TELLURIDE FOUNDATION

Consolidated Financial Statements

For the Years Ended December 31, 2013 and 2012

and
Report Thereon

REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Telluride Foundation and Affiliate
Telluride, Colorado

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 statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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Continued

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, 2013, 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Telluride Foundation as of December 31, 2012 were audited by other auditors, whose report dated June 14, 2013 expressed an unmodified opinion on those statements.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental consolidated schedule of functional expenses for the year ended December 31, 2013, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidated schedule of functional expenses has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
July 2, 2014

THE TELLURIDE FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 2,906,383	$ 1,816,448
Investments	4,029,805	4,620,117
Accounts receivable, net	219,322	78,643
Pledges and grants receivable, net of discount and allowance for bad debts	2,961,987	2,488,958
Note receivable	75,000	20,000
Property and equipment, net	467,213	477,843
Other assets	35,464	12,284
TOTAL ASSETS	$ 10,695,174	$ 9,514,293
LIABILITIES AND NET ASSETS		
Grants payable	$ 1,040,346	$ 1,124,171
Accounts payable and accrued expenses	129,472	115,759
Agency payable	425,279	387,169
Loan payable	254,159	266,343
TOTAL LIABILITIES	1,849,256	1,893,442
NET ASSETS		
Unrestricted	5,510,141	5,026,764
Temporarily restricted	3,335,777	2,594,087
Total Net Assets	8,845,918	7,620,851
TOTAL LIABILITIES AND NET ASSETS	$ 10,695,174	$ 9,514,293

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

THE TELLURIDE FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Contributions and grants	$ 1,003,295	$ 2,578,939	$ 3,582,234	$ 1,832,497	$ 1,644,347	$ 3,476,844
Federal contract revenue	947,155	-	947,155	540,872	-	540,872
Dividends and interest	309,250	-	309,250	217,511	-	217,511
Other income	101,457	-	101,457	238,371	-	238,371
Net assets released from restrictions:						
Satisfaction of time restrictions	1,188,421	(1,188,421)	-	958,100	(958,100)	-
Satisfaction of program restrictions	648,828	(648,828)	-	276,856	(276,856)	-
TOTAL REVENUE AND SUPPORT	4,198,406	741,690	4,940,096	4,064,207	409,391	4,473,598
EXPENSES						
Program Services:						
Grants and assistance programs	2,967,713	-	2,967,713	2,526,793	-	2,526,793
Education and consulting	141,558	-	141,558	156,603	-	156,603
Total Program Services	3,109,271	-	3,109,271	2,683,396	-	2,683,396
Support Services:						
Development	302,855	-	302,855	270,318	-	270,318
General and administrative	171,781	-	171,781	191,303	-	191,303
Total Support Services	474,636	-	474,636	461,621	-	461,621
TOTAL EXPENSES	3,583,907	-	3,583,907	3,145,017	-	3,145,017
CHANGE IN NET ASSETS FROM OPERATIONS	614,499	741,690	1,356,189	919,190	409,391	1,328,581
Nonoperating Activities:						
Realized and unrealized investment gains	(11,112)	-	(11,112)	189,887	-	189,887
Investments in TVA companies	(120,010)	-	(120,010)	-	-	-
CHANGE IN NET ASSETS	483,377	741,690	1,225,067	1,109,077	409,391	1,518,468
NET ASSETS, BEGINNING OF YEAR	5,026,764	2,594,087	7,620,851	3,917,687	2,184,696	6,102,383
NET ASSETS, END OF YEAR	$ 5,510,141	$ 3,335,777	$ 8,845,918	$ 5,026,764	$ 2,594,087	$ 7,620,851

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

THE TELLURIDE FOUNDATION

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,225,067	$ 1,518,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized investment gains, net	6,413	(216,326)
Donated Stock	-	(660,885)
Provision for doubtful pledge receivables	10,141	2,213
Amortization of discount on pledge receivables	23,880	10,302
Depreciation and amortization	16,194	16,014
Change in value of charitable gift annuity	-	(116,458)
Change in operating assets and liabilities:		
Accounts receivable	(140,679)	(66,508)
Pledges and grants receivable	(507,050)	(102,049)
Other assets	(23,180)	(3,403)
Grant payable	(83,825)	41,612
Accounts payable and accrued expenses	13,713	35,968
Agency payable	38,110	41,460
NET CASH PROVIDED BY OPERATING ACTIVITIES	578,784	500,408
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection on note receivable	20,000	17,500
Long term note receivable	(75,000)	-
Proceeds from sale of investments	1,723,047	1,203,631
Purchases of investments	(1,139,148)	(1,275,137)
Purchase of building and equipment	(5,564)	(13,859)
NET CASH PROVIDED BY INVESTING ACTIVITIES	523,335	(67,865)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on charitable gift annuity	-	(7,939)
Borrowing under loan payable	-	12,573
Repayments on loan payable	(12,184)	(9,879)
NET CASH USED IN FINANCING ACTIVITIES	(12,184)	(5,245)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,089,935	427,298
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,816,448	1,389,150
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,906,383	$ 1,816,448
SUPPLEMENTAL INFORMATION		
Interest paid	$ 17,221	$ 17,836
Donated stock	$ -	$ 660,885

