



Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017



**and
Report Thereon**



THE TELLURIDE FOUNDATION

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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 statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 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, 2018 and 2017, 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.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
August 22, 2019

THE TELLURIDE FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 5,844,034	\$ 6,502,896
Accounts receivable, net	1,097,482	996,908
Prepaid expense	41,683	25,415
Pledges and grants receivable, net of discount and allowance for bad debts	5,154,581	3,025,473
Investments	5,129,526	5,378,434
Note receivable	238,247	183,656
Property and equipment, net	431,540	428,825
TOTAL ASSETS	\$ 17,937,093	\$ 16,541,607
LIABILITIES AND NET ASSETS		
Grants payable	\$ 1,259,335	\$ 1,418,560
Accounts payable and accrued expenses	228,191	195,275
Deferred revenue	1,300	-
TOTAL LIABILITIES	1,488,826	1,613,835
NET ASSETS		
Without donor restrictions		
Undesignated	7,498,534	8,863,287
Total without donor restrictions	7,498,534	8,863,287
With donor restrictions		
Purpose restriction	3,795,152	3,039,012
Pledges received in future periods	5,154,581	3,025,473
Total with donor restrictions	8,949,733	6,064,485
TOTAL NET ASSETS	16,448,267	14,927,772
TOTAL LIABILITIES AND NET ASSETS	\$ 17,937,093	\$ 16,541,607

The accompanying notes are an integral part of these financial statements

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions and Grants	\$ 3,960,994	\$ 3,534,019	\$ 7,495,013	\$ 3,645,465	\$ 3,084,512	\$ 6,729,977
Federal Contract Revenue	1,015,050	-	1,015,050	863,821	-	863,821
Dividends and interest	344,426	-	344,426	586,985	-	586,985
Other income	626,080	12,099	638,179	363,661	13,706	377,367
Net assets released from restrictions						
Satisfaction of time restrictions	(506,500)	506,500	-	1,215,167	(1,215,167)	-
Satisfaction of program restrictions	1,167,370	(1,167,370)	-	1,049,906	(1,049,906)	-
TOTAL REVENUE AND SUPPORT	6,607,420	2,885,248	9,492,668	7,725,005	833,145	8,558,150
EXPENSES						
Program Services:						
Grants and assistance programs	6,106,815	-	6,106,815	5,093,057	-	5,093,057
Education and consulting	291,638	-	291,638	246,534	-	246,534
Total Program Services	6,398,453	-	6,398,453	5,339,591	-	5,339,591
Support Services:						
Development	374,124	-	374,124	309,671	-	309,671
General and administrative	318,965	-	318,965	297,857	-	297,857
Total Support Services	693,089	-	693,089	607,528	-	607,528
TOTAL EXPENSES	7,091,542	-	7,091,542	5,947,119	-	5,947,119
CHANGE IN NET ASSETS FROM OPERATIONS	(484,122)	2,885,248	2,401,126	1,777,886	833,145	2,611,031
Nonoperating Activities:						
Realized and unrealized investment losses, net	(730,631)	-	(730,631)	95,485	-	95,485
Investments in TVA companies	(150,000)	-	(150,000)	(205,431)	-	(205,431)
CHANGE IN NET ASSETS	(1,364,753)	2,885,248	1,520,495	1,667,940	833,145	2,501,085
NET ASSETS, BEGINNING OF YEAR	8,863,287	6,064,485	14,927,772	7,195,347	5,231,340	12,426,687
NET ASSETS, END OF YEAR	\$ 7,498,534	\$ 8,949,733	\$ 16,448,267	\$ 8,863,287	\$ 6,064,485	\$ 14,927,772

