

Financial Statements and Report of Independent  
Certified Public Accountants

**The Telluride Foundation**

December 31, 2007 and 2006

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## **Report of Independent Certified Public Accountants**

To the Board of Directors of  
The Telluride Foundation

We have audited the statement of financial position of The Telluride Foundation (the "Foundation") as of December 31, 2007 and the related statements of activities, functional expenses and cash flows for the year then ended. 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. The financial statements of the Foundation as of December 31, 2006 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 2, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Telluride Foundation as of December 31, 2007 and their changes in net assets, functional expenses and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Albuquerque, New Mexico  
June 12, 2008

The Telluride Foundation

BALANCE SHEETS

December 31,

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,259,366	\$ 1,684,228
Investments	5,705,296	3,405,614
Accounts receivable	60,427	6,970
Pledges and grants receivable, net of discount	2,717,663	2,997,033
Note receivable	100,000	-
Other assets	17,597	12,866
Property and equipment, net	<u>18,941</u>	<u>18,202</u>
Total assets	<u>\$ 9,879,290</u>	<u>\$ 8,124,913</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Grants payable	\$ 1,744,540	\$ 1,349,474
Accounts payable	31,278	11,427
Accrued liabilities	44,078	43,865
Agency payable	301,960	380,091
Charitable gift annuity	<u>82,346</u>	<u>102,193</u>
Total liabilities	2,204,202	1,887,050
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS:		
Unrestricted	4,263,136	2,959,975
Temporarily restricted	<u>3,411,952</u>	<u>3,277,888</u>
Total net assets	<u>7,675,088</u>	<u>6,237,863</u>
Total liabilities and net assets	<u>\$ 9,879,290</u>	<u>\$ 8,124,913</u>

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

The Telluride Foundation

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue, contributions and support:			
Individual contributions	\$ 473,907	\$ 3,606,068	\$ 4,079,975
In-kind contributions	115,250	-	115,250
Realized and unrealized investment gains	247,532	-	247,532
Dividend, interest and other income	340,615	-	340,615
Net assets released from restrictions	3,472,004	(3,472,004)	-
Total revenue, contributions and support	<u>4,649,308</u>	<u>134,064</u>	<u>4,783,372</u>
Expenses:			
Program services			
Grants and assistance programs	2,633,566	-	2,633,566
Education and consulting	292,935	-	292,935
Total program services	<u>2,926,501</u>	<u>-</u>	<u>2,926,501</u>
Support services			
Development	318,304	-	318,304
General and administrative	101,342	-	101,342
Total support services	<u>419,646</u>	<u>-</u>	<u>419,646</u>
Total expenses	<u>3,346,147</u>	<u>-</u>	<u>3,346,147</u>
Change in net assets	1,303,161	134,064	1,437,225
Net assets, beginning of year	<u>2,959,975</u>	<u>3,277,888</u>	<u>6,237,863</u>
Net assets, end of year	<u>\$ 4,263,136</u>	<u>\$ 3,411,952</u>	<u>\$ 7,675,088</u>

The accompanying notes are an integral part of this financial statement.

**The Telluride Foundation**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2006**

	Unrestricted	Temporarily Restricted	Total
Revenue, contributions and support:			
Individual contributions	\$ 637,750	\$ 2,804,722	\$ 3,442,472
In-kind contributions	122,088		122,088
Realized and unrealized investment gains	302,816		302,816
Dividend, interest and other income	185,177		185,177
Net assets released from restrictions	2,468,729	(2,468,729)	-
Total revenue, contributions and support	<u>3,716,560</u>	<u>335,993</u>	<u>4,052,553</u>
Expenses:			
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	<u>2,869,608</u>	<u>-</u>	<u>2,869,608</u>
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 this financial statement.

