

# **The Telluride Foundation**

**Financial Statements**

**December 31, 2006 and 2005**

**The Telluride Foundation**  
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**December 31, 2006 and 2005**

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## **Report of Independent Auditors**

To the Board of Directors of  
The Telluride Foundation

In our opinion, the accompanying balance sheets and the related statements of activities, functional expenses and cash flows present fairly, in all material respects, the financial position of The Telluride Foundation (the "Foundation") at December 31, 2006 and 2005 and the changes in its net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

June \_\_, 2007

**The Telluride Foundation**  
**Balance Sheets**  
**December 31, 2006 and 2005**

|   | 2006                | 2005                |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| Cash and cash equivalents                               | \$ 1,684,228        | \$ 843,619          |
| Investments (Note 3)                                    | 3,405,614           | 2,857,401           |
| Accounts receivable                                     | 6,970               | 2,096               |
| Pledges and grants receivable, net of discount (Note 4) | 2,997,033           | 2,432,568           |
| Other assets  | 12,866              | 17,491              |
| Property and equipment, net (Note 5)                    | <u>18,202</u>       | <u>26,822</u>       |
| Total assets  | <u>\$ 8,124,913</u> | <u>\$ 6,179,997</u> |
| <b>Liabilities and Net Assets</b>                       |                     |                     |
| Accounts payable  | \$ 1,360,901        | \$ 874,416          |
| Accrued liabilities                                     | 43,865              | 28,986              |
| Agency payable (Note 11)                                | 380,091             | 103,606             |
| Charitable gift annuity (Note 6)                        | <u>102,193</u>      | <u>118,071</u>      |
| Total liabilities                                       | 1,887,050           | 1,125,079           |
| Commitments and contingencies (Note 7)                  |                     |                     |
| Net assets  |                     |                     |
| Unrestricted  | 2,959,975           | 2,113,023           |
| Temporarily restricted (Note 8)                         | <u>3,277,888</u>    | <u>2,941,895</u>    |
| Total net assets  | <u>6,237,863</u>    | <u>5,054,918</u>    |
| Total liabilities and net assets                        | <u>\$ 8,124,913</u> | <u>\$ 6,179,997</u> |

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

**The Telluride Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2006**

|   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>        |
|---|---------------------|-----------------------------------|---------------------|
| <b>Revenue, contributions and support</b>         |                     |                                   |                     |
| Individual contributions (Note 10)                | \$ 637,750          | \$ 2,804,722                      | \$ 3,442,472        |
| In-kind contributions                             | 122,088             | -                                 | 122,088             |
| Realized and unrealized investment gains/(losses) | 302,816             | -                                 | 302,816             |
| Dividend, interest and other income               | 185,177             | -                                 | 185,177             |
| Net assets released from restrictions             | <u>2,468,729</u>    | <u>(2,468,729)</u>                | <u>-</u>            |
| Total revenue, contributions and support          | 3,716,560           | 335,993                           | 4,052,553           |
| <b>Expenses</b>                                   |                     |                                   |                     |
| Program services                                  |                     |                                   |                     |
| Grants and assistance programs                    | 2,338,798           | -                                 | 2,338,798           |
| Education and consulting                          | 191,920             | -                                 | 191,920             |
| Total program services                            | <u>2,530,718</u>    | <u>-</u>                          | <u>2,530,718</u>    |
| Support services                                  |                     |                                   |                     |
| Development                                       | 245,208             | -                                 | 245,208             |
| General and administrative                        | 93,682              | -                                 | 93,682              |
| Total support services                            | <u>338,890</u>      | <u>-</u>                          | <u>338,890</u>      |
| Total expenses                                    | 2,869,608           | -                                 | 2,869,608           |
| Change in net assets                              | 846,952             | 335,993                           | 1,182,945           |
| Net assets, beginning of year                     | <u>2,113,023</u>    | <u>2,941,895</u>                  | <u>5,054,918</u>    |
| Net assets, end of year                           | <u>\$ 2,959,975</u> | <u>\$ 3,277,888</u>               | <u>\$ 6,237,863</u> |

