
Financial Statements and Report of Independent
Certified Public Accountants

The Telluride Foundation

December 31, 2008 and 2007

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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, 2008 and 2007 and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2008 and 2007 and its changes in 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.

Grant Thornton LLP

Albuquerque, New Mexico
May 27, 2009

The Telluride Foundation

STATEMENTS OF FINANCIAL POSITION

December 31, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 455,000	\$ 1,259,429
Investments	4,360,678	5,705,233
Accounts receivable	3,200	60,427
Pledges and grants receivable, net	2,602,783	2,717,663
Note receivable	100,000	100,000
Other assets	2,841	17,597
Property and equipment, net	<u>10,935</u>	<u>18,941</u>
Total assets	<u>\$ 7,535,437</u>	<u>\$ 9,879,290</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Grants payable	\$ 1,320,783	\$ 1,744,540
Accounts payable	16,356	31,278
Accrued liabilities	23,314	44,078
Agency payable	227,388	301,960
Charitable gift annuity	66,469	82,346
Total liabilities	<u>1,654,310</u>	<u>2,204,202</u>
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS:		
Unrestricted	3,049,065	4,627,837
Temporarily restricted	<u>2,832,062</u>	<u>3,047,251</u>
Total net assets	<u>5,881,127</u>	<u>7,675,088</u>
Total liabilities and net assets	<u>\$ 7,535,437</u>	<u>\$ 9,879,290</u>

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

The Telluride Foundation
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue, contributions and support:			
Individual contributions	\$ 1,530,427	\$ 1,234,000	\$ 2,764,427
In-kind contributions	145,325	-	145,325
Dividend, interest and other income	347,323	-	347,323
Net assets released from restrictions	1,449,189	(1,449,189)	-
Total revenue, contributions and support	3,472,264	(215,189)	3,257,075
Expenses:			
Program services			
Grants and assistance programs	2,625,049	-	2,625,049
Education and consulting	182,154	-	182,154
Total program services	2,807,203	-	2,807,203
Support services			
Development	442,593	-	442,593
General and administrative	114,549	-	114,549
Total support services	557,142	-	557,142
Total expenses	3,364,345	-	3,364,345
Realized and unrealized investment losses	1,686,691	-	1,686,691
Total expenses and losses	5,051,036	-	5,051,036
Change in net assets	(1,578,772)	(215,189)	(1,793,961)
Net assets, beginning of year	4,627,837	3,047,251	7,675,088
Net assets, end of year	\$ 3,049,065	\$ 2,832,062	\$ 5,881,127

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

The Telluride Foundation
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, contributions and support:			
Individual contributions	\$ 2,581,975	\$ 1,498,000	\$ 4,079,975
In-kind contributions	115,250	-	115,250
Realized and unrealized investment gains	244,759	-	244,759
Dividend, interest and other income	343,388	-	343,388
Net assets released from restrictions	1,728,637	(1,728,637)	-
Total revenue, contributions and support	<u>5,014,009</u>	<u>(230,637)</u>	<u>4,783,372</u>
Expenses:			
Program services			
Grants and assistance programs	2,633,566	-	2,633,566
Education and consulting	264,122	-	264,122
Total program services	<u>2,897,688</u>	<u>-</u>	<u>2,897,688</u>
Support services			
Development	318,304	-	318,304
General and administrative	130,155	-	130,155
Total support services	<u>448,459</u>	<u>-</u>	<u>448,459</u>
Total expenses	<u>3,346,147</u>	<u>-</u>	<u>3,346,147</u>
Change in net assets	1,667,862	(230,637)	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>\$ 4,627,837</u>	<u>\$ 3,047,251</u>	<u>\$ 7,675,088</u>

