Approved by the Board 11/17/05

Resolution With Regard To Variance Power

RESOLVED:

That the Colorado Mountain Club Foundation shall have the power and the duty to modify and eliminate any designation, restriction, or condition on the distribution of funds for any specified charitable purposes if in its sole judgment (without the necessity or approval of any donor, custodian or agent) such designation, restriction or condition becomes in effect unnecessary, undesirable, impractical, incapable of fulfillment or inconsistent with its charitable goals as set out in Section 3.1 of the Amended and Restated Articles of Incorporation of the Colorado Mountain Club Foundation dated September 10, 2002.

Linda D. Johnson, CPA

6979 Hoyt Court, Arvada, CO 80004-1665 (303) 422-6459

January 3, 2002

Bill Schoeberlein
26054 Centennial Trail
Golden, CO 80401

Dear Bill,

Enclosed is a copy of the Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others.* Although it is 42 pages in length, the actual statement is only eight pages. The remaining pages are examples and background information.

The main purpose of the statement is to determine which entity records the contribution revenue when a donor gives a financial gift to a recipient organization (CMCF) with a restriction that the gift is to be used on behalf of or transferred to a beneficiary organization (CMC).

One of the main concerns is whether the donor has explicitly granted the recipient organization variance power. Variance power is the unilateral power to override the donor's instructions to redirect the use of the transferred assets to another beneficiary. The statement indicates it is to be explicitly granted by the donor (see paragraph 12). Therefore the CMCF may not be able to obtain variance power in its Memorandum of Understanding.

If there is not variance power then it has to be determined the relationship between the CMC and the CMCF. Is the CMCF an intermediary, agent or a financially interrelated organization to the CMC? Paragraphs 8-14 and 98 discuss these relationships. (When I reviewed paragraph 98 it addressed financially interrelated organizations instead of variance power as we were discussing).

Only in the case of variance power does CMC not record an entry on their books. In the case of CMCF being an intermediary or agent, then CMC would record in their books a receivable or beneficial interest in CMCF. In the case of financially interrelated organizations, then CMC would record in their books an interest in the net assets of CMCF. CMCF will record either a liability or recognize the revenue as illustrated in the flowchart on pages 10-12. If an entry is recorded in the books of the CMC, then it may be an asset that can be attached to a lawsuit – you would know this better than I.

I hope this information is helpful. If you have any questions please do not hesitate to call me. I will return from our ski trip on January 15th. Please let me know your conclusions.

Sincerely,

Linda D. Johnson, CPA

Linda D. Johnson, CPA

Encl.

cc: Jim Gehres, Sam Guyton and John Layman

Linda D. Johnson, CPA

6979 Hoyt Court, Arvada, CO 80004-1665 (303) 422-6459

TO: John Layman

FROM: Linda D. Johnson, CPA

DATE: January 3, 2002

RE: Statement of Financial Accounting Standards No. 136

PAGES: 6, including this cover page

Dear John,

As discussed with you today I am faxing you the summary and flow chart pages from #136. You will receive the entire copy in the mail. The key issues that need to be decided are whether the CMCF has variance power, and the relationship CMCF has with CMC – intermediary, agent or financially interrelated organizations. Please let me know what is decided in terms of the CMCF's relationship with CMC.

Linda

FASB #136

fair value, using a valuation technique such as the present value of the estimated expected future cash flows. In all other cases, a beneficiary shall recognize its rights to the assets held by a recipient organization as a receivable and contribution revenue in accordance with the provisions of Statement 116 for unconditional promises to give.[7]

16. If the donor explicitly grants a recipient organization variance power, the specified unaffiliated beneficiary shall not recognize its potential for future distributions from the assets held by the recipient organization.

Transfers of Assets That Are Not Contributions

17. A transfer of assets to a recipient organization is not a contribution and shall be accounted for as an asset by the resource provider and as a liability by the recipient organization if one or more of the following conditions is present:

a. The transfer is subject to the resource provider's unilateral right to redirect the use of the assets to another beneficiary.
b. The transfer is accompanied by the resource provider's conditional promise to give or is otherwise revocable or repayable.
c. The resource provider controls the recipient organization and specifies an unaffiliated beneficiary.
d. The resource provider specifies itself or its affiliate as the beneficiary and the transfer is not an equity transaction (paragraph 18).

18. A transfer of assets to a recipient organization is an equity transaction if all of the following conditions are present:

a. The resource provider specifies itself or its affiliate as the beneficiary.
b. The resource provider and the recipient organization are financially interrelated organizations.
c. Neither the resource provider nor its affiliate expects payment of the transferred assets, although payment of investment return on the transferred assets may be expected.

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[7]For an unconditional promise to give to be recognized in financial statements, paragraph 6 of Statement 116 states, "... there must be sufficient evidence in the form of verifiable documentation that a promise was made and received." Paragraph 15 of Statement 116 states, "Receipts of unconditional promises to give with payments due in future periods shall be reported as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of a promise make clear that the donor intended it to be used to support activities of the current period." Paragraph 20 of Statement 116 states, "The present value of estimated future cash flows using a discount rate commensurate with the risks involved is an appropriate measure of fair value of unconditional promises to give cash" (footnote reference omitted).

John, FYI re: $80,000 Neuhoff Endowment (FASB #117)

Appendix D

GLOSSARY

168. This appendix contains definitions of certain terms or phrases used in this Statement.

Donor-imposed restriction

A donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association. A restriction on an organization's use of the asset contributed may be temporary or permanent.

Endowment fund

An established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit organization. The use of the assets of the fund may be permanently restricted, temporarily restricted, or unrestricted. Endowment funds generally are established by donor-restricted gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The principal of a permanent endowment must be maintained permanently—not used up, expended, or otherwise exhausted—and is classified as permanently restricted net assets. The principal of a term endowment must be maintained for a specified term and is classified as temporarily restricted net assets. An organization's governing board may earmark a portion of its unrestricted net assets as a board-designated endowment (sometimes called funds functioning as endowment or quasi-endowment funds) to be invested to provide income for a long but unspecified period. The principal of a board-designated endowment, which results from an internal designation, is not donor restricted and is classified as unrestricted net assets.

Functional classification

A method of grouping expenses according to the purpose for which costs are incurred. The primary functional classifications are program services and supporting activities.

1) MOVE NEUHOFF ENDOWMENT TO UNRESTRICTED
2) SEND $15,000 CHECK TO KRISTY
3) TELL LINDA ABOUT $30,000 COMMITMENT (FOOTNOTE 9)
4) SEND COPY OF THIS TO ANITA SAVAGE - ASK FOR COPY OF WRITTEN MINUTES
5) ASK BILL S. WHEN MEETING WITH CC NAT. BANK IS. ALSO ASK FOR COPY OF JOINT AGREEMENT.
6) 8/27 TOLLAND 9 AM
7) UPDATE ADDRESS LIST
8) ASK JENNY FOR LAMA'S LETTER
9) FISCAL YEAR END
(C) TAX I.D. #