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

**The Telluride Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2005**

|   | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>        |
|---|---------------------|-----------------------------------|---------------------|
| <b>Revenue, contributions and support</b>         |                     |                                   |                     |
| Individual contributions (Note 10)                | \$ 632,104          | \$ 2,856,571                      | \$ 3,488,675        |
| In-kind contributions                             | 118,130             | -                                 | 118,130             |
| Realized and unrealized investment gains/(losses) | 48,004              | -                                 | 48,004              |
| Dividend, interest and other income               | 153,639             | -                                 | 153,639             |
| Net assets released from restrictions             | <u>1,988,579</u>    | <u>(1,988,579)</u>                | <u>-</u>            |
| Total revenue, contributions and support          | 2,940,456           | 867,992                           | 3,808,448           |
| <b>Expenses</b>                                   |                     |                                   |                     |
| Program services                                  |                     |                                   |                     |
| Grants and assistance programs                    | 2,115,613           | -                                 | 2,115,613           |
| Education and consulting                          | <u>179,985</u>      | <u>-</u>                          | <u>179,985</u>      |
| Total program services                            | 2,295,598           | -                                 | 2,295,598           |
| Support services                                  |                     |                                   |                     |
| Development                                       | 277,288             | -                                 | 277,288             |
| General and administrative                        | <u>137,963</u>      | <u>-</u>                          | <u>137,963</u>      |
| Total support services                            | 415,251             | -                                 | 415,251             |
| Total expenses                                    | 2,710,849           | -                                 | 2,710,849           |
| Change in net assets                              | 229,607             | 867,992                           | 1,097,599           |
| Net assets, beginning of year                     | <u>1,883,416</u>    | <u>2,073,903</u>                  | <u>3,957,319</u>    |
| Net assets, end of year                           | <u>\$ 2,113,023</u> | <u>\$ 2,941,895</u>               | <u>\$ 5,054,918</u> |

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

**The Telluride Foundation  
Statement of Functional Expenses  
Year Ended December 31, 2006**

|   | Program Services               |                          | Support Services  |                            |           | Total Expenses      |
|---|--------------------------------|--------------------------|-------------------|----------------------------|-----------|---------------------|
|   | Grants and Assistance Programs | Education and Consulting | Development       | General and Administrative |           |                     |
| <b>Expenses</b>                               |                                |                          |                   |                            |           |                     |
| Salaries                                      | \$ 49,836                      | \$ 82,337                | \$ 60,670         | \$ 23,834                  | \$        | \$ 216,677          |
| Employee benefits                             | 20,360                         | 10,180                   | 12,725            | 7,635                      |           | 50,900              |
| Payroll taxes                                 | 6,463                          | 3,231                    | 4,039             | 2,424                      |           | 16,157              |
| Professional fees and services                | 14,028                         | 2,490                    | 2,335             | 30,431                     |           | 49,284              |
| Supplies                                      | 491                            | 677                      | 499               | 196                        |           | 1,863               |
| Telephone                                     | 1,184                          | 1,956                    | 1,441             | 566                        |           | 5,147               |
| Computer expense                              | 1,788                          | 2,953                    | 2,176             | 855                        |           | 7,772               |
| Postage and shipping                          | 1,157                          | 579                      | 868               | 289                        |           | 2,893               |
| Office and occupancy                          | 9,496                          | 4,748                    | 7,122             | 2,374                      |           | 23,740              |
| Printing and publication                      | 3,412                          | 7,629                    | 4,964             | 3,652                      |           | 19,657              |
| Travel  | 5,140                          | 2,570                    | 3,854             | 1,285                      |           | 12,849              |
| Advertising                                   | -                              | 605                      | -                 | -                          |           | 605                 |
| Bank charges and investment fees              | -                              | -                        | 13,618            | 2,131                      |           | 15,749              |
| Bad debt expense                              | -                              | -                        | -                 | 12,500                     |           | 12,500              |
| Miscellaneous                                 | 9,123                          | 17,631                   | 1,478             | 1,811                      |           | 30,043              |
| Awards and grants to charitable organizations | 2,212,476                      | -                        | -                 | -                          |           | 2,212,476           |
| Fund-raising expense - contributed            | -                              | 30,522                   | 121,786           | -                          |           | 152,308             |
| Insurance                                     | 448                            | 897                      | 560               | 1,054                      |           | 2,959               |
| Special events and promotions                 | -                              | 20,140                   | 3,988             | -                          |           | 24,128              |
| Membership dues and subscriptions             | 1,241                          | 620                      | 930               | 490                        |           | 3,281               |
| Depreciation and amortization                 | 2,155                          | 2,155                    | 2,155             | 2,155                      |           | 8,620               |
| <b>Total expenses</b>                         | <b>\$ 2,338,798</b>            | <b>\$ 191,920</b>        | <b>\$ 245,208</b> | <b>\$ 93,682</b>           | <b>\$</b> | <b>\$ 2,869,608</b> |