The accompanying notes are an integral part of these financial statements

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Awards and grants to charitable organizations	\$ 2,699,745	\$ -	\$ -	\$ -	\$ 2,699,745
Salaries	1,336,713	119,362	210,379	69,600	1,736,054
Professional fees and services	826,758	1,847	1,847	37,832	868,284
Employee benefits	286,949	24,379	44,001	14,725	370,054
Bad debt expense	-	-	-	132,055	132,055
Administrative fee expense	157,341	78,671	-	26,224	262,236
Payroll taxes	111,216	8,986	16,624	5,628	142,454
Depreciation and amortization	24,300	4,120	4,120	4,120	36,660
Computer expense	51,257	7,181	11,253	3,796	73,487
Office and occupancy	159,358	3,514	10,296	4,172	177,340
Printing and publication	7,035	13,227	7,122	2,378	29,762
Travel	144,234	6,758	7,917	1,159	160,068
Miscellaneous	69,908	8,454	7,153	4,807	90,322
Telephone	3,349	369	1,345	565	5,628
Membership dues and subscriptions	10,892	958	1,437	1,094	14,381
Training and development	1,104	10,798	152	169	12,223
Website design and maintenance	22,321	1,409	2,188	740	26,658
Bank charges and investment fees	932	-	3,775	285	4,992
Supplies and equipment	144,360	951	3,271	1,363	149,945
Insurance	5,530	491	123	8,145	14,289
Postage and shipping	1,521	200	317	108	2,146
Special events and fundraising	-	-	40,804	-	40,804
Advertising	41,992	(37)	-	-	41,955
TOTAL	\$ 6,106,815	\$ 291,638	\$ 374,124	\$ 318,965	\$ 7,091,542

The accompanying notes are an integral part of these financial statements

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the Year Ended December 31, 2017

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Awards and grants to charitable organizations	\$ 2,266,076	\$ -	\$ -	\$ -	\$ 2,266,076
Salaries	1,160,826	104,127	152,562	67,472	1,484,987
In-kind expense	-	-	3,000	-	3,000
Professional fees and services	700,106	2,188	2,188	45,814	750,296
Employee benefits	268,031	24,552	35,431	15,606	343,620
Bad debt expense	-	-	-	117,159	117,159
Administrative fee expense	102,412	51,206	-	17,069	170,687
Payroll taxes	100,465	8,195	12,876	5,796	127,332
Depreciation and amortization	11,748	4,695	4,695	4,695	25,833
Computer expense	42,766	5,941	7,469	3,464	59,640
Office and occupancy	99,556	3,785	7,740	3,835	114,916
Printing and publication	11,869	427	413	179	12,888
Travel	126,304	6,975	8,566	1,591	143,436
Miscellaneous	47,866	11,027	2,761	2,689	64,343
Telephone	3,602	393	1,044	528	5,567
Membership dues and subscriptions	2,399	490	735	825	4,449
Training and development	1,383	18,195	395	247	20,220
Website design and maintenance	6,515	2,677	4,072	1,373	14,637
Bank charges and investment fees	7,296	-	3,507	406	11,209
Supplies and equipment	118,695	931	2,468	1,249	123,343
Insurance	1,003	365	91	7,750	9,209
Postage and shipping	1,907	238	244	110	2,499
Special events and fundraising	-	-	59,414	-	59,414
Advertising	12,232	127	-	-	12,359
TOTAL	\$ 5,093,057	\$ 246,534	\$ 309,671	\$ 297,857	\$ 5,947,119

The accompanying notes are an integral part of these financial statements

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,520,495	\$ 2,501,085
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized investment gains and losses, net	720,300	(98,411)
Provision (recovery) for doubtful pledge receivables	51,556	4,459
Amortization of discount on pledge receivables	397,110	2,021,661
Depreciation and amortization	36,659	25,833
Change in operating assets and liabilities:		
Accounts receivable	(100,574)	(368,346)
Pledges and grants receivable	(2,577,775)	(2,202,955)
Other assets	(16,268)	4,821
Accounts payable and accrued expenses	32,918	49,795
Grant payable	(159,225)	171,416
Agency payable	-	(234,630)
Deferred revenue	1,300	(11,310)
	(93,504)	1,863,415
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection on note receivable	(54,591)	7,675
Proceeds from sale of investments	243,350	439,500
Purchases of investments	(714,742)	(801,317)
Purchase of building and equipment	(39,375)	(4,840)
	(565,358)	(358,982)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(658,862)	1,504,433
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,502,896	4,998,463
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,844,034	\$ 6,502,896

The accompanying notes are an integral part of these financial statements

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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 Foundation 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, 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.

