

TELLURIDE FOUNDATION

Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018



and
Report Thereon



Reports Required in Accordance with
the Uniform Guidance

For the Year Ended December 31, 2019



THE TELLURIDE FOUNDATION AND AFFILIATE

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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, 2019 and 2018, 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, 2019 and 2018, 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
November 10, 2020

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 4,092,253	\$ 5,844,034
Accounts receivable, net	583,298	1,097,482
Prepaid expense	74,670	41,683
Pledges and grants receivable, net of discount and allowance for bad debts	4,931,530	5,154,581
Investments	7,654,843	5,129,526
Note receivable	1,332,657	238,247
Property and equipment, net	395,808	431,540
TOTAL ASSETS	\$ 19,065,059	\$ 17,937,093
LIABILITIES AND NET ASSETS		
Grants payable	\$ 1,162,489	\$ 1,259,335
Accounts payable and accrued expenses	237,252	228,191
Deferred revenue	7,200	1,300
Note Payable	1,000,000	-
TOTAL LIABILITIES	2,406,941	1,488,826
NET ASSETS		
Without donor restrictions		
Unrestricted, Undesignated	7,729,746	7,066,994
Invested in Property and equipment	395,808	431,540
Total without donor restrictions	8,125,554	7,498,534
With donor restrictions		
Purpose restriction	4,050,717	3,795,152
Pledges received in future periods	4,481,847	5,154,581
Total with donor restrictions	8,532,564	8,949,733
TOTAL NET ASSETS	16,658,118	16,448,267
TOTAL LIABILITIES AND NET ASSETS	\$ 19,065,059	\$ 17,937,093

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

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2019

	2019			2018		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
REVENUE AND SUPPORT						
Contributions and Grants	\$ 1,873,289	\$ 2,120,451	\$ 3,993,740	\$ 3,960,994	\$ 3,534,019	\$ 7,495,013
Federal Contract Revenue	1,161,632	-	1,161,632	1,015,050	-	1,015,050
Dividends and interest	95,529	-	95,529	344,426	-	344,426
Other income	651,797	164,000	815,797	626,080	12,099	638,179
Net assets released from restrictions						
Satisfaction of time restrictions	1,359,000	(1,359,000)	-	(506,500)	506,500	-
Satisfaction of program restrictions	1,342,620	(1,342,620)	-	1,167,370	(1,167,370)	-
	<u>6,483,867</u>	<u>(417,169)</u>	<u>6,066,698</u>	<u>6,607,420</u>	<u>2,885,248</u>	<u>9,492,668</u>
EXPENSES						
Program Services:						
Grants and assistance programs	5,371,916	-	5,371,916	6,106,815	-	6,106,815
Education and consulting	347,601	-	347,601	291,638	-	291,638
Total Program Services	<u>5,719,517</u>	<u>-</u>	<u>5,719,517</u>	<u>6,398,453</u>	<u>-</u>	<u>6,398,453</u>
Support Services:						
Development	455,435	-	455,435	374,124	-	374,124
General and administrative	359,563	-	359,563	318,965	-	318,965
Total Support Services	<u>814,998</u>	<u>-</u>	<u>814,998</u>	<u>693,089</u>	<u>-</u>	<u>693,089</u>
TOTAL EXPENSES	<u>6,534,515</u>	<u>-</u>	<u>6,534,515</u>	<u>7,091,542</u>	<u>-</u>	<u>7,091,542</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(50,648)	(417,169)	(467,817)	(484,122)	2,885,248	2,401,126
Nonoperating Activities:						
Realized and unrealized investment gains and losses, net	707,668	-	707,668	(730,631)	-	(730,631)
Investments in TVA companies	(30,000)	-	(30,000)	(150,000)	-	(150,000)
CHANGE IN NET ASSETS	627,020	(417,169)	209,851	(1,364,753)	2,885,248	1,520,495
NET ASSETS, BEGINNING OF YEAR	7,498,534	8,949,733	16,448,267	8,863,287	6,064,485	14,927,772
NET ASSETS, END OF YEAR	<u>\$ 8,125,554</u>	<u>\$ 8,532,564</u>	<u>\$ 16,658,118</u>	<u>\$ 7,498,534</u>	<u>\$ 8,949,733</u>	<u>\$ 16,448,267</u>

