TELLURIDE FOUNDATION

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

and
Report Thereon

Reports Required in Accordance with the Uniform Guidance

For the Year Ended December 31, 2022

THE TELLURIDE FOUNDATION AND AFFILIATE

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REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Telluride Foundation and Affiliate
Telluride, Colorado

Opinion

We have audited the accompanying financial statements of the 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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Telluride Foundation and Affiliate as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Telluride Foundation and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2023 on our consideration of the Telluride Foundation and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Telluride Foundation and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Telluride Foundation and Affiliate's internal control over financial reporting and compliance.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
July 25, 2023

THE TELLURIDE FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 7,771,390	$ 7,246,540
Accounts receivable	775,714	907,511
Prepaid expense	35,902	43,669
Security deposits	900	2,900
Pledges and grants receivable, net of discount and allowance for bad debts	3,949,747	4,643,989
Investments	6,018,898	7,741,827
Note receivable	1,141,632	1,163,048
Property and equipment, net	1,019,127	943,320
TOTAL ASSETS	$ 20,713,310	$ 22,692,804
LIABILITIES AND NET ASSETS		
Grants payable	$ 975,601	$ 1,066,540
Accounts payable and accrued expenses	326,522	342,904
Agency payable	-	250,000
Deferred revenue	-	4,500
Note payable	1,377,667	1,387,415
TOTAL LIABILITIES	2,679,790	3,051,359
NET ASSETS		
Without donor restrictions		
Unrestricted, Undesignated	9,684,026	10,390,644
Invested in Property and equipment	1,019,127	943,320
Total without donor restrictions	10,703,153	11,333,964
With donor restrictions		
Purpose restriction	4,232,757	4,459,826
Pledges received in future periods	3,097,610	3,847,655
Total with donor restrictions	7,330,367	8,307,481
TOTAL NET ASSETS	18,033,520	19,641,445
TOTAL LIABILITIES AND NET ASSETS	$ 20,713,310	$ 22,692,804

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

THE TELLURIDE FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions and Grants	$ 1,775,456	$ 2,797,341	$ 4,572,797	$ 2,574,857	$ 2,840,837	$ 5,415,694
Federal Contract Revenue	1,072,623	-	1,072,623	1,413,965	-	1,413,965
Service Contract Revenue	808,750	-	808,750	871,733	-	871,733
Dividends and interest	142,033	-	142,033	882,494	-	882,494
Other income	299,179	-	299,179	275,460	-	275,460
Net assets released from restrictions						
Satisfaction of time restrictions	1,497,546	(1,497,546)	-	1,844,500	(1,844,500)	-
Satisfaction of program restrictions	2,276,909	(2,276,909)	-	3,157,531	(3,157,531)	-
TOTAL REVENUE AND SUPPORT	7,872,496	(977,114)	6,895,382	11,020,540	(2,161,194)	8,859,346
EXPENSES						
Program Services:						
Grants and assistance programs	6,113,650	-	6,113,650	7,042,008	-	7,042,008
Education and consulting	406,644	-	406,644	490,760	-	490,760
Total Program Services	6,520,294	-	6,520,294	7,532,768	-	7,532,768
Support Services:						
Development	487,204	-	487,204	403,702	-	403,702
General and administrative	366,958	-	366,958	410,431	-	410,431
Total Support Services	854,162	-	854,162	814,133	-	814,133
TOTAL EXPENSES	7,374,456	-	7,374,456	8,346,901	-	8,346,901
CHANGE IN NET ASSETS FROM OPERATIONS	498,040	(977,114)	(479,074)	2,673,639	(2,161,194)	512,445
Nonoperating Activities:						
Realized and unrealized investment losses, net	(1,128,851)	-	(1,128,851)	(161,027)	-	(161,027)
Investments in TVA companies	-	-	-	(30,000)	-	(30,000)
CHANGE IN NET ASSETS	(630,811)	(977,114)	(1,607,925)	2,482,612	(2,161,194)	321,418
NET ASSETS, BEGINNING OF YEAR	11,333,964	8,307,481	19,641,445	8,851,352	10,468,675	19,320,027
NET ASSETS, END OF YEAR	$ 10,703,153	$ 7,330,367	$ 18,033,520	$ 11,333,964	$ 8,307,481	$ 19,641,445

