administrative	176,630	-	-	176,630	284,542	-	-	284,542
Total Support Services	549,351	-	-	549,351	616,830	-	-	616,830
TOTAL EXPENSES	4,271,992	-	-	4,271,992	4,104,034	-	-	4,104,034
CHANGE IN NET ASSETS FROM OPERATIONS	661,840	227,610	-	889,450	577,596	1,076,895	-	1,654,491
Nonoperating Activities:								
Realized and unrealized investment losses, net	(258,448)	-	-	(258,448)	(213,324)	-	-	(213,324)
Investments in TVA companies	(125,000)	-	-	(125,000)	(150,000)	-	-	(150,000)
CHANGE IN NET ASSETS	278,392	227,610	-	506,002	214,272	1,076,895	-	1,291,167
NET ASSETS, BEGINNING OF YEAR	5,724,413	4,412,672	-	10,137,085	5,510,141	3,335,777	-	8,845,918
NET ASSETS, END OF YEAR	\$ 6,002,805	\$ 4,640,282	\$ -	\$ 10,643,087	\$ 5,724,413	\$ 4,412,672	\$ -	\$ 10,137,085

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

THE TELLURIDE FOUNDATION

**Consolidated
SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2015**

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Awards and grants to charitable organizations	\$ 1,422,573	\$ -	\$ -	\$ -	\$ 1,422,573
Salaries	821,456	79,387	88,388	41,267	1,030,498
In-kind expense	-	-	169,374	-	169,374
Professional fees and services	606,857	2,217	2,217	46,977	658,268
Employee benefits	162,272	17,489	18,928	8,626	207,315
Bad debt expense	-	-	-	51,395	51,395
Administrative fee expense	24,564	12,282	-	4,094	40,940
Payroll taxes	61,635	5,898	6,585	3,081	77,199
Mortgage and loan interest expense	110	22	21	10	163
Depreciation and amortization	76,051	3,880	3,880	3,880	87,691
Computer expense	37,249	4,643	4,669	2,327	48,888
Office and occupancy	76,029	3,753	4,535	2,458	86,775
Printing and publication	19,504	1,835	1,582	748	23,669
Travel	114,849	5,226	6,278	1,051	127,404
Miscellaneous	45,850	3,843	2,625	1,775	54,093
Telephone	5,434	802	902	476	7,614
Membership dues and subscriptions	15,989	520	780	769	18,058
Training and development	991	3,034	381	185	4,591
Website design and maintenance	3,753	166	252	93	4,264
Bank charges and investment fees	7,892	-	3,877	425	12,194
Supplies and equipment	63,106	1,172	1,441	785	66,504
Insurance	940	341	85	6,103	7,469
Postage and shipping	1,866	221	213	105	2,405
Special events and fundraising	730	-	55,708	-	56,438
Advertising	4,743	1,467	-	-	6,210
TOTAL	\$ 3,574,443	\$ 148,198	\$ 372,721	\$ 176,630	\$ 4,271,992

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

THE TELLURIDE FOUNDATION
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2014

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Awards and grants to charitable organizations	\$ 1,404,562	\$ -	\$ -	\$ -	\$ 1,404,562
Salaries	422,994	69,790	80,970	37,164	610,918
In-kind expense	-	-	135,063	-	135,063
Professional fees and services	1,013,820	2,889	2,889	97,000	1,116,598
Employee benefits	113,413	19,590	20,293	10,168	163,464
Bad debt expense	-	-	-	112,648	112,648
Administrative fee expense	24,153	12,077	-	4,026	40,256
Payroll taxes	33,223	5,145	6,101	2,841	47,310
Mortgage and loan interest expense	2,511	712	612	348	4,183
Depreciation and amortization	12,155	6,281	5,954	5,095	29,485
Computer expense	19,041	4,316	4,101	2,317	29,775
Office and occupancy	24,640	3,217	3,795	2,217	33,869
Printing and publication	7,089	764	729	342	8,924
Travel	131,141	3,649	4,220	571	139,581
Miscellaneous	21,510	6,524	1,788	2,112	31,934
Telephone	5,642	1,239	1,301	754	8,936
Membership dues and subscriptions	14,212	629	944	1,240	17,025
Training and development	5,655	1,919	363	174	8,111
Website design and maintenance	11,834	2,360	3,544	1,191	18,929
Bank charges and investment fees	6,624	-	2,573	-	9,197
Supplies and equipment	62,996	620	817	481	64,914
Insurance	1,280	1,109	573	3,658	6,620
Postage and shipping	1,829	366	339	195	2,729
Special events and fundraising	-	-	55,319	-	55,319
Advertising	2,946	738	-	-	3,684
TOTAL	<u>\$ 3,343,270</u>	<u>\$ 143,934</u>	<u>\$ 332,288</u>	<u>\$ 284,542</u>	<u>\$ 4,104,034</u>

