

MICHIGAN STATE BAR FOUNDATION

OPERATING RESERVE POLICY

Purpose

The Operating Reserve Fund (“Reserve”) has been established to provide Michigan State Bar Foundation (“MSBF”) with a one-year operating reserve if revenues and available funds are diminished or eliminated to the point that MSBF could not operate. The Reserve Fund is defined as a designated fund set aside by action of the Board of Directors.

Target Reserves

To establish the Reserve Fund, MSBF Board of Directors initially designated \$500,000 of existing unrestricted funds.

The amount of the Reserve Fund target minimum will be initially calculated based on FY2024 annual operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, travel, and ongoing professional services. In addition, the calculation will include an estimated payout of unused annual leave.

This amount will be periodically reviewed and updated if significant changes in operating expenses occur.

Funding of Reserves

At any time throughout the year, the Board may decide to add unrestricted funds to the Reserve Fund.

Use of Reserves for Extreme Circumstances

MSBF will generally not distribute any of the reserves if such distribution results in a balance less than the target minimum, except when the Board of Directors determines that extreme circumstances exist.

The Executive Director will make recommendations to the Finance Audit Committee. The Finance Audit Committee will review staff recommendations and make recommendations to the Board for action.

Reporting and Monitoring.

The Executive Director is responsible for ensuring that the Reserve is maintained and used only as described in this Policy. Upon approval for the use of Reserves, MSBF will maintain records of the use of funds.

Relationship to Other Policies

The Reserve Policy will be implemented in concert with the other governance and financial policies of MSBF and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans. The Reserve Fund will be invested based on guidance from our investment advisors and in accordance with the organization’s Investment Policy.

Amendment and Review of Policy

MSBF reserves the right to amend this policy. This Policy will be reviewed as needed by the Finance Audit Committee. Changes to the Policy will be recommended by the Finance Audit Committee to the Board of Directors.

Original Adopted by the Board of Directors March 13, 2024