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

**The Telluride Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2005**

|   | Program Services               |                          | Support Services |                |                            | Total Expenses |
|---|--------------------------------|--------------------------|------------------|----------------|----------------------------|----------------|
|   | Grants and Assistance Programs | Education and Consulting | Development      | Administrative | General and Administrative |                |
| Expenses                                      | \$                             | \$                       | \$               | \$             | \$                         | \$             |
| Salaries                                      | 78,292                         | 39,146                   | 48,932           | 29,359         | 195,729                    |                |
| Employee benefits                             | 18,585                         | 9,293                    | 11,616           | 6,970          | 46,464                     |                |
| Payroll taxes                                 | 5,475                          | 2,737                    | 3,422            | 2,053          | 13,687                     |                |
| Professional fees and services                | 68,448                         | 298                      | 447              | 38,852         | 108,045                    |                |
| Supplies                                      | 2,927                          | 2,330                    | 746              | 448            | 6,451                      |                |
| Telephone                                     | 1,749                          | 874                      | 1,093            | 656            | 4,372                      |                |
| Computer expense                              | 2,522                          | 1,262                    | 1,577            | 947            | 6,308                      |                |
| Postage and shipping                          | 925                            | 462                      | 694              | 231            | 2,312                      |                |
| Office and occupancy                          | 8,957                          | 4,479                    | 6,718            | 2,239          | 22,393                     |                |
| Printing and publication                      | 9,028                          | 4,514                    | 6,771            | 4,757          | 25,070                     |                |
| Travel  | 6,900                          | 3,450                    | 5,175            | 1,725          | 17,250                     |                |
| Advertising                                   | 556                            | 4,397                    | 556              | -              | 5,509                      |                |
| Bank charges and investment fees              | -                              | -                        | 15,841           | 3,686          | 19,527                     |                |
| Bad debt expense                              | -                              | -                        | -                | 40,000         | 40,000                     |                |
| Miscellaneous                                 | 7,339                          | 20,861                   | 1,605            | 1,401          | 31,206                     |                |
| Awards and grants to charitable organizations | 1,901,103                      | -                        | -                | -              | 1,901,103                  |                |
| Fund-raising expense - contributed            | -                              | 29,532                   | 115,362          | -              | 144,894                    |                |
| Insurance                                     | -                              | -                        | -                | 3,583          | 3,583                      |                |
| Special events and promotions                 | -                              | 54,946                   | 54,946           | -              | 109,892                    |                |
| Membership dues and subscriptions             | 273                            | 137                      | 203              | 106            | 719                        |                |
| Depreciation and amortization                 | 2,534                          | 1,267                    | 1,584            | 950            | 6,335                      |                |
| Total expenses                                | \$ 2,115,613                   | \$ 179,985               | \$ 277,288       | \$ 137,963     | \$ 2,710,849               |                |