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

THE TELLURIDE FOUNDATION
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 506,002	\$ 1,291,167
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized investment losses, net	288,878	238,466
Provision for doubtful pledge receivables	(4,556)	4,648
Amortization of discount on pledge receivables	35,476	(2,875)
Depreciation and amortization	87,691	29,486
Change in operating assets and liabilities:		
Accounts receivable	61,343	(265,316)
Pledges and grants receivable	227,796	(232,412)
Other assets	2,840	1,203
Accounts payable and accrued expenses	664	23,860
Grant payable	11,556	53,124
Agency payable	22,239	41,138
NET CASH PROVIDED BY (USED) IN OPERATING ACTIVITIES	1,239,929	1,182,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection on note receivable	1,220	-
Long term note receivable	(200,000)	75,000
Purchases of investments	(432,154)	(835,391)
Purchase of building and equipment	(88,003)	(57,661)
NET CASH PROVIDED BY (USED) IN INVESTING ACTIVITIES	(718,937)	(818,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on loan payable	(9,281)	(244,878)
NET CASH PROVIDED BY (USED) IN FINANCING ACTIVITIES	(9,281)	(244,878)
NET INCREASE IN CASH AND CASH EQUIVALENTS	511,711	119,559
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,025,942	2,906,383
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,537,653	\$ 3,025,942
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 162	\$ 4,184

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

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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, 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.

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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

Investments (continued)

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, 2015 and 2014, 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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

Fair Value Measurements (continued)

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 charge to the allowance 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.

Note Receivable

Note receivable represent funds advanced to a nonprofit organization for the purchase of real estate and is secured by the Deed of Trust for the real property it covers.

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 (those in excess of \$5,000) 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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

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.

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 associated 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 required for the years ended December 31, 2015 and 2014 as the federal expenditure thresholds for OMB reporting were met.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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

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 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.

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.

2. Investments

The Foundation used the following fair value measurements as of December 31, 2015:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-asset fund	\$ 3,803,827	\$ -	\$ 3,803,827	\$ -
Intermediate bond fund	966,180	966,180	-	-
Total	<u>\$ 4,770,007</u>	<u>\$ 966,180</u>	<u>\$ 3,803,827</u>	<u>\$ -</u>

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

2. Investments (Continued)

The Foundation used the following fair value measurements as of December 31, 2014:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-asset fund	\$ 3,666,808	\$ -	\$ 3,666,808	\$ -
Intermediate bond fund	<u>959,922</u>	<u>959,922</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,626,730</u>	<u>\$ 959,922</u>	<u>\$ 3,666,808</u>	<u>\$ -</u>

The fair value of the multi-asset fund as of December 31, 2015 and 2014 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 since the investment can be redeemed at NAV, without restriction, at the measurement date.