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

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services		Support Services		Total
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	
Awards and grants to charitable organizations	\$ 1,806,373	\$ -	\$ -	\$ -	\$ 1,806,373
Salaries	1,248,735	145,703	223,741	84,577	1,702,756
In-kind expense	-	-	-	-	-
Professional fees and services	961,612	3,253	3,253	43,730	1,011,848
Employee benefits	344,141	47,697	69,576	25,972	487,386
Bad debt expense	-	-	-	126,828	126,828
Administrative fee expense	167,032	83,516	-	27,839	278,387
Payroll taxes	105,951	10,784	17,327	6,619	140,681
Mortgage and loan interest expense	-	-	-	-	-
Depreciation and amortization	24,068	3,888	3,888	3,888	35,732
Computer expense	48,972	13,800	17,755	7,229	87,756
Office and occupancy	200,121	4,155	9,702	4,157	218,135
Printing and publication	5,987	505	1,144	466	8,102
Travel	182,635	6,943	8,196	1,252	199,026
Miscellaneous	42,625	8,715	35,389	4,010	90,739
Telephone	4,128	827	2,505	1,087	8,547
Membership dues and subscriptions	7,688	752	1,128	3,776	13,344
Training and development	4,803	8,287	1,059	750	14,899
Website design and maintenance	25,815	5,822	8,733	2,911	43,281
Bank charges and investment fees	1,492	-	1,241	4,807	7,540
Supplies and equipment	119,662	1,618	4,222	1,820	127,322
Insurance	4,894	521	130	7,713	13,258
Postage and shipping	1,373	215	319	132	2,039
Special events and fundraising	-	-	46,127	-	46,127
Advertising	63,809	600	-	-	64,409
TOTAL	<u>\$ 5,371,916</u>	<u>\$ 347,601</u>	<u>\$ 455,435</u>	<u>\$ 359,563</u>	<u>\$ 6,534,515</u>

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

THE TELLURIDE FOUNDATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 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
In-kind expense	-	-	-	-	-
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
Mortgage and loan interest expense	-	-	-	-	-
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 STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 209,851	\$ 1,520,495
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized investment gains and losses, net	(707,668)	720,300
(Recovery of) provision for doubtful pledge receivables	(8,172)	51,556
Amortization of discount on pledge receivables	(177,390)	397,110
Depreciation and amortization	35,732	36,659
Change in operating assets and liabilities:		
Accounts receivable	514,184	(100,574)
Pledges and grants receivable	408,613	(2,577,775)
Prepaid expenses	(32,987)	(16,268)
Accounts payable and accrued expenses	9,061	32,918
Grant payable	(96,846)	(159,225)
Deferred revenue	5,900	1,300
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	160,278	(93,504)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection on note receivable	(94,410)	(54,591)
Long term note receivable	(1,000,000)	-
Proceeds from sale of investments	-	243,350
Purchases of investments	(1,817,649)	(714,742)
Purchase of property and equipment	-	(39,375)
NET CASH USED IN INVESTING ACTIVITIES	(2,912,059)	(565,358)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under note payable	1,000,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,000,000	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,751,781)	(658,862)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,844,034	6,502,896
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,092,253	\$ 5,844,034

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, 2019 and 2018**

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, a federated Treasury obligations 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, 2019 and 2018**

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, 2019 and 2018, 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, 2019 and 2018**

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 Grants Receivable

The Foundation uses the allowance method to determine uncollectible accounts, pledges and grants 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 grants receivable due to be received over periods beyond one year from the consolidated statements 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.

**THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018**

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

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.
- *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. As of December 31, 2019 and 2018, the Foundation has no net assets with donor restrictions to be held in perpetuity.

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

Revenue Recognition

Contributions and Grants

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 support without restrictions if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets received with donor stipulations limiting the use of the donated assets are reported as temporarily restricted if such donor stipulations are not fully met in the year the award is received. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor 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.

**THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018**

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

Federal 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) Uniform Guidance were required for the years ended December 31, 2019 and 2018 as the federal expenditure thresholds for OMB reporting were met.

Other Income

Other income includes grant service revenue of approximately \$225,000, fund management fees of approximately \$278,000, earnings from TVA investments of approximately \$153,000, and miscellaneous other gifts from donors and organizations.

Functional Allocation of Expenses

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

Estimates

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

Measure of Operations

The Foundation considers realized and unrealized gains and 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.