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

THE TELLURIDE FOUNDATION AND AFFILIATE

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services		Support Services		
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	Total
Awards and grants to charitable organizations	$ 2,386,178	$ -	$ -	$ -	$ 2,386,178
Salaries	1,892,399	224,302	227,824	111,323	2,455,848
Professional fees and services	718,671	2,248	2,708	41,277	764,904
Employee benefits	354,216	43,889	53,569	26,710	478,384
Administrative fee expense	130,924	65,462	-	21,821	218,207
Computer expense	93,703	9,637	20,061	12,911	136,312
Payroll taxes	148,431	17,529	17,500	8,533	191,993
Bad debt expense	-	-	-	95,076	95,076
Special events and fundraising	-	-	77,494	-	77,494
Office and occupancy	97,280	4,341	13,136	9,874	124,631
Supplies and equipment	81,470	688	2,222	1,708	86,088
Travel	74,925	2,844	2,909	65	80,743
Miscellaneous	32,544	6,101	4,451	2,623	45,719
Advertising	28,591	200	-	-	28,791
Depreciation and amortization	9,414	9,414	9,414	9,414	37,656
Mortgage and loan interest expense	28,007	1,501	2,591	1,427	33,526
Website design and maintenance	11,573	3,746	5,621	1,876	22,816
Training and development	2,957	11,941	-	422	15,320
In-kind expense	-	-	38,388	-	38,388
Insurance	836	-	-	16,959	17,795
Telephone	6,752	328	1,857	1,628	10,565
Postage and shipping	2,064	132	376	277	2,849
Printing and publication	5,262	263	601	414	6,540
Bank charges and investment fees	1,525	-	3,365	609	5,499
Membership dues and subscriptions	5,928	2,078	3,117	2,011	13,134
TOTAL	$ 6,113,650	$ 406,644	$ 487,204	$ 366,958	$ 7,374,456

THE TELLURIDE FOUNDATION AND AFFILIATE

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services		Support Services		
	Grants and Assistance Programs	Education and Consulting	Development	General and Administrative	Total
Awards and grants to charitable organizations	$ 3,160,221	$ -	$ -	$ -	$ 3,160,221
Salaries	1,704,549	268,629	173,455	95,879	2,242,512
Professional fees and services	1,154,683	1,567	1,608	42,288	1,200,146
Employee benefits	312,103	56,506	37,868	21,969	428,446
Administrative fee expense	128,381	64,190	-	21,397	213,968
Computer expense	116,739	27,494	23,236	14,898	182,367
Payroll taxes	133,943	20,463	13,091	7,147	174,644
Bad debt expense	-	-	-	166,783	166,783
Special events and fundraising	-	-	94,523	-	94,523
Office and occupancy	69,539	6,125	11,115	5,707	92,486
Supplies and equipment	73,301	1,339	2,392	1,232	78,264
Travel	51,656	1,792	2,022	232	55,702
Miscellaneous	27,833	7,888	4,148	3,806	43,675
Advertising	36,376	536	-	-	36,912
Depreciation and amortization	8,749	8,749	8,749	8,748	34,995
Mortgage and loan interest expense	26,081	2,975	2,199	1,498	32,753
Website design and maintenance	14,242	2,760	4,319	1,465	22,786
Training and development	4,151	16,822	403	422	21,798
In-kind expense	-	-	15,000	-	15,000
Insurance	-	-	-	13,787	13,787
Telephone	6,268	670	2,798	1,253	10,989
Postage and shipping	6,651	590	1,656	782	9,679
Printing and publication	3,350	1,091	788	322	5,551
Bank charges and investment fees	1,021	-	3,471	56	4,548
Membership dues and subscriptions	2,171	574	861	760	4,366
TOTAL	$ 7,042,008	$ 490,760	$ 403,702	$ 410,431	$ 8,346,901

THE TELLURIDE FOUNDATION AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,607,925)	$ 321,418
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized investment gains and losses, net	1,128,851	161,027
Provision (recovery) for doubtful pledge receivables	15,924	(1,716)
Amortization of discount on pledge receivables	86,030	(51,904)
Depreciation and amortization	37,656	34,995
Change in operating assets and liabilities:		
Accounts receivable	131,797	(561,102)
Pledges and grants receivable	592,288	85,832
Prepaid Expenses Other assets	9,767	(31,419)
Accounts payable and accrued expenses	(90,939)	141,083
Grants payable	(16,382)	131,965
Agency payable	(250,000)	250,000
Deferred revenue	(4,500)	(1,245,500)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	32,567	(765,321)
CASH FLOWS FROM INVESTING ACTIVITIES		
Collection on note receivable	21,416	8,652
Proceeds from sale of investments	6,600,695	34,299
Purchases of investments	(6,006,617)	(853,119)
Purchase of property and equipment	(113,463)	(13,930)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	502,031	(824,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(9,748)	(9,338)
NET CASH USED BY FINANCING ACTIVITIES	(9,748)	(9,338)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	524,850	(1,598,757)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,246,540	8,845,297
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,771,390	$ 7,246,540
SUPPLEMENTAL INFORMATION		
Interest paid	$ 33,525	$ 32,752

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, mutual funds, exchange traded funds 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.