There were no certificates of deposit held in investments at December 31, 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 203,260	\$ 249,582
Unrealized gains (losses)	(258,052)	(213,252)
Realized gains (losses)	<u>(396)</u>	<u>(73)</u>
Total	<u>\$ (55,188)</u>	<u>\$ 36,257</u>

Not included in these figures are the net realized and unrealized investment gain (loss) of (\$30,826) and (\$25,214) for the years ended December 31, 2015 and 2014, 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, 2015 and 2014

3. Pledges and Contributions Receivable

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

	<u>2015</u>	<u>2014</u>
In one year or less	\$ 1,708,966	\$ 1,890,562
Between 1 to 5 years	1,461,000	1,507,200
Less: Unamortized discount	<u>(172,658)</u>	<u>(137,182)</u>
Subtotal	2,997,309	3,260,580
Less: Allowance for uncollectible pledges	<u>(63,399)</u>	<u>(67,955)</u>
Total pledges and contributions receivable, net	<u>\$ 2,933,909</u>	<u>\$ 3,192,625</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. Note Receivable

On October 20, 2015, the Foundation issued a secured note receivable in the amount of \$200,000 to Telluride Adaptive Sports Program, an unrelated third party. The note has a maturity date of October 20, 2020, and bears interest at a rate of 3% per annum. As of December 31, 2015, the note receivable balance was \$198,780.

5. Property and Equipment

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

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 514,784	\$ 514,784
Leasehold improvements	97,675	52,000
Computer and software	29,327	29,327
Furniture, fixtures and equipment	<u>79,674</u>	<u>37,345</u>
Total property and equipment	721,460	633,456
Less: Accumulated depreciation and amortization	<u>(225,760)</u>	<u>(138,067)</u>
Property and equipment, net	<u>\$ 495,700</u>	<u>\$ 495,389</u>

Depreciation and amortization expense was \$87,693 and \$29,486 for the years ended December 31, 2015 and 2014, respectively.

6. Grants Payable

The Foundation distributes grants to various charitable organizations. As of December 31, 2015 and 2014, the Foundation had unconditionally promised to give \$1,105,026 and \$1,093,470, respectively, in grants. As of December 31, 2015, all grants payable are due to be paid within one year.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

7. Loans Payable

In September 2010, the Foundation obtained a loan from the Colorado Housing and Finance Authority (CHFA) 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%. A final payment to repay the loan in entirety was made in February 2015.

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 \$164 is payable monthly. The loan matures on February 5, 2020. A final payment to repay the loan in entirety was made in May 2015.

8. Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents with certain commercial financial institutions in 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, 2015 and 2014, the Foundation had no demand deposits (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2015 and 2014) which exceeded the maximum limit insured by the FDIC.

On December 31, 2015, as a result of the expiration of the temporary provision of The Dodd-Frank Act on January 1, 2014 for unlimited deposit insurance coverage for noninterest-bearing transaction accounts, the balances exceeded the maximum limit insured by the FDIC by approximately \$2,799,324. The Foundation monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

9. Net Assets

Temporarily Restricted

As of December 31, 2015 and 2014, temporarily restricted net assets were restricted for the following time periods and purposes:

	2015	2014
General operations for 2015	\$ -	\$ 1,242,639
General operations for 2016	1,288,200	961,200
General operations for 2017	854,500	505,000
General operations for 2018	375,500	26,000
General operations for 2019	51,000	1,000
General operations for 2020	30,000	-
General operations for 2021	30,000	-
General operations for 2022	30,000	-
General operations for 2023	30,000	-
General operations for 2024	30,000	-
General operations for 2025	30,000	-
Tri-County Health Network Programs	915,175	835,971
Neil Armstrong Scholarship Fund	852,631	847,682
Telluride Venture Accelerator	-	-
Education programs	255,250	189,546
Community Development	95,399	-
Health programs	8,684	8,771
Subtotal	4,876,339	4,617,809
Less: Unamortized discount	(172,658)	(137,182)
Less: Allowance for uncollectible receivables	(63,399)	(67,955)
Total Temporarily Restricted Net Assets	\$ 4,640,282	\$ 4,412,672

10. Donated Goods and Services

For the years ended December 31, 2015 and 2014, in-kind contributions received by the Foundation consisted of the following:

	2015	2014
Ski Passes	\$ 124,200	\$ 119,568
Office Furniture	-	3,500
Food and Merchandise	20,174	11,995
Total Donated Goods and Services	\$ 144,374	\$ 135,063

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.