Date of Management's Review

Management has evaluated subsequent events through November 10, 2020 the date these financial statements were available to be issued

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. Investments

The Foundation used the following fair value measurements as of December 31, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi asset fund	\$4,402,183	\$ -	\$4,402,183	\$ -
Intermediate bond fund	1,043,012	1,043,012		
US Treasury securities fund	1,759,451	1,759,451		
Equity in TVA companies	30,000			30,000
Certificates of deposit	420,197	420,197		
Total	<u>\$7,654,843</u>	<u>\$ 3,222,660</u>	<u>\$4,402,183</u>	<u>\$ 30,000</u>

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

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

The fair value of the multi-asset fund as of December 31, 2019 and 2018 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.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. Investments (continued)

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 95,529	\$ 344,426
Unrealized gains (losses)	700,858	(726,500)
Realized gains (losses)	<u>6,810</u>	<u>(4,131)</u>
Total	<u>\$ 803,197</u>	<u>\$ (386,205)</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, 2019 and 2018, 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 Grants Receivable

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

	<u>2019</u>	<u>2018</u>
In one year or less	\$2,051,283	\$2,074,397
Between 1 to 5 years	3,439,000	3,694,500
Greater than 5 years	<u>-</u>	<u>130,000</u>
Subtotal	5,490,283	5,898,897
Less: Unamortized discount	(448,947)	(626,338)
Less: Allowance for bad debts	<u>(109,806)</u>	<u>(117,978)</u>
Total pledges and grants receivable, net	<u>\$4,931,530</u>	<u>\$5,154,581</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.

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 Foundation intends to renew the note with the same terms for the amount due on October 20, 2020. The note receivable balance was \$167,598 and \$175,747 as of December 31, 2019 and 2018, respectively.

**THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018**

4. Note Receivable (continued)

On November 20, 2019, 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, 2019, the entire amount of the note amount had been drawn. The note bears interest at a rate of 3% per annum with annual payments due November 19 each year. The principle and interest were paid off in entirety on July 08, 2020. The note receivable balance was \$152,560 and \$50,112 as of December 31, 2019 and 2018, respectively.

On November 30, 2019, 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 Foundation’s “Advance West End” Economic Development Assistance Grant or no later than December 31, 2021. The note receivable balance was \$12,500 and \$12,500 as of ended December 31, 2019 and 2018, respectively.

On March 28, 2019, the Foundation issued an unsecured note receivable in the amount of \$1,000,000 to First Southwest Community Fund, an unrelated third party. The note is non-interest bearing and due in full by or no later than December 31, 2021. The note receivable balance was \$1,000,000 and none as of ended December 31, 2019 and 2018, respectively.

5. Property and Equipment

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

	2019	2018
Buildings and improvements	\$ 514,784	\$ 514,784
Leasehold improvements	39,375	39,375
Leased equipment	42,328	42,328
Computer and software	21,278	24,300
Furniture, fixtures and equipment	31,511	31,511
Total property and equipment	649,276	652,298
Less: Accumulated depreciation and amortization	(253,468)	(220,758)
Property and equipment, net	\$ 395,808	\$ 431,540

Depreciation and amortization expense was \$35,732 and \$36,660 for the years ended December 31, 2019 and 2018, respectively.

6. Grants Payable

The Foundation distributes grants to various charitable organizations. As of December 31, 2019 and 2018, the Foundation had unconditionally promised to give \$1,162,489 and \$1,259,335, respectively, in grants. As of December 31, 2019, all grants payable are due to be paid within one year.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

7. Note Payable

The Foundation entered into a delayed draw term loan with a foundation on March 22, 2019 that allows for up to \$2,000,000 to be drawn. As of December 31, 2019, the Foundation has drawn \$1,000,000 as a note payable. The note payable carries interest at 2%. Payments of interest are due semiannually and beginning June 30, 2020. The note matures March 22, 2027 and the principal amount of \$1,000,000 is due in full on that date.

8. 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, 2019 and 2018, the Foundation had no demand deposits (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2019 and 2018) which exceeded the maximum limit insured by the FDIC.

On December 31, 2019 and 2018, the balances exceeded the maximum limit insured by the FDIC by approximately \$2,659,000 and \$4,881,000, respectively. The Foundation monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

9. Net Assets with Donor Restrictions

As of December 31, 2019 and 2018, net assets with donor restrictions were restricted for the following time periods and purposes:

	2020	2019
General operations for 2019	\$ -	\$ 1,506,500
General operations for 2020	1,599,500	1,241,000
General operations for 2021	1,475,000	958,500
General operations for 2022	905,000	550,000
General operations for 2023	549,000	500,000
General operations for 2024	380,000	340,000
General operations for 2025	130,000	130,000
Tri-County Health Network Program	2,572,178	2,705,103
Scholarship funds	968,830	1,070,563
Educational programs	114,690	133,388
Human services	188,634	162,936
Community development	208,485	351,058
Subtotal	9,091,317	9,649,048
Less: Unamortized discount	(448,947)	(626,337)
Less: Allowance for uncollectible receivables	(109,806)	(117,978)
Total Net Assets with Donor Restrictions	\$ 8,532,564	\$ 8,904,733

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

10. Donated Goods and Services

For the year ended December 31, 2019, in-kind contributions received by the Foundation consisted of \$31,088 of food, merchandise, and services. There were no in-kind contributions received by the Foundation during the year ended December 31, 2018.