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

1. Organization and Summary of Significant Accounting Policies

Organization

The Telluride Foundation and Affiliate (the Foundation) work to improve the quality of life for the people that live, work and visit the Telluride, Colorado region. These activities are funded primarily through contributions and grants.

Principles of Consolidation

The consolidated financial statements of the Foundation include the accounts of the Telluride Foundation (Telluride) and its affiliate, Tri-County Health Network (TCHN). All material intercompany balances and transactions have been eliminated in consolidation.

Telluride was incorporated in Colorado as a nonprofit corporation on August 3, 2000. Telluride is a community foundation committed to enriching the human experience in the Telluride, Colorado region by fostering private giving, strengthening service providers and conducting events that celebrate the community. Telluride provides leadership in philanthropy, serves as a responsible steward for entrusted funds, and promotes understanding and respect for diversity.

TCHN was incorporated in Colorado as a nonprofit corporation on February 17, 2010. TCHN's purpose is to improve the quality and coordination of health and healthcare services in the Dolores, San Miguel and Uncompahgre river basin regions of Colorado. Telluride has the right to appoint the majority of TCHN's Board of Directors.

Cash Equivalents

The Foundation considers money market funds and short-term investments which have a purchased maturity of three months or less to be cash equivalents.

Investments

Investments include a multi-asset fund, an intermediate bond fund, an intermediate government bond fund and certificates of deposit with purchased maturities greater than three months. These investments are recorded in the accompanying consolidated financial statements at their fair value as of December 31st. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Continued

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

Investments (continued)

The multi-asset fund is considered to be an alternative investment fund as the fund is not traded in an established market with published values. Access to participation in the fund is also limited primarily to foundations, endowments and other 501(c)(3) organizations and other nonprofit organizations meeting specified accreditation requirements. The fund may include long and short positions in common stock, U.S. and foreign corporate and government fixed income securities, forward and futures contracts, commodities, repurchase agreements and various other derivatives. The estimated fair value for the alternative investment fund was provided by the fund manager and may be based upon historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of the valuation of the Foundation's alternative investment fund, the value used for this investment may differ significantly from the value that would have been used had a ready market for the investment existed.

Realized gains and losses on investments are computed on an average cost method and are recorded on the trade date of the transaction and included in realized and unrealized investment returns in the accompanying consolidated statements of activities. Investment returns (dividends and realized and unrealized gains/losses) allocable to the portion of the Foundation's investment balance which represents funds held by the Foundation under the terms of agency agreements are not included in the investment returns in the accompanying consolidated statements of activities as such returns are required to be held solely for the purposes defined by the agency agreements and are not considered revenue of the Foundation. However, for purposes of reporting in the consolidated statements of cash flows, all realized and unrealized gains and losses from investments, including those allocable to agency funds held by the Foundation, are reported.

Fair Value Measurements

In accordance with the fair value measurements and disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Foundation has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

As of and for the years ended December 31, 2013 and 2012, 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.

Continued

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

Fair Value Measurements (continued)

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access. This classification is applied to any investment of the Foundation that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability, such as quoted prices for similarly structured securities in active markets.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. This classification is applied to investments for which there is no established trading market. Fair value is generally determined based on the fund's net asset value (NAV) as provided by the fund's management using a variety of methodologies relevant to the particular investment portfolio that combine primary market data available from national securities exchanges for underlying securities that are actively traded as well as other factors that may lead to a determination of a fair value at a different amount.

Accounts, Pledges and Contributions Receivable

The Foundation uses the allowance method to determine uncollectible accounts, pledges and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

Pledges and contributions receivable due to be received over periods beyond one year from the consolidated statement of financial position date are recognized at their estimated present value.

Continued

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

Property and Equipment

The Foundation owns a building which is recorded at cost. Depreciation on the building and related building improvements are principally provided on a straight line basis over a period of thirty-nine years. Furniture and equipment are also stated at cost. Depreciation on furniture and equipment is provided principally on a straight line basis over the estimated useful lives of the respective assets which range from three to seven years. Expenditures for major additions, repairs and improvements are capitalized; expenditures for minor repairs and maintenance are expensed when incurred.