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

The Telluride Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

	Program Services		Support Services		Total Expenses
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Expenses:					
Awards and grants to charitable organizations	\$ 2,471,940	\$ -	\$ -	\$ -	\$ 2,471,940
Salaries	62,112	102,620	75,615	29,706	270,053
Special events and promotions	-	12,540	63,838	-	76,378
Fund-raising expense - contributed	-	-	168,486	-	168,486
Professional fees and services	19,506	2,365	3,715	49,251	74,837
Employee benefits	13,917	6,959	8,698	5,219	34,793
Office and occupancy	11,536	6,073	8,775	2,945	29,329
Printing and publication	3,670	14,251	7,719	8,366	34,006
Payroll taxes	6,887	3,444	4,305	2,583	17,219
Bank charges and investment fees	-	-	13,484	3,433	16,917
Travel	2,537	1,269	1,903	635	6,344
Computer expense	3,994	6,599	4,863	1,911	17,367
Depreciation and amortization	2,002	2,002	2,002	2,000	8,006
Telephone	1,260	2,081	1,533	603	5,477
Advertising	-	-	114	-	114
Supplies	1,199	1,980	1,459	573	5,211
Membership dues and subscriptions	910	455	683	368	2,416
Postage and shipping	980	490	735	244	2,449
Insurance	726	782	629	2,329	4,466
Bad debt expense	-	-	72,669	-	72,669
Miscellaneous	21,873	18,244	1,368	4,383	45,868
Total expenses	\$ 2,625,049	\$ 182,154	\$ 442,593	\$ 114,549	\$ 3,364,345

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	-	-	102,147	28,813	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	\$ 264,122	\$ 318,304	\$ 130,155	\$ 3,346,147

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

The Telluride Foundation
STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ (1,793,961)	\$ 1,437,225
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Bad debt expense	72,669	-
Realized and unrealized investment losses (gains)	1,686,691	(244,759)
Depreciation on property and equipment	8,006	6,000
Amortization of pledges and grants receivable discount	112,650	160,170
Change in operating assets and liabilities		
Receivables	57,227	(53,457)
Pledges receivable	(70,439)	119,200
Other assets	14,756	(4,731)
Accounts payable	(14,922)	19,851
Accrued liabilities	(20,764)	213
Grant payable	(423,757)	395,066
Agency payable	(74,572)	(78,131)
Charitable gift annuity	(15,877)	(19,847)
Net cash (used) provided by operating activities	(462,293)	1,736,800
Cash flows from investing activities:		
Proceeds from sale of investments	2,158,688	-
Purchases of investments	(2,500,824)	(2,054,860)
Issuance of notes receivable	-	(100,000)
Purchases of property and equipment	-	(6,739)
Net cash used by investing activities	(342,136)	(2,161,599)
Net decrease in cash and cash equivalents	(804,429)	(424,799)
Cash and cash equivalents at beginning of year	1,259,429	1,684,228
Cash and cash equivalents at end of year	\$ 455,000	\$ 1,259,429

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

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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 based on quoted market prices. For the Foundation's Multi Asset Fund, fair value is determined based on net asset value (NAV) per the funds' annual audited financial statements. Total earnings on unrestricted and temporarily restricted investments are credited to unrestricted net assets unless otherwise designated by the donor.

Reserve Policy

The Foundation's board of directors has 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, 2008 and 2007 are \$1,842,804 and \$1,677,120, respectively.

Donor Advised Funds

The Foundation 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. This classification does not affect the Foundation's responsibilities with respect to each fund as detailed in the fund agreements.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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 \$216,939 and \$329,588, at December 31, 2008 and 2007, respectively. For the years ended December 31, 2008 and 2007, the Foundation recorded a bad debt expense associated with the pledges and grants receivable of \$72,669 and \$0, respectively. An allowance for uncollectible pledges receivable has been established in the current year and approximates 1% of pledges made in the period.

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, 2008 and 2007, the Foundation had \$1,320,783 and \$1,744,540, respectively, of unconditional community grants promised to give which have been included in accompanying statements of financial position.

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, 2008 and 2007

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 \$114 and \$5,300 for the years ended December 31, 2008 and 2007, 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.

Fair Value Measurement

Effective January 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157 (FAS 157) *Fair Value Measurements*.

FAS 157 clarifies the definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Foundation's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment spreads, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

When quoted market prices are available in an active market, securities are classified within level 1 of the fair value hierarchy. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or discounted cash flow models. The fair value of securities estimated using pricing models or matrix pricing are generally classified within level 2 of the fair value hierarchy. When discounted cash flow models are used there is limited activity or less transparency around inputs to the valuation and securities are classified within level 3 of the fair value hierarchy.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the inputs used in valuing the Fund's assets carried at fair value as of December 31, 2008:

	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments in securities	\$ 4,360,678	\$ -	\$ -

New Accounting Standards Issued

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises." FSP FIN 48-3 permits an entity within its scope to defer the effective date of FIN 48 to its annual financial statements for fiscal years beginning after December 15, 2008. The Foundation will adopt FIN 48 effective January 1, 2009.

