



CFAR

CENTER FOR APPLIED RATIONALITY

“Excess assets” policy

CFAR has an "excess assets" policy, specifying that **once we surpass a certain level of unrestricted assets, we grant out the excess rather than continue to hold it ourselves.** This policy is intended to ensure that donors to CFAR need not worry about our room for more funding: when we have more than we can productively use ourselves, the result is more grants to the best charities we've found.

We seek to hold a reasonable level of assets: one that gives us a stable, predictable financial situation and the ability to plan and to take any outstanding opportunities that come up (particularly with regard to hiring). Assets beyond what we feel we need in order to accomplish this are granted out.

Unrestricted assets are the assets controlled by CFAR that are available for operating expenses (this excludes assets held in any donor-advised fund as well as all assets restricted by donors in such a way that we can't use them for operating expenses).

"Months' worth of unrestricted assets" refers to how many months we could operate, according to current (generally conservative) expense projections, if revenue were to cease entirely.

We seek to be in a financial position such that *our cash flow projections show us having 12 months' worth of unrestricted assets in each of the next 12 months.* A couple of simplified examples to illustrate this idea:

- If we had projected expenses of \$30,000 per month (constant), and projected no new revenue in the next 12 months, we would need \$720,000 of unrestricted assets in order to fulfill the above criterion (in this case, we

would be projecting \$360,000.00 in unrestricted assets - just enough for 12 months - 12 months from now).

- If we had projected expenses of \$30,000 per month (constant) and expected \$500,000 of revenue to come in all at once six months from now, we would need \$510,000 of unrestricted assets in order to fulfill the above criterion (in this case, we would be projecting \$360,000 in unrestricted assets - just enough for 12 months - five months from now).

"Excess assets" are defined as unrestricted assets in excess of what is needed to fulfill the above criterion.

At each Board meeting at which we approve a budget (of which we have at least one per year), we assess the level of our "excess assets" and, if we have any, to irrevocably earmark them for regranting (the timing and nature of the grants will be at our discretion, but the grants cannot be made to CFAR or an affiliated organization).