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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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

Investments (continued)

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, 2018 and 2017, 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.

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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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

Fair Value Measurements (continued)

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 charge to the allowance 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.

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 (those in excess of \$5,000) 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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions:* Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

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

Net Assets (continued)

- *Net Assets with Donor Restrictions:* Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 net assets without donor restrictions.

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 (without donor restrictions) 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 with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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 years ended December 31, 2018 and 2017 as the federal expenditure thresholds for OMB reporting were met.

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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

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

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.

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.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. Investments

The Foundation used the following fair value measurements as of December 31, 2018:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-asset fund	\$ 3,718,500	\$ -	\$ 3,718,500	\$ -
Intermediate bond fund	1,000,432	1,000,432	-	-
Certificates of deposit	<u>410,594</u>	<u>410,594</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,129,526</u>	<u>\$ 1,411,026</u>	<u>\$ 3,718,500</u>	<u>\$ -</u>

The Foundation used the following fair value measurements as of December 31, 2017:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-asset fund	\$ 4,143,929	\$ -	\$ 4,143,929	\$ -
Intermediate bond fund	997,355	997,355	-	-
Company Stock	<u>237,150</u>	<u>-</u>	<u>237,150</u>	<u>-</u>
Total	<u>\$ 5,378,434</u>	<u>\$ 997,355</u>	<u>\$ 4,381,079</u>	<u>\$ -</u>

THE TELLURIDE FOUNDATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

2. Investments (continued)

The fair value of the multi-asset fund as of December 31, 2018 and 2017 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 are no certificates of deposit held in investments for the years ending December 31, 2017 and 2016.

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 344,426	\$ 586,985
Unrealized gains (losses)	(726,500)	93,637
Realized gains (losses)	<u>(4,131)</u>	<u>1,848</u>
Total	<u>\$ (386,205)</u>	<u>\$ 682,470</u>

Not included in these figures are the net realized and unrealized investment losses of \$0 and \$4,774 for the years ended December 31, 2018 and 2017, 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:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 2,074,397	\$ 1,543,622
Between 1 to 5 years	<u>3,898,500</u>	<u>1,777,500</u>
Subtotal	5,898,897	3,321,122
Less: Unamortized discount	(626,337)	(229,227)
Less: Allowance for uncollectible pledges	<u>(117,978)</u>	<u>(66,422)</u>
Total pledges and contributions receivable, net	<u>\$ 5,154,581</u>	<u>\$ 3,025,473</u>

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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

4. Note Receivable

On October 20, 2015, the Foundation issued a secured note receivable in the amount of \$200,000 to Telluride Adaptive Sports Program, an unrelated third party. The note bears interest at a rate of 3% per annum with monthly payments of \$1,109. The note is due in full October 20, 2020. The note receivable balance was \$175,747 and \$183,656 for the years ended December 31, 2018 and 2017, respectively.

On November 20, 2018, the Foundation issued an unsecured note receivable in the amount of \$150,000 to the Foundation's President and his spouse, a related party. As of December 31, 2018, only \$50,000 of the note amount had been drawn. The note bears interest at a rate of 3% per annum with annual payments of \$3,000 of interest due November 19 each year. The principle can be paid off at any time. The note receivable balance was \$50,000 and \$0 for the years ended December 31, 2018 and 2017, respectively.