Grants Payable

The Foundation provides awards and grants for community, education and children's organizations in Telluride, Colorado and its surrounding counties. Unconditional awards and grants are recognized upon approval by the Foundation's Board of Directors. Conditional awards and grants are recognized at the time the conditions are substantially met by the grantee. When grant commitments are to be paid over several years, the Foundation records such liabilities at their estimated present value.

Net Assets

The net assets of the Foundation are classified as follows:

- Unrestricted net assets represent funds that are available for support of the Foundation's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

The Foundation has determined that due to the variance power it has over its donor-advised funds and the common practice among community foundations, all donor-advised funds are presented as unrestricted net assets.

Revenue Recognition

Contributions

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Foundation reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets as unrestricted support if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets received with donor stipulations limiting the use of the donated assets are reported as temporarily restricted if such donor stipulations are not fully met in the year the award is received. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Continued

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

Revenue Recognition (continued)

In-Kind Contributions

In-kind contributions are recognized as contributions at the estimated fair value of the good or service when received or when an unconditional pledge to contribute has been made.

Contract Revenue

The Foundation has pass-through agreements with United States governmental agencies in exchange for services. Revenue from these agreements is recognized as 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 year ended December 31, 2013 as the federal expenditure thresholds for OMB reporting were met. The federal expenditure threshold was not met for the year ending December 31, 2012 so no additional reporting was required.

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 l.00% per year. The amounts received and disbursed by the Foundation for these funds are not considered revenue and expenses of the Foundation as the unaffiliated organizations retain the exclusive right to determine the expenditures. The balances of funds received by the Foundation but not yet disbursed are reflected as agency payables in the accompanying consolidated statements of financial position. Income earned on the funds received and held by the Foundation is recorded as an increase to the agency payable.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

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

Measure of Operations

The Foundation considers realized and unrealized gains/(losses) and the change in value of the charitable gift annuity resulting from adjustments to the present value of the annuity to be non-operating in nature.

2. Investments

The Foundation has used the following fair value measurements as of December 31, 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-asset fund	$ 3,077,710	$ -	$ 3,077,710	$ -
Intermediate bond fund	952,095	952,095	-	-
Total	$ 4,029,805	$ 952,095	$ 3,077,710	$ -

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

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

Continued

2. Investments (continued)

The fair value of the multi-asset fund as of December 31, 2013 and 2012 was estimated using the net asset value per share reported by the fund. As permitted under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2009-12, the Foundation reports this investment as Level 2 as the investment can be redeemed at NAV, without restriction, at the measurement date.

There were no certificates of deposit held in investments at December 31, 2013 and 2012.

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

	2013	2012
Interest and dividends	$ 309,250	$ 217,511
Unrealized gains (losses)	(34,238)	135,472
Realized gains (losses)	23,126	54,415
Total	$ 298,138	$ 407,398

Not included in these figures are the net investment realized and unrealized gain(loss) of ($4,852) and $26,439 for the years ended December 31, 2013 and 2012, respectively, attributable to the investment balance held by the Foundation under the terms of agency agreements as described in Note 1 of these consolidated financial statements.

3. Pledges and Contributions Receivable

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

	2013	2012
In one year or less	$ 1,756,450	$ 1,516,800
Between 1 to 5 years	1,408,900	1,141,500
Subtotal	3,165,350	2,658,300
Less: Unamortized discount	(140,056)	(116,176)
Less: Allowance for uncollectible pledges	(63,307)	(53,166)
Total pledges and contributions receivable, net	$ 2,961,987	$ 2,488,958

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. Property and Equipment

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

	2013	2012
Building and improvements	$ 514,784	$ 514,788
Computer and software	26,305	37,288
Furniture, fixtures and equipment	34,706	30,037
Total property and equipment	575,795	582,113
Less: Accumulated depreciation and amortization	(108,582)	(104,270)
Property and equipment, net	$ 467,213	$ 477,843

Depreciation and amortization expense was $16,194 and $16,014 for the years ended December 31, 2013 and 2012, respectively.

5. Grants Payable

The Foundation distributes grants to various charitable organizations. As of December 31, 2013 and 2012, the Foundation had unconditionally promised to give $1,040,346 and $1,124,171, respectively, in grants. As of December 31, 2013, all grants payable are due to be paid within one year.

Continued

6. 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 2014.

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.

The schedule of future minimum payments under these loans as of December 31, 2013 is as follows and takes into account to the CHFA loan re-payment in February 2014:

For the Years Ending December 31,	
2014	$ 244,847
2015	1,674
2016	1,733
2017	1,795
2018	1,859
Thereafter	2,251
Total	$ 254,159

7. 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, 2013 and 2012, the Foundation had no demand deposits (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2013 and 2012) which exceeded the maximum limit insured by the FDIC.