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



**The Telluride Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2006 and 2005**

|  | 2006                | 2005              |
|--|---------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>  |                     |                   |
| Change in net assets   | \$ 1,182,945        | \$ 1,097,599      |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                     |                   |
| Bad debt expense   | 12,500              | 40,000            |
| Net realized and unrealized investment losses/(gains)                                      | (302,816)           | (48,004)          |
| (Gain) loss on sale of assets  | -                   | (982)             |
| Depreciation on property and equipment   | 8,620               | 6,335             |
| Amortization of pledges and grants receivable discount                                     | 130,655             | 100,526           |
| Change in operating assets and liabilities   |                     |                   |
| Receivables  | (712,495)           | (530,813)         |
| Other assets   | 4,625               | 16,227            |
| Accounts payable   | 486,485             | 151,964           |
| Accrued liabilities  | 14,879              | (245)             |
| Agency payable   | 276,485             | 103,606           |
| Charitable gift annuity  | (15,878)            | (11,909)          |
| Deferred income  | -                   | (4,860)           |
| Net cash provided by operating activities  | <u>1,086,005</u>    | <u>919,444</u>    |
| <b>Cash Flows from Investing Activities</b>  |                     |                   |
| Proceeds from sale of investments  | 2,334,487           | 3,243,318         |
| Purchases of investments   | (2,579,883)         | (3,655,452)       |
| Purchases of property and equipment  | -                   | (1,750)           |
| Proceeds from sale of property and equipment   | -                   | 982               |
| Net cash used in investing activities  | <u>(245,396)</u>    | <u>(412,902)</u>  |
| Net increase in cash and cash equivalents  | 840,609             | 506,542           |
| Cash and cash equivalents at beginning of year   | 843,619             | 337,077           |
| Cash and cash equivalents at end of year   | <u>\$ 1,684,228</u> | <u>\$ 843,619</u> |

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

# The Telluride Foundation

## Notes to Financial Statements

### December 31, 2006 and 2005

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#### 1. Organization and Purpose

The Telluride Foundation (the "Foundation") was incorporated on August 3, 2000 in Colorado as a not-for-profit corporation. The Foundation is committed to enriching the human experience in the region by fostering private giving, strengthening service providers, and conducting events that celebrate our community. To this end, the Foundation provides leadership in philanthropy, serves as a responsible steward for entrusted funds and promotes understanding and respect for diversity.

#### 2. Summary of Significant Accounting Policies

##### **Basis of Accounting**

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

##### **Cash and Cash Equivalents**

The Foundation considers all highly liquid investment instruments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of certificates of deposit, and corporate or municipal bonds.

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

The investment portfolios of all funds are carried at fair value at December 31, 2006 and 2005. Interest and dividend income is presented net of investment advisory fees of \$12,187 and \$12,884 for the years ended December 31, 2006 and 2005, respectively. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise designated by the donor.

##### **Reserve policy**

During fiscal year 2006 the Foundation's board of directors created and approved a reserve policy where the Foundation reserves a certain portion of their cash/investment balance to ensure that if a catastrophic event occurs the Foundation can continue business operations. Based on the reserve calculation the Foundation's reserve at December 31, 2006 is \$1,313,564.

##### **Pledges and Grants Receivable**

The Foundation reports unconditional promises to give that are expected to be collected within one year at the net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises to give are received. Outstanding promises to give were discounted by \$363,092 and \$250,932 at December 31, 2006 and 2005, respectively. For the years ended December 31, 2006 and 2005, the Foundation recorded a bad debt expense associated with the pledges and grants receivable of \$12,500 and \$40,000, respectively.

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

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**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, 2006 and 2005, \$1,349,474 and \$860,623, respectively, of unconditional community grants promised to give was included in accounts payable on the Balance Sheets.

**Accounting for Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Unconditional promises to give without a stipulated due date or for which the Foundation has met all conditions precedent to receipt of the contribution prior to the Foundation's year end are classified as unrestricted net assets.

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

**Functional Allocation of Expenses**

The costs attributable to program services and expenses associated with fundraising have been summarized in the accompanying Statements of Functional Expenses. Accordingly, certain general and administrative costs have been allocated among the programs benefited based primarily on evaluations of employees' time incurred on each program.

**Advertising Costs**

All advertising and promotion costs are expensed as incurred. Advertising costs totaled \$605 and \$5,509 for the years ended December 31, 2006 and 2005, respectively.

