| BOW VALLEY PICKLEBALL ASSOCIATION | NET ASSETS AND BOARD DESIGNATION POLICY | POLICY NO. | 14 |
|---|---|---|---|
| | | EFFECTIVE DATE | January 14, 2024 |
| | | REVISION DATE | June 17, 2026 |

## 1. BVPA Mission

Our mission is to develop pickleball as a sport for all in the Bow Valley by promoting the health, physical, and social well-being of our members through organized recreational and competitive play in an atmosphere of collegiality and sportsmanship.

## 2. Purpose

The purpose of this policy is to:

1. Establish a clear and consistent framework for the classification of net assets in accordance with Accounting Standards for Not-for-Profit Organizations (ASNPO);
2. Distinguish appropriately between:
    - unrestricted net assets,
    - Board-designated (internally restricted) net assets, and
    - donor-imposed (externally restricted) net assets;
3. Provide governance discipline over funds the Board intends to earmark for future priorities; and
4. Ensure financial reporting remains proportionate, transparent, and sustainable for a small, volunteer-run organization.

## 3. Accounting Framework

The Association prepares its financial statements in accordance with ASNPO and applies the Deferral Method as described in Section 4410. Under the Deferral Method, unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized and the donor-imposed restrictions are satisfied.

## 4. Net Asset Categories

**4.1 Unrestricted Net Assets**

Unrestricted net assets represent the accumulated excess of revenue over expenses that is available for the general operations of the Association.

These resources may be used at the discretion of the Board for any purpose consistent with the Association's mission and governing documents.

**4.2 Board-Designated Net Assets (Internally Restricted)**

Board-designated net assets are amounts that have been internally restricted by the Board to provide for circumstances such as:

- club growth and development initiatives (including but not limited to court access and infrastructure, programming, membership experience, and related strategic priorities), and/or
- financial resilience and stability in the event of unforeseen circumstances.

Key characteristics of Board-designated net assets:

- They originate solely from Board decisions, not from donor stipulations.
- They do not constitute externally imposed restrictions under ASNPO.
- They are not available for general operating purposes without explicit Board approval.
- They may be amended or rescinded by the Board at any time.

When related expenses are incurred, they are charged to operations, and the balance of Board-designated net assets is reduced accordingly.

Board-designated amounts are disclosed in the notes to the financial statements.

**4.3 Externally Restricted Contributions and Externally Restricted Net Assets**

Externally restricted contributions are those subject to explicit donor-imposed stipulations that meaningfully limit how the Association may use the funds.

Consistent with the Association's application of the Deferral Method (as described in Section 3), unspent externally restricted contributions are recorded as Deferred Contributions and are not included in net assets.

As a general rule, the Association does not expect to report externally restricted net assets. Under ASNPO, externally restricted net assets arise only in limited circumstances where a donor-imposed restriction continues to apply after revenue recognition (for example, permanent endowments or contributions subject to a continuing use restriction).

Amounts received with broad, mission-aligned donor intent (such as support for club growth, development, or promotion of pickleball) do not constitute externally restricted net assets.

## 5. Segregation of Funds

Where appropriate, and consistent with the Association's Investment Policy, certain funds may be held in separate bank accounts or low-risk interest-bearing accounts for administrative convenience or transparency.

The physical segregation of funds does not, by itself, create an external restriction or determine accounting classification.

## 6. Board Designation Process

1. **Approval**

   All Board designations must be approved by resolution and documented in meeting minutes.

2. **Purpose and Amount**

   Each designation will clearly state the intended purpose and the amount designated.

3. **Review**

   Board-designated balances will be reviewed periodically and adjusted as necessary based on financial performance, liquidity needs, and strategic priorities.

4. **Annual Consideration of Board Designations**

   As part of its annual budget approval and year-end financial review, the Board may consider transferring a portion of the current year's excess of revenues over expenses from unrestricted net assets to Board-designated net assets.

   Such consideration is subject to the following conditions:

   - The amount considered for designation shall not exceed 50% of the current year's excess of revenues over expenses;
   - The designation is not automatic and requires explicit Board approval by resolution;
   - The Board must be satisfied that:
     - the Association maintains adequate unrestricted liquidity to meet near-term operating needs; and

- the approved budget for the subsequent fiscal year targets at least a breakeven or surplus operating result, such that the designation does not impair ongoing financial sustainability.

Amounts designated under this policy reflect Board intent only and do not constitute externally imposed restrictions. The Board may amend or rescind such designations in future periods as circumstances require.

## 7. Use of Board-Designated Net Assets

1. **Identification of Use**

   The Board will identify proposed uses of Board-designated funds, and the Treasurer will confirm alignment with the approved designation.

2. **Authorization**

   Material uses of Board-designated funds require prior Board approval.

3. **Monitoring and Reporting**

   The Treasurer is responsible for monitoring designated balances and reporting changes as part of regular financial reporting to the Board.

## 8. Policy Review

This policy will be reviewed periodically by the Board and updated as necessary to reflect changes in accounting standards, governance practices, or the Association's operations.

## Revision History

| Date | Rev. No. | Change |
|---|---|---|
| January 26, 2026 | 1 | Policy updated to align with ASNPO, clarify internal Board designations, and reflect current governance and financial reporting practices. |