The Telluride Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2007

	Program Services		Support Services		Total Expenses
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Expenses:					
Awards and grants to charitable organizations	\$ 2,470,827	\$ -	\$ -	\$ -	\$ 2,470,827
Salaries	61,743	102,010	75,165	29,529	268,447
Special events and promotions	-	102,390	78,710	-	181,100
Fund-raising expense - contributed	-	28,813	102,147	-	130,960
Professional fees and services	25,051	628	463	38,274	64,416
Employee benefits	24,725	12,363	15,453	9,272	61,813
Office and occupancy	12,768	6,384	9,577	3,192	31,921
Printing and publication	4,346	10,677	6,659	6,189	27,871
Payroll taxes	7,456	3,728	4,659	2,796	18,639
Bank charges and investment fees	-	-	12,202	3,458	15,660
Travel	4,653	2,373	3,510	1,163	11,699
Computer expense	1,634	2,699	1,989	781	7,103
Depreciation and amortization	1,500	1,500	1,500	1,500	6,000
Telephone	1,349	2,228	1,641	645	5,863
Advertising	1,461	2,377	1,462	-	5,300
Supplies	953	1,574	1,159	456	4,142
Membership dues and subscriptions	810	405	607	373	2,195
Postage and shipping	715	358	536	179	1,788
Insurance	154	307	192	763	1,416
Miscellaneous	13,421	12,121	673	2,772	28,987
Total expenses	\$ 2,633,566	\$ 292,935	\$ 318,304	\$ 101,342	\$ 3,346,147

The accompanying notes are an integral part of this financial statement.

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

The accompanying notes are an integral part of this financial statement.



The Telluride Foundation

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,437,225	\$ 1,182,945
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	-	12,500
Net realized and unrealized investment gains	(514,682)	(302,816)
Depreciation on property and equipment	6,000	8,620
Amortization of pledges and grants receivable discount	160,170	130,655
Change in operating assets and liabilities		
Receivables	(53,457)	(712,495)
Pledges receivable	119,200	-
Notes receivable	(100,000)	-
Other assets	(4,731)	4,625
Accounts payable	19,851	486,485
Accrued liabilities	213	14,879
Grant payable	395,066	-
Agency payable	(78,131)	276,485
Charitable gift annuity	(19,847)	(15,878)
Net cash provided by operating activities	<u>1,366,877</u>	<u>1,086,005</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	2,334,487
Purchases of investments	(1,785,000)	(2,579,883)
Purchases of property and equipment	(6,739)	-
Net cash used in investing activities	<u>(1,791,739)</u>	<u>(245,396)</u>
Net decrease in cash and cash equivalents	(424,862)	840,609
Cash and cash equivalents at beginning of year	<u>1,684,228</u>	<u>843,619</u>
Cash and cash equivalents at end of year	<u>\$ 1,259,366</u>	<u>\$ 1,684,228</u>

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

# The Telluride Foundation

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

### NOTE 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.

### NOTE 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, 2007 and 2006. 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 reserves at December 31, 2007 and 2006 are \$1,766,917 and \$1,313,564, respectively.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$329,588 and \$363,092, at December 31, 2007 and 2006, respectively. For the years ended December 31, 2007 and 2006, the Foundation recorded a bad debt expense associated with the pledges and grants receivable of \$0 and \$12,500, respectively.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation, and are depreciated using the straight-line method over the estimated useful lives of the respective assets, generally three to seven years.

In-kind Contributions

In-kind contributions are reflected as contributions at their estimated fair values when received or when an unconditional pledge to contribute has been made.

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, 2007 and 2006, the Foundation had \$1,744,540 and \$1,349,474, respectively, of unconditional community grants promised to give which have been included in accompanying 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 Statement of Activities as net assets released from restrictions.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 primarily on evaluations of employees' time incurred on each program.

Advertising Costs

All advertising and promotion costs are expensed as incurred. Advertising costs totaled \$5,300 and \$605 for the years ended December 31, 2007 and 2006, respectively.

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.

