



**DNS-OARC**

## OARC Reserves Policy

- DNS-OARC is formally recognized by US Federal and California state tax authorities as a 501(c)3 non-profit, and compliance with these requirements, and adherence to auditor advice on conformance to regulations and practices relevant to these, are over-riding considerations in all matters concerning this Reserves Policy.
- As a nonprofit, OARC's will be operated on an ongoing basis of long-term cash flow and profit & loss neutrality, as defined in a budget approved at the start of each year by the Board, and in OARC's regular operations as overseen by the Board.
- Best practice for nonprofits states that cash reserves should be maintained to continue operations of the organization in the complete absence of revenue for a period of some months to years. In recent years OARC has maintained a cash balance of some 4-6 months' operating expenses in addition to OARC's outstanding deferred revenue liability, and at no point should OARC allow its reserves to drop below this level.
- The target reserves level for OARC is enough to cover 6 months' expenses to support minimal operations in addition to covering deferred revenue liabilities. In 2019, the Board set the objective of this being achieved by end 2022.
- In each annual budget, a surplus over operating expenses of some 10% should be targeted whenever feasible to set aside cash towards building reserves.
- OARC should ensure that its cash reserves are invested at the best available rate of return consistent with being available to meet ordinary ongoing and emergency draw-down requirements. Care should also be taken to invest these in diverse institutions to maximize protection and minimize risk.
- Excessive year-on-year budgetary surpluses are inconsistent with the public benefit nature of non-profit tax status, and should be avoided to prevent undue regulatory attention. Once reserves have been built in accordance with this policy, OARC should take measures to ensure it does not generate excessive cash surpluses in any business year.

*v2019\_1 KNM 2019-03-11*