

ARKANSAS ACCESS TO JUSTICE FOUNDATION RESERVE POLICY

Purpose of the Reserve Fund:

The Reserve Fund has been established to provide a source of funding for daily operations of the Arkansas Access to Justice Foundation and for sustaining grant funding for civil legal aid program grantees in the event of a decline in revenues or in the event of a fiscal crisis that affects the Foundation's operations. The Reserve Policy provides guidance to the Board of Directors, the Finance Committee, and Arkansas Access to Justice staff concerning the use of the Reserve Fund.

Funding the Reserve Fund; Optional Distributions to Endowment Fund:

If the reserve fund is not fully funded, At least ten percent (10%) of each month's IOLTA income shall be placed in the Reserve Fund of the Foundation, as defined below. Additionally, any unrestricted surplus revenue remaining after the conclusion of a grant cycle may also be placed in the Reserve Fund or Endowment Fund, or divided between the two. All earnings on investments in the Reserve Fund shall be maintained in the Reserve Fund and reinvested. The Board may, at its option, decrease or discontinue distributions to the Reserve Fund at any time.

Investment of the Reserve Fund:

The Foundation's risk tolerance for the Reserve Fund is very low and should adhere to the Foundation's Investment Policy.

Target Reserve:

The Target Reserve shall be calculated on an annual basis and shall be the greater of \$750,000 or sum of the following:

1. ~~Six months' worth of~~ The current fiscal year budgeted expenses of the Foundation, exclusive of grant funds for grantees, plus
2. An amount equal to the total grant awards made out of IOLTA revenue (including grants made out of unclaimed and unidentifiable funds that have been released from restrictions) during the ~~previous year~~ most recent year when such grants were awarded.

The Foundation staff shall calculate the Target Reserve after the close of the fiscal year and shall provide the calculation to the Finance Committee and the Board.

Distribution of the Reserve Fund:

Except in extreme circumstances, as determined by the Foundation Board, no more than twenty-five percent (25%) of the Reserve Fund may be distributed in any fiscal year.