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 food and merchandise are used in fundraising efforts and included in fundraising costs. The professional services are included in general and administrative costs

11. Pension Plan

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 \$50,916 and \$47,318 for the years ended December 31, 2019 and 2018, respectively.

12. Income Taxes

Telluride and TCHN are both exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Foundation reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the years ended December 31, 2019 and 2018, 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, 2019 and 2018, as neither organization had any net unrelated business income.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

13. 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:

	2019	2018
Cash and cash equivalents	\$ 1,515,757	\$ 4,590,050
Accounts receivable	31,652	1,097,482
Pledges and grants receivable	2,051,283	2,074,397
Note receivable	160,936	8,149
	\$ 3,759,628	\$ 7,770,078

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.

14. 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.

15. Subsequent Events

In early March 2020, the U.S. and global economies have reacted negatively in response to worldwide concerns due to the economic impact of the COVID-19 pandemic. These trends, including an economic turndown, and any potential resulting direct and indirect negative impacts to the Foundation, cannot be determined, but may have a material prospective impact to the Foundation's operations, cash flows, and liquidity.

On April 15, 2020, Telluride Foundation received a Federal Payroll Protection Program Loan in the amount of \$162,718. This loan is contingently forgiven if Telluride Foundation meets certain expenditure requirements. Any unforgiven portion of the loan will require monthly principal and interest payments beginning November 15, 2020, carries an interest rate of 1%, and matures April 15, 2022.

On May 2, 2020, TCHN received a Federal Payroll Protection Program Loan in the amount of \$258,216. This loan is contingently forgiven if TCHN meets certain expenditure requirements. Any unforgiven portion of the loan will require monthly principal and interest payments beginning December 2, 2020, carries an interest rate of 1%, and matures May 2, 2022.

**REPORTS REQUIRED IN ACCORDANCE WITH
THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Telluride Foundation and Affiliate
Telluride, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Telluride Foundation and Affiliate (separate nonprofit organizations collectively referred to as the Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
November 10, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Telluride Foundation and Affiliate
Telluride, Colorado

Report on Compliance for Each Major Federal Program

We have audited Telluride Foundation and Affiliate's (separate nonprofit organizations collectively referred to as the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2019. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
November 10, 2020

THE TELLURIDE FOUNDATION AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Programs: Health Care Cluster:			
Connecting Kids to Coverage Healthy Kids Program	93.767		\$ 55,514
Rural Health Care Services Outreach	93.912		187,194
Rural Health Network Development Program	93.912		326,574
Achieving New Heights Youth Substance Use	93.276		119,102
Small Health Care Provider Quality Improvement	93.912		60,565
Accountable Health Communities Model	93.650		<u>68,606</u>
Total U.S. Department of Health and Human Services			<u>817,555</u>
U.S. Economic Development Administration:			
Direct Programs: Rural Development Cluster:			
Southwest Innovation Corridor i6 Challenge	11.020		57,204
Southwest Innovation Corridor SEED Funding	11.020		1,924
Advance West End	11.307		<u>284,949</u>
Total U.S Economic Development Administration Programs			<u>344,077</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,161,632</u></u>

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Telluride Foundation and Affiliate (separate nonprofit organizations collectively referred to as the Foundation) under programs of the federal government for the year ended December 31, 2019. The information in the Schedule is presented in accordance with requirements of Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

2. Summary of Significant Accounting Policies

Expenditures: Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entities: Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The Foundation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Passed Through to Subrecipients

No grants were passed through to subrecipients.

THE TELLURIDE FOUNDATION AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior year audit findings.

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

Material weaknesses identified? NO.

Significant deficiencies identified? NO.

Noncompliance material to the financial statements noted? NO.

Federal Awards

Internal control over major programs:

Material weaknesses identified? NO.

Significant deficiencies identified? NO.

Noncompliance material to the financial statements noted? NO.

Type of auditor's report issued on compliance for major programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? NO.

Major Programs:

Dept. of Health and Human Services Cluster	CFDA 93.912 Rural Health Care Services Outreach Program Rural Health Network Development Program Small Health Care Provider Quality Improvement Program
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Dept. of Economic Development Cluster	CFDA 11.307 Advance West End
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Dollar threshold used to distinguish between Type A and
Type B programs: \$750,000

Auditee qualified as a low-risk auditee? YES.