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, 2022 and 2021, 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.

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.

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 unrestricted, undesignated net assets.

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 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 net assets 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 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.

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 (UG) were required for the years ended December 31, 2022 and 2021 as the federal expenditure thresholds for OMB reporting were met.

Service Contract Revenue

Service contract revenue is related to services provided to third-party organizations. Revenue from the service contracts is recognized as the related services are performed.

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

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

those programs and supporting services. Salaries and payroll related costs are allocated based on estimated time spent. Grant expenses are allocated based on actual expenses incurred for grant and assistance programs.

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 investments in TVA companies to be non-operating in nature.

Recently adopted accounting pronouncements

Adoption of FASB ASU 2016-02 and 2018-11
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record Right of Use ("ROU") assets and corresponding lease liabilities on the balance sheet. ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. The new guidance requires the Foundation to continue to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the income statement and accompanying disclosures.

In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

The Foundation elected this transition method and adopted Topic 842 using a modified retrospective approach as of January 1, 2022, which had no effect of retained earnings as of the adoption date. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous lease accounting guidance in Accounting Standards Codification (ASC) Topic 840 - Leases.

The adoption of the standard did not have a material impact on the consolidated Statements of Financial Position, consolidated Statements of Activities, or consolidated Statements of Cash Flows.

Adoption of FASB ASU 2016-13
On January 1, 2022, the Foundation adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Foundation adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Foundation's consolidated financial statements but did change how the allowance for doubtful accounts is determined.

2. Investments

The Foundation used the following fair value measurements as of December 31, 2022:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund	$ 2,817,804	$ 2,817,804	$ -	$ -
Exchange traded product	3,201,094	3,201,094	-	-
Total	$ 6,018,898	$ 6,018,898	$ -	$ -

The Foundation used the following fair value measurements as of December 31, 2021:

	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	$ 6,241,031	$ -	$ 6,241,031	$ -
Intermediate bond fund	1,070,410	1,070,410	-	-
Certificates of deposit	427,094	427,094	-	-
Total	$ 7,741,827	$ 1,500,799	$ 6,241,031	$ -

The fair value of the multi-asset fund as of December 31, 2021 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.

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

	2022	2021
Interest and dividends	$ 142,033	$ 882,494
Unrealized gains	(480,745)	(165,325)
Realized gains	(648,106)	4,298
Total	$ (986,818)	$ 721,467

3. Pledges and Grants Receivable

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

	2022	2021
In one year or less	$ 2,229,138	$ 2,237,834
Between 1 to 8 years	2,076,500	2,864,000
Subtotal	4,305,638	5,101,834
Less: Unamortized discount	(269,778)	(355,808)
Less: Allowance for uncollectible pledges	(86,113)	(102,037)
Total pledges and grants receivable, net	$ 3,949,747	$ 4,643,989

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 outstanding balance was due on October 20, 2020. On October 23, 2020, the Foundation issued a new secured note receivable in the amount of $160,617. 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, 2025. The note receivable balance was $141,632 and $150,548 for the years ended December 31, 2022 and 2021, 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 Telluride Foundation's "Advance West End" Economic Development Assistance Grant or no later than April 30, 2022 due to a six month extension of the grant. The note receivable balance was $0 and $12,500 for the years ended December 31, 2022 and 2021, respectively.

On March 28, 2019, the Foundation issued and unsecured note receivable in the amount of $1,000,000 to First Southwest Community Fund, an unrelated third party. The note bears interest at 2% and is due in full by or no later than June 30, 2026. Payments of interest are due semiannually and beginning December 31, 2020. The note balance was $1,000,000 and $1,000,000 for the years ended December 31, 2022 and 2021, respectively.

5. Property and Equipment

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

	2022	2021
Building and improvements	$ 1,220,355	$ 1,106,892
Computer and software	21,278	21,278
Furniture, fixtures and equipment	99,312	99,312
Total property and equipment	1,340,945	1,227,482
Less: Accumulated depreciation and amortization	(321,818)	(284,162)
Property and equipment, net	$ 1,019,127	$ 943,320

Depreciation and amortization expense was $37,656 and $34,995 for the years ended, December 31, 2022 and 2021, respectively.

6. Grants Payable

The Foundation distributes grants to various charitable organizations. As of December 31, 2022 and 2021, the Foundation had unconditionally promised to give $975,601 and $1,066,540, respectively, in grants. As of December 31, 2022, all grants payable are due to be paid within one year.

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. The note payable balance was $1,000,000 and $1,000,000 for the years ending December 31, 2022 and 2021 , respectively. The note payable carries interest at 2%. Payments of interest are due semiannually and beginning December 31, 2020.