In August 2008, the FASB issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. The FSP provides guidance for not-for-profit organizations on net asset classification of donor-restricted or board-restricted endowment funds. FSP FAS 117-1 is effective for financial statements issued for years ending after December 31, 2008. The Foundation will adopt FSP FAS 117-1 effective January 1, 2009; however, it is not expected to cause a material impact on the financial statements.

NOTE 3 - INVESTMENTS

Investments at December 31, 2008 and 2007 and the related investment income for the years ended December 31, 2008 and 2007 for the Foundation consisted of the following:

	Interest and Dividends	Realized/ Unrealized Losses	Fair Value
December 31, 2008			
Multi asset fund	\$ 183,268	\$ (1,680,633)	\$ 1,851,474
Certificates of deposit	26,739	-	2,509,204
Other	-	(6,058)	-
Total	\$ 210,007	\$ (1,686,691)	\$ 4,360,678

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 3 - INVESTMENTS (continued)

	Interest and Dividends	Realized/ Unrealized Losses	Fair Value
December 31, 2007			
Multi asset fund	\$ 267,121	\$ 244,759	\$ 5,591,236
Certificates of deposit	4,030	-	113,997
Total	<u>\$ 271,151</u>	<u>\$ 244,759</u>	<u>\$ 5,705,233</u>

NOTE 4 - PLEDGES AND GRANTS RECEIVABLE

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

	2008	2007
In one year or less	\$ 1,711,062	\$ 1,635,439
Between one and five years	<u>1,121,000</u>	<u>1,411,812</u>
Unconditional promises to give before unamortized discount	2,832,062	3,047,251
Less: Unamortized discount	(216,939)	(329,588)
Less: Allowance for uncollectible pledges	<u>(12,340)</u>	<u>-</u>
Total	<u>\$ 2,602,783</u>	<u>\$ 2,717,663</u>

Changes in the Foundation's allowance for uncollectible pledges receivable are as follows:

	2008
Beginning balance	\$ -
Bad debt expense	72,669
Accounts written-off	<u>(60,329)</u>
Ending balance	<u>\$ 12,340</u>

NOTE 5 - NOTE RECEIVABLE

On August 1, 2007, the Foundation issued an unsecured note receivable in the amount of \$100,000 to San Miguel Resource 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 note receivable balance at December 31, 2008 and 2007 includes interest of \$20,177 imputed at the rate of 4.6%.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2008	2007
Computer and software	\$ 28,872	\$ 28,872
Furniture, fixtures and equipment	33,425	33,425
	62,297	62,297
Less: Accumulated depreciation	(51,362)	(43,356)
Total	\$ 10,935	\$ 18,941

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 \$227,388 and \$301,960 at December 31, 2008 and 2007, respectively, are shown in the accompanying statements of financial position.

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, 2008 and 2007, the Foundation's remaining liability was \$66,469 and \$82,346, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Leases

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, 2008 and 2007 was \$29,329 and \$31,921, respectively.

Retirement Plan

The Foundation offers a simple 401(k) plan to employees who have attained the age of 21 and have completed 1 year of employment or 1,000 hours. Eligible employees may contribute 100% of pre-tax compensation 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. Expenses related to the administration of the plan were \$4,500 and \$5,578 for the years ended December 31, 2008 and 2007, respectively.

The Telluride Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2008 and 2007, temporarily restricted net assets of \$2,832,062 and \$3,047,251, respectively, have been restricted due to time restrictions. Temporarily restricted net assets are released from restriction based on the lapse of time or upon their disbursements to various organizations and events within the Telluride community.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents and investments. The Foundation places its cash and investments with high credit quality financial institutions. From time to time throughout the year, the Foundation's cash balances exceeded the amount of the FDIC insurance coverage of \$250,000. The Foundation, however, does not anticipate nonperformance by the institutions.