

**MICHIGAN STATE BAR FOUNDATION
IOLTA GRANT STABILIZATION/EMERGENCY ISSUES FUND
RESERVE POLICY**

Purpose

The Grant Stabilization/Emergency Issues Reserve Fund (“Reserve”) has been established to provide Michigan State Bar Foundation (“MSBF”) with the ability to sustain annual grant funding in the event of a decline in future IOLTA revenue for civil legal aid grants and to meet emerging needs or decreases in other annual operating funding. 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 has designated \$1,500,000 of existing IOLTA funds.

The amount of the Reserve Fund target minimum will be calculated each year as part of the annual budgeting process, based on an average of the upcoming year and two prior years of annual legal services operating grants.

This amount will be reported to the Finance Audit Committee/Board of Directors and included in the regular financial reports.

Funding of Reserves

During the budgeting process, the Board will determine what amount should be added to meet the following objectives: 1) minimum target reserve; or 2) to meet emerging needs or decreases in annual operating funding that affects the majority of annual grantees.

At any time throughout the year, the Board may determine to add additional funds to the Reserve Fund.

Use of Reserves in Excess of the Target Minimum Reserve

The Executive Director and staff will identify the need for access to reserve funds and confirm that the use is consistent to meet emerging needs or decreases in annual operating funding that affects the majority of annual grantees. As a part of this process, the Executive Director will do the following:

- Analyze the reason for the needed funds; and
- Assess the availability of any other sources of funds before using reserve funds.

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

Use of Reserves for Extreme Circumstances

The 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