

# **The Telluride Foundation**

**Financial Statements**

**December 31, 2002**

## **Report of Independent Accountants**

To the Board of Directors of  
The Telluride Foundation

In our opinion, the accompanying balance sheet 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, 2002, and the changes in its net assets and its cash flows for the year 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 audit. We conducted our audit 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 audit provides a reasonable basis for our opinion.

March 28, 2003, except for Note 10, as to which the date is May 30, 2003

**The Telluride Foundation**  
**Balance Sheet**  
**December 31, 2002**

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**Assets**

Cash and cash equivalents	\$ 1,002,496
Short-term investments (donor advised funds)	324,761
Accounts receivable, net of allowance for doubtful accounts of \$6,000	51,976
Pledges and grants receivable, net of discount (Note 4)	1,831,540
Other assets	<u>2,301</u>

Total assets before property and equipment 3,213,074

Property and equipment, net 23,123

Total assets \$ 3,236,197

**Liabilities and Net Assets**

Liabilities:

Accounts payable	\$ 427,682
Accrued liabilities	32,592
Deferred income	<u>148,780</u>

Total liabilities 609,054

Commitments and contingencies (Note 7)

Net assets:

Unrestricted	470,842
Temporarily restricted (Note 6)	<u>2,156,301</u>

Total net assets 2,627,143

Total liabilities and net assets \$ 3,236,197

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

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

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	Unrestricted	Temporarily Restricted	Total
<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
	<hr/>	<hr/>	<hr/>
Total revenue, contributions and support	428,780	1,539,844	1,968,624
<b>Net assets released from restrictions</b>			
Satisfaction of activity restrictions	1,382,167	(1,382,167)	--
	<hr/>	<hr/>	<hr/>
Total net assets released from restrictions	1,382,167	(1,382,167)	--
<b>Expenses</b>			
Program services			
Grants and assistance programs	965,952	--	965,952
Education and consulting	263,998	--	263,998
	<hr/>	<hr/>	<hr/>
Total program services	1,229,950	--	1,229,950
Support services			
Development	381,550	--	381,550
General and administrative	102,927	--	102,927
	<hr/>	<hr/>	<hr/>
Total support services	484,477	--	484,477
Total expenses	1,714,427	--	1,714,427
	<hr/>	<hr/>	<hr/>
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>	382,487	2,012,345	2,394,832
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<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**  
**For The Year Ended December 31, 2002**

	Program Services		Support Services		Total Expenses
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
<b>Expenses</b>					
Salaries	\$ 74,578	\$ 37,289	\$ 46,611	\$ 27,967	\$ 186,445
Employee benefits	8,302	4,151	5,189	3,113	20,755
Payroll taxes	5,880	2,940	3,675	2,205	14,700
Professional fees and services	3,203	8,635	1,136	29,561	42,535
Supplies	1,593	797	996	597	3,983
Telephone	2,550	1,275	1,593	956	6,374
Computer expense	1,717	859	1,073	664	4,313
Postage and shipping	1,259	629	944	315	3,147
Office and occupancy	7,633	3,816	5,725	1,908	19,082
Printing and publication	7,779	3,889	5,834	21,299	38,801
Travel	2,665	1,333	1,999	666	6,663
Advertising	1,519	1,509	1,519	--	4,547
Bank charges and investment fees	--	--	6,156	3,203	9,359
Bad debt expense	--	--	--	6,000	6,000
Miscellaneous	1,713	1,810	1,285	363	5,171
Awards and grants to charitable organizations	843,080	--	--	--	843,080
Fund-raising expense	--	--	108,193	--	108,193
Insurance	--	--	--	3,180	3,180
Special events and promotions	--	188,071	188,071	--	376,142
Membership dues and subscriptions	--	5,754	--	--	5,754
Depreciation on property and equipment	2,481	1,241	1,551	930	6,203
<b>Total expenses</b>	<b>\$ 965,952</b>	<b>\$ 263,998</b>	<b>\$ 381,550</b>	<b>\$ 102,927</b>	<b>\$ 1,714,427</b>

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

**The Telluride Foundation**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2002**

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<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 232,311
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Bad debt expense	6,000
Unrealized loss on short-term investments	9,342
Depreciation on property and equipment	6,203
Amortization of pledges and grants receivable discount	(82,451)
Increase in pledges and grants receivable	(79,650)
Decrease in other assets	140,378
Increase in accounts payable	44,537
Increase in accrued liabilities	9,017
Decrease in deferred income	(23,111)
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Net cash provided by operating activities	262,576
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<b>Cash Flows from Investing Activities</b>	
Sale of short-term investments	225,896
Purchases of short-term investments	(308,393)
Purchases of property and equipment	(1,866)
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Net cash used in investing activities	(84,363)
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Net increase in cash and cash equivalents	178,213
Cash and cash equivalents at beginning of year	824,283
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Cash and cash equivalents at end of year	<u>\$ 1,002,496</u>

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

# The Telluride Foundation

## Notes to Financial Statements

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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 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 Investments**

The investment portfolios of all funds are carried at fair value at December 31, 2002. Interest and dividend income is presented net of investment advisory fees of approximately \$2,747 for the year ended December 31, 2002. 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.

#### **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, 2002, \$364,515 of unconditional community grants promised to give was included in accounts payable on the balance sheet.

# The Telluride Foundation

## Notes to Financial Statements

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### 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 and for which the Foundation has met all conditions precedent to receipt of the contribution prior to the Foundation's fiscal 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 statement 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 Statement of Functional Expenses. Accordingly, certain general and administrative costs have been allocated among the programs benefited based on, among other things, evaluations of employees' time incurred on each program.

### 3. Short-term Investments

Short-term investments at December 31, 2002 and the related investment income for the year ended December 31, 2002 for the Foundation consisted of the following:

	<b>Interest and Dividends</b>	<b>Net Realized/ Unrealized Loss</b>	<b>Fair Value</b>
U.S. government and government agency obligations	\$ 15,359	\$ 21,886	\$ 324,761

### 4. Pledges and Grants Receivable

Pledges and grants receivables consist of the following unconditional promises to give at December 31, 2002:

In one year or less	\$ 992,500
Between one and five years	<u>949,250</u>
Unconditional promises to give before unamortized discount	1,941,750
Less: Unamortized discount	<u>(110,210)</u>
Total	<u><u>\$ 1,831,540</u></u>

# The Telluride Foundation

## Notes to Financial Statements

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### 5. Property and Equipment

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

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

### 6. Temporarily Restricted Net Assets

At December 31, 2002, temporarily restricted net assets of \$2,156,301 have been restricted either by donors for a specific use or due to time 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.

### 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 year ended December 31, 2002 was \$16,817.

Future minimum lease payments are as follows:

<b>Year Ended December 31:</b>	
2003	\$ 18,425
2004	25,540
2005	32,566
2006	14,440
2007	<u>--</u>
Total minimum lease payments	<u>\$ 90,971</u>

### 8. 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.

### 9. Retirement Plan

The Foundation has a 403(b) tax-sheltered annuity plan whereby participating employees may contribute a specified percentage of their salary to the Plan. The Foundation does not match the contributions made by their employees.

# The Telluride Foundation

## Notes to Financial Statements

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### 10. Subsequent Event

In May 2003, the Foundation and GaleForce Sports Marketing, Inc. (“GSM”) signed a Promissory Note (the “Note”), which modifies the terms of an outstanding \$25,000 accounts receivable from GSM included in the accompanying balance sheet. The terms of the Note requires a \$1,000 payment upon execution and monthly installments of \$750 through June 5, 2006. Interest will accrue on the Note at 3% per annum through June 5, 2006.