On January 1, 2013, as a result of the expiration of the temporary provision of The Dodd-Frank Act for unlimited deposit insurance coverage for noninterest-bearing transaction accounts, the balances exceeded the maximum limit insured by the FDIC by approximately $2,178,600. The Foundation monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Continued

8. Net Assets

Temporarily Restricted

As of December 31, 2013 and 2012, temporarily restricted net assets were restricted for the following time periods and purposes:

	2013	2012
General operations for 2013	$ -	$ 1,093,400
General operations for 2014	1,110,700	698,000
General operations for 2015	844,700	368,500
General operations for 2016	511,200	60,000
General operations for 2017	25,000	15,000
Tri-County Health Network Programs	360,059	225,201
Neil Armstrong Scholarship Fund	558,155	220,085
Telluride Venture Accelerator	18,550	55,056
Education programs	110,776	16,788
Health programs	-	11,399
Subtotal	3,539,140	2,763,429
Less: Unamortized discount	(140,056)	(116,176)
Less: Allowance for uncollectible receivables	(63,307)	(53,166)
Total Temporarily Restricted Net Assets	$ 3,335,777	$ 2,594,087

9. Donated Goods and Services

For the years ended December 31, 2013 and 2012, in-kind contributions received by the Foundation consisted of the following:

	2013	2012
Ski Passes	$ 103,212	$ 116,388
Professional Services	-	20,000
Food and Merchandise	17,297	39,092
Total Donated Goods and Services	$ 120,509	$ 175,480

These in-kind contributions are recognized as revenue and expense in the accompanying consolidated statements of activities at their estimated fair value, as provided by the donor, at the date of receipt. The ski passes and food and merchandise are used in fundraising efforts and included in fundraising costs. The professional services are included in general and administrative costs.

Continued

11. Pension Plan

In 2011 the Foundation sponsored a SIMPLE 401(k) plan for employees who have attained the age of 21 and have completed at least one year or 1,000 hours of service. Under the plan eligible employees made pre-tax contributions up to the maximum allowed by the Internal Revenue Code. The Foundation was obligated to match 100% of employees' contributions up to 3% of their salary.

In May 2012 the Foundation converted the 401(k) plan to a SIMPLE IRA plan for employees who have received at least $5,000 in compensation during any two calendar years. Under the plan eligible employees may make pre-tax contributions up to the maximum allowed by the Internal Revenue Code. The Foundation is obligated to match 100% of employees' contributions up to 3% of their salary.

The Foundation's contribution to the plans was $15,009 and $12,426 for the years ended December 31, 2013 and 2012, respectively.

12. 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, 2013 and 2012, management did not identify any uncertain tax positions requiring recognition or disclosure in these consolidated financial statements. As of December 31, 2013, tax years reasonably considered open and subject to examination include returns for the years ended December 31, 2010 through December 31, 2012.

There was no provision for income tax related to Telluride or TCHN for the years ended December 31, 2013 and 2012, as neither organization had any net unrelated business income.

13. Subsequent Events

The Foundation's management has evaluated subsequent events through July 1, 2014, the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

THE TELLURIDE FOUNDATION

Consolidated
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Program Services		Support Services		
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	Total
Awards and grants to charitable organizations	$ 1,197,188	$ -	$ -	$ -	$ 1,197,188
Salaries	395,363	69,127	82,898	36,438	583,826
In-kind expense	-	-	120,509	-	120,509
Professional fees and services	868,131	2,355	65	38,571	909,122
Employee benefits	117,334	19,994	21,069	10,699	169,096
Bad debt expense	-	-	-	60,141	60,141
Administrative fee expense	26,693	13,347	-	4,449	44,489
Payroll taxes	29,817	4,927	5,697	2,686	43,127
Mortgage and loan interest expense	10,366	2,928	2,393	1,533	17,220
Depreciation and amortization	4,467	3,953	3,916	3,858	16,194
Computer expense	26,910	4,869	5,167	3,148	40,094
Office and occupancy	30,053	2,416	2,370	1,484	36,323
Printing and publication	3,264	1,151	668	274	5,357
Travel	103,854	4,114	5,101	987	114,056
Miscellaneous	24,532	5,865	1,430	1,433	33,260
Telephone	5,980	1,420	1,347	847	9,594
Membership dues and subscriptions	2,166	813	1,219	531	4,729
Training and development	6,581	1,174	-	12	7,767
Website design and maintenance	3,884	132	203	80	4,299
Bank charges and investment fees	4,589	-	3,221	-	7,810
Supplies and equipment	96,181	755	1,086	655	98,677
Insurance	2,168	896	446	3,712	7,222
Postage and shipping	2,225	433	383	243	3,284
Special events and fundraising	-	-	43,667	-	43,667
Advertising	5,967	889	-	-	6,856
TOTAL	$ 2,967,713	$ 141,558	$ 302,855	$ 171,781	$ 3,583,907

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