11. Donated Goods and Services

For the years ended December 31, 2015 and 2014, in-kind contributions received by the Foundation consisted of the following:

	<u>2015</u>	<u>2014</u>
Ski Passes	\$ 124,200	\$ 119,568
Office Furniture	-	3,500
Food and Merchandise	<u>20,174</u>	<u>11,995</u>
Total Donated Goods and Services	<u>\$ 144,374</u>	<u>\$ 135,063</u>

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.

12. Pension Plan

In May 2012 the Foundation converted its SIMPLE 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 \$18,786 and \$15,076 for the years ended December 31, 2015 and 2014, respectively.

13. Income Taxes

Telluride and TCHN are both exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

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, 2015 and 2014, management did not identify any uncertain tax positions requiring recognition or disclosure in these consolidated financial statements. As of December 31, 2015, tax years reasonably considered open and subject to examination include returns for the years ended December 31, 2012 through December 31, 2015.

There was no provision for income tax related to Telluride or TCHN for the years ended December 31, 2015 and 2014, as neither organization had any net unrelated business taxable income.

14. Subsequent Events

The Foundation's management has evaluated subsequent events through June 17, 2016, the date the consolidated financial statements were available to be issued.

**REPORTS REQUIRED IN ACCORDANCE WITH
THE UNIFORM GUIDANCE**

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

Board of Directors
Telluride Foundation and Affiliate
Telluride, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Telluride Foundation and Affiliate (separate nonprofit organizations collectively referred to as Telluride Foundation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 17, 2016. **Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Telluride Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Telluride Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Telluride Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
June 17, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Telluride Foundation and Affiliate
Telluride, Colorado

Report on Compliance for Each Major Federal Program

We have audited Telluride Foundation and Affiliate's (separate nonprofit organizations collectively referred to as Telluride Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Telluride Foundation's major federal programs for the year ended December 31, 2015. Telluride Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Telluride Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Telluride Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Telluride Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Telluride Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of Telluride Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Telluride Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Telluride Foundation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
June 17, 2016

THE TELLURIDE FOUNDATION AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Programs: Health Care Cluster:			
Connecting Kids to Coverage Outreach	93.767		\$ 144,735
Subtotal Department of Health and Human Services Direct Programs			<u>144,735</u>
Pass-through Programs Health Care cluster from:			
Telluride Medical Center Foundation			
Rural Benefits Counseling Program	93.912		5,953
Rural Health Care Services Outreach	93.912		190,808
Rural Health Network Development Program	93.912		275,285
State Department of Public Health and Environment	93.912		260,598
Subtotal Department of Health and Human Services Pass-through Programs			<u>732,644</u>
Total U.S. Department of Health and Human Services and Health Care Cluster			<u>877,379</u>
 U.S. Department of Agriculture			
Direct Programs: Rural Development Cluster			
Rural Community Development	10.446		12,777
Total U.S. Department of Agriculture Direct Programs and Rural Development Cluster			<u>12,777</u>
 Total Expenditures of Federal Awards			<u>\$ 890,156</u>

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Telluride Foundation and Affiliate (separate nonprofit organizations collectively referred to as Telluride Foundation) under programs of the federal government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Telluride Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Telluride Foundation.

2. Summary of Significant Accounting Policies

Expenditures: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entities: Pass-through entity identifying numbers are presented where available.

THE TELLURIDE FOUNDATION AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior year audit findings.

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

Material weaknesses identified? NO.

Significant deficiencies identified? NO.

Noncompliance material to the financial statements noted? NO.

Federal Awards

Internal control over major programs:

Material weaknesses identified? NO.

Significant deficiencies identified? NO.

Noncompliance material to the financial statements noted? NO.

Type of auditor's report issued on compliance for major programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? NO.

Major Programs:

Dept. of Health and Human Services Cluster CFDA 93.912

Dollar threshold used to distinguish between Type A and
Type B programs: \$750,000

Auditee qualified as a low-risk auditee? YES.