New Accounting Standards Issued

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109). This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, financial statement classification, tax-related interest and penalties, and additional disclosure requirements. This interpretation is effective for fiscal years beginning after December 15, 2006. On February 1, 2008, the FASB issued FASB Staff Position ("FSP") FIN 48-2, "Effective Date of FSB Interpretation No. 48 for Certain Nonpublic Enterprises." The FSP defers the effective date of FIN 48, for certain nonpublic enterprises, to the enterprises annual financial statements for fiscal years beginning after December 31, 2007. The adoption of this standard is not expected to have a material effect on the Foundation's results of operations, financial position or the disclosures to its financial statements.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 3 - SHORT-TERM AND LONG-TERM INVESTMENTS

Investments at December 31, 2007 and 2006 and the related investment income for the years ended December 31, 2007 and 2006 for the Foundation consisted of the following:

	Interest and Dividends	Net Realized/ Unrealized Gains	Fair Value
<b>December 31, 2007</b>			
Mutual funds	\$ 270,931	239,731	\$ 5,591,299
Certificates of deposit	4,020	-	113,997
<b>Total</b>	<b>\$ 274,951</b>	<b>\$ 239,731</b>	<b>\$ 5,705,296</b>

	Interest and Dividends	Net Realized/ Unrealized Gains	Fair Value
<b>December 31, 2006</b>			
Corporate bonds	\$ 55	\$ -	\$ -
Mutual funds	140,311	302,816	3,295,637
Stocks and equities	9,480	-	-
Certificates of deposit	4,445	-	109,977
<b>Total</b>	<b>\$ 154,291</b>	<b>\$ 302,816</b>	<b>\$ 3,405,614</b>

NOTE 4 - PLEDGES AND GRANTS RECEIVABLE

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

	2007	2006
In one year or less	\$ 1,635,439	\$ 346,625
Between one and five years	1,411,812	3,013,500
Unconditional promises to give before unamortized discount	3,047,251	3,360,125
Less: Unamortized discount	(329,588)	(363,092)
<b>Total</b>	<b>\$ 2,717,663</b>	<b>\$ 2,997,003</b>

NOTE 5 - NOTE RECEIVABLE

On August 1, 2007, the Foundation issued an unsecured note receivable in the amount of \$100,000 to San Miguel Center, an unrelated third party. The note has a maturity date of August 1, 2012, and bears interest at a rate of 0% per annum.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment held by the Foundation is as follows at December 31:

	2007	2006
Computer and software	\$ 28,872	\$ 25,522
Furniture, fixtures and equipment	33,425	30,037
	62,297	55,559
Less: Accumulated depreciation	(43,356)	(37,357)
Total	\$ 18,941	\$ 18,802

NOTE 7 - 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. The agency payable amounts of \$301,960 and \$380,091 at December 31, 2007 and 2006, respectively, are shown in the accompanying balance sheets.

NOTE 8 - 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. The present value of the annuity at the time of the agreement was calculated using an adjustment factor of 8.23 resulting in an initial liability of \$130,718. As of December 31, 2007 and 2006, the Foundation's remaining liability was \$82,346 and \$102,193, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The Foundation occupies office space on a month to month basis and the Foundation is currently assessing alternative office locations. Rental expense under the lease for the years ended December 31, 2007 and 2006 was \$31,921 and \$22,135, respectively.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2007 and 2006, temporarily restricted net assets of \$3,411,952 and \$3,277,888, 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.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets are available for the following purpose:

	<u>2007</u>	<u>2006</u>
Time restrictions	\$ 2,717,663	\$ 2,997,033
Purpose restrictions	<u>649,289</u>	<u>280,855</u>
Total temporarily restricted net assets	<u>\$ 3,411,952</u>	<u>\$ 3,277,888</u>

NOTE 11 - RELATED-PARTY TRANSACTIONS

The Foundation has recorded donations of \$220,000 and \$527,000 from related parties for the years ended December 31, 2007 and 2006, respectively. The Foundation received the donations through arms length transactions.