On April 27, 2021, TCHN received a Federal Payroll Protection Program Loan in the amount of $246,816. The loan was forgiven in entirety and recorded as grant income in 2021.

On June 15, 2020, the Foundation entered into a secured loan agreement with Alpine Bank for the amount of $401,250. The loan is secured by a Deed of Trust for real property located at 220 E Colorado Avenue, Ste 104, Telluride, CO 81435. The loan bears interest at a rate of 4.25% per annum with monthly payments of $2,187. The loan balance and accrued interest is due in entirety on June 15, 2030. There is no penalty for prepayment. The note payable balance was $377,667 and $387,415 for the years ended December 31, 2022 and 2021, respectively.

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, 2022 and 2021, the Foundation had no demand deposits (excluding noninterest-bearing transaction accounts, which were fully insured regardless of their balance as of December 31, 2022 and 2021) which exceeded the maximum limit insured by the FDIC.

On December 31, 2022 and 2021, cash balances exceeded the maximum limit insured by the FDIC by $6,753,295 and $5,700,505, 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, 2022 and 2021, net assets with donor restrictions were restricted for the following time periods and purposes:

	2022	2021
General operations for 2022	$ -	$ 1,551,500
General operations for 2023	1,432,000	1,226,500
General operations for 2024	1,079,000	837,500
General operations for 2025	572,500	330,000
General operations for 2026	112,500	110,000
General operations for 2027	52,500	50,000
General operations for 2028	52,500	50,000
General operations for 2029	52,500	50,000
General operations for 2030	50,000	50,000
General operations for 2031	50,000	50,000
Tri-County Health Network Programs	2,029,914	2,381,132
Scholarship Funds	1,322,080	1,039,799
Telluride Venture Network	249,998	244,082
Educational programs	36,507	44,407
Human Services	168,448	285,217
Community Development	425,811	465,189
Subtotal	7,686,257	8,765,326
Less: Unamortized discount	(269,778)	(355,808)
Less: Allowance for uncollectible receivables	(86,113)	(102,037)
Total Net Assets with Donor Restrictions	$ 7,330,367	$ 8,307,481

10. 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 $67,805 and $56,005 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, as neither organization had any net unrelated business income.

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:

	2022	2021
Cash and cash equivalents	$ 2,244,260	$ 2,217,713
Accounts receivable	113,566	282,742
Pledges and grants receivable	2,229,138	2,237,834
Note receivable	9,187	8,916
	$ 4,596,151	$ 4,747,205

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 has evaluated subsequent events through July 25, 2023, the date which the financial statements were available to be issued and notes one event requiring disclosure. On April 1, 2023 the Telluride Foundation merged with the Trust for Community Housing. Following the merger, the Foundation acquired $225,000 of assets related to the Trust for Community Housing's initiative of supporting first-time home buyers.

REPORTS REQUIRED IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Reese Henry & Company, Inc.
Certified Public Accountants

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, 2022, 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 July 25, 2023.

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) as a basis for designing 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.

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Report on 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 consolidated financial statements. 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
July 25, 2023

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

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
July 25, 2023

THE TELLURIDE FOUNDATION AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

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	$ -	$ 177,268
Rural Health Care Services Outreach	93.912	-	28,531
Small Health Care Provider Quality Improvement	93.912	-	45,503
Achieving New Heights Youth Substance Use	93.276	-	96,456
Small Health Care Provider Quality Improvement	93.912	-	188,099
Rural Health Network Development Program	93.912	-	334,154
Accountable Health Communities Model	93.650	-	57,769
Total U.S. Department of Health and Human Services		-	927,780
U.S. Economic Development Administration:			
Direct Programs: Rural Development Cluster:			
Advance West End	11.307		94,218
Total U.S Economic Development Administration Programs		-	94,218
U.S Department of Housing and Urban Development:			
Capacity Building for Community Development and Affordable Housing Cluster:			
Enterprise Rose Architectural Felowship	14.252		50,625
Total U.S Department of Housing and Urban Development:		-	50,625
Total Expenditures of Federal Awards		$ -	$ 1,072,623

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, 2022. The information in this Schedule is presented in accordance with the 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). 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.

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? None reported.
Significant deficiencies identified? None reported.

Noncompliance material to the financial statements noted? NO.

Federal Awards
Internal control over major programs:
Material weaknesses identified? None reported.
Significant deficiencies identified? None reported.

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:

U.S Department of Health and Human Services	CFDA 11.307 Advance West End
Department of Health and Human Services	CFDA 93.767 Connecting Kids to Coverage Healthy Kids Program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee? YES .