

# Red River Nordic Ski and Biathlon Club

## Financial Policy

### Surplus / Deficit

#### Background

Red River Nordic Ski and Biathlon Club (herein "RRN") provides a number of services to its members including, but not limited to, ski instruction, biathlon instruction, race coordination, event coordination and club administration. There are currently more than 250 members within RRN.

As with any sports organization that provides services to members, there are certain cash and contingency requirements that are needed for ongoing club operation. These cash requirements are to allow RRN to pay in advance for equipment, clothing, deposits on events, and other activities, most of which will be ultimately reimbursable from members either through annual registration fees, clothing charges, equipment charges or event fees. The requirements also include reserves for contingencies, such as potential shortfalls on specific activities held by the club where the activities do not garner sufficient event fees to cover costs.

Many smaller sports clubs ask for deposits from members to cover these cash requirements and contingencies at the beginning of a season, and reimburse unused funds back to the membership at the end of a season. For a club the size of RRN, this is not administratively efficient and, as such, the club attempts to maintain an ongoing surplus that allows the club sufficient cash flow and contingency reserves to operate without annual member deposits.

While the size of the surplus necessary is an estimate subject to variation, the club strives to keep the level of the surplus within certain parameters that allow for cash flow and contingencies, but do not represent significant in-year costs to the individual members. That is, we do not want current members to significantly subsidize the programs of future years by building a surplus in too short a period of time, nor do we want financial burdens from current year to penalize future members by drawing down a surplus in a short period of time.

#### Policy - Surplus

Based on analyses by the Board of Directors, the Board believes that an appropriate fiscal year-end surplus should be in the range of **\$40 to \$60 per member** (subject to annual review), and the board strives to keep the surplus in this range.

When the surplus is at an acceptable level, RRN will attempt through budgeting to match its revenues and expenditures in a given year, such that the surplus will remain at an acceptable level.

If the year-end surplus is below or at the low end of the acceptable range, a small in-year surplus may be budgeted in the following year. Similarly, if the year-end surplus is above or at the high end of the range, a small in-year shortfall may be budgeted in the following year. Where the surplus is significantly below or above the target range, the Board may choose to address the shortfall or surplus over a longer period not to exceed five years.

The Board also notes that RRN is not permitted to have a year-end deficit, and may not borrow funds or commit to activities with a total exposure greater than our surplus.

#### Windup

If RRN ceases to exist as an entity, the Board will distribute any surplus remaining after windup costs either to members and/or as a legacy donation to the ski community at large, in a manner deemed reasonable and equitable at the time.