On November 30, 2018, the Foundation issued an unsecured note receivable in the amount of \$12,500 to The West End Economic Development Corporation, an unrelated third party. The note is non-interest bearing and due in full by final closeout of the Telluride Foundation's "Advance West End" Economic Development Assistance Grant or no later than December 31, 2021. The note receivable balance was \$12,500 and \$0 for the years ended December 31, 2018 and 2017, respectively.

5. Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 514,784	\$ 514,784
Leasehold improvements	39,375	-
Computer and software	24,300	24,300
Furniture, fixtures and equipment	<u>31,511</u>	<u>73,839</u>
Total property and equipment	652,298	612,923
Less: Accumulated depreciation and amortization	<u>(220,758)</u>	<u>(184,098)</u>
Property and equipment, net	<u>\$ 431,540</u>	<u>\$ 428,825</u>

Depreciation and amortization expense was \$36,659 and \$25,833 for the years ended December 31, 2018 and 2017, respectively.

6. Grants Payable

The Foundation distributes grants to various charitable organizations. As of December 31, 2018 and 2017, the Foundation had unconditionally promised to give \$1,259,335 and \$1,418,560, respectively, in grants. As of December 31, 2018, all grants payable are due to be paid within one year.

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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, 2018 and 2017, the Foundation had no demand deposits (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2016 and 2015) which exceeded the maximum limit insured by the FDIC.

On December 31, 2018, the balances exceeded the maximum limit insured by the FDIC by approximately \$4,880,823. The Foundation monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

8. Net Assets with Donor Restrictions

As of December 31, 2018 and 2017, net assets with donor restrictions were restricted for the following time periods and purposes:

	2018	2017
General operations for 2018	\$ -	\$ 1,308,500
General operations for 2019	1,506,500	1,038,500
General operations for 2020	1,241,000	854,000
General operations for 2021	958,500	470,000
General operations for 2022	550,000	370,000
General operations for 2023	500,000	320,000
General operations for 2024	340,000	340,000
General operations for 2025	130,000	80,000
Tri-County Health Network Programs	2,750,103	2,079,226
Scholarship Funds	1,070,563	970,266
Educational programs	133,388	126,084
Human Services	162,936	189,808
Community Development	351,058	193,750
Subtotal	9,694,048	8,340,134
Less: Unamortized discount	(626,337)	(2,209,227)
Less: Allowance for uncollectible receivables	(117,978)	(66,422)
Total Net Assets with Donor Restrictions	\$ 8,949,733	\$ 6,064,485

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9. Donated Goods and Services

For the years ended December 31, 2018 and 2017, in-kind contributions received by the Foundation consisted of the following:

	<u>2018</u>	<u>2017</u>
Ski Passes	\$ -	\$ -
Food, Merchandise and Services	<u>-</u>	<u>3,000</u>
Total Donated Goods and Services	<u>\$ -</u>	<u>\$ 3,000</u>

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.

10. 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 \$47,318 and \$36,434 for the years ended December 31, 2018 and 2017, respectively.

11. 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, 2018 and 2017, management did not identify any uncertain tax positions requiring recognition or disclosure in these consolidated financial statements.

There was no provision for income tax related to Telluride or TCHN for the years ended December 31, 2018 and 2017, as neither organization had any net unrelated business income.

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12. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise of the following:

Cash and cash equivalents	\$ 4,590,050
Accounts receivable	1,097,482
Pledges and grants receivable	2,074,397
Note receivable	<u>8,149</u>
	<u><u>\$ 7,770,078</u></u>

The pledges and grants receivable are subject to implied time restrictions but are expected to be collected within one year. The Foundation has an investment policy that keeps investments in liquid assets. The investment assets on the balance sheet are easily transferred to cash for a nominal penalty if the funds are needed.

13. Contingencies

The Foundation receives a significant amount of Federal grants. There is a possibility claims may arise for disallowed costs or expenditures related to these grants. The Foundation does not believe it has incurred any disallowed costs or expenditures.

14. Subsequent Events

The Foundation's management has evaluated subsequent events through August 22, 2019, the date the consolidated financial statements were available to be issued.