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

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

Investments at December 31, 2006 and 2005 and the related investment income for the years ended December 31, 2006 and 2005 for the Foundation consisted of the following:

|   | <b>Interest<br/>and<br/>Dividends</b> | <b>Net<br/>Realized/<br/>Unrealized<br/>Gains/(Loss)</b> | <b>Fair Value</b>   |
|---|---------------------------------------|--|---------------------|
| December 31, 2006                                 |                                       |  |                     |
| Corporate bonds                                   | \$ 55                                 | \$ -   | \$ -                |
| Mutual funds                                      | 140,311                               | 302,816  | 3,295,637           |
| Stocks and equities                               | 9,480                                 | -  | -                   |
| Certificates of deposits                          | 4,445                                 | -  | 109,977             |
| Total   | <u>\$ 154,291</u>                     | <u>\$ 302,816</u>  | <u>\$ 3,405,614</u> |
| December 31, 2005                                 |                                       |  |                     |
| Corporate bonds                                   | \$ 20,301                             | \$ (18,983)  | \$ -                |
| Financial instruments                             | 3,728                                 | (6,978)  | -                   |
| Mutual funds                                      | 60,169                                | 96,932   | 2,207,491           |
| Stocks and equities                               | 457                                   | (8,947)  | -                   |
| U.S. government and government agency obligations | 14,153                                | (14,020)   | 544,378             |
| Certificates of deposits                          | 1,758                                 | -  | 105,532             |
| Total   | <u>\$ 100,566</u>                     | <u>\$ 48,004</u>   | <u>\$ 2,857,401</u> |

**4. Pledges and Grants Receivable**

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

|  | <b>2006</b>         | <b>2005</b>         |
|--|---------------------|---------------------|
| In one year or less  | \$ 346,625          | \$ 1,200,875        |
| Between one and five years                                 | <u>3,013,500</u>    | <u>1,482,625</u>    |
| Unconditional promises to give before unamortized discount | 3,360,125           | 2,683,500           |
| Less: Unamortized discount                                 | <u>(363,092)</u>    | <u>(250,932)</u>    |
| Total  | <u>\$ 2,997,033</u> | <u>\$ 2,432,568</u> |

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

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**5. Property and Equipment**

At December 31, 2006 and 2005, property and equipment held by the Foundation is as follows:

|                                   | <b>2006</b>      | <b>2005</b>      |
|-----------------------------------|------------------|------------------|
| Computer and software             | \$ 25,522        | \$ 25,522        |
| Furniture, fixtures and equipment | 30,037           | 30,037           |
|                                   | <u>55,559</u>    | <u>55,559</u>    |
| Less: Accumulated depreciation    | <u>(37,357)</u>  | <u>(28,737)</u>  |
|                                   | <u>\$ 18,202</u> | <u>\$ 26,822</u> |

**6. Charitable Gift Annuity**

During 2004, the Foundation entered into an arrangement with a donor whereby the donor contributed assets to the Foundation in the amount of \$317,550 in exchange for the Foundation's requirement to pay an annuity over a specified period of time. As of December 31, 2006 and 2005, the Foundation recorded as a liability the present value of the payments of \$102,193 and \$118,071, respectively.

**7. Commitments and Contingencies**

The Foundation occupies office space on a month to month basis and the Foundation continues to assess alternative office locations. Rental expense under the lease for the years ended December 31, 2006 and 2005 was \$22,135 and \$18,963, respectively.

**8. Temporarily Restricted Net Assets**

At December 31, 2006 and 2005, temporarily restricted net assets of \$3,277,888 and \$2,941,895, respectively, have been restricted due to time restrictions and donor imposed restrictions. Temporarily restricted net assets are released from restriction based the lapse of time or upon their disbursements to various organizations and events within the Telluride community.

**9. Related Party Transactions**

The Foundation has recorded donations of \$527,000 and \$536,000 from related parties for the year ended December 31, 2006 and 2005, respectively. The Foundation received the donations through arms length transactions.

**10. 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.

**The Telluride Foundation**  
**Notes to Financial Statements**  
**December 31, 2006 and 2005**

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**11. Agency Agreement**

The Foundation enters into agreements with unaffiliated not-for-profit organizations, whereby the Foundation agrees to maintain a fund balance on behalf of the unaffiliated organization for an administrative fee ranging between .75% and 1% per year. The Foundation records the fund balances within investments and as an agency payable. Income on the fund is recorded as an increase to investments and agency payable.