

## Appendix D:

# AFI Project Reserve Accounts and Participant IDAs

AFI has a few requirements regarding how the Project Reserve Account and participant IDAs are structured. Knowing these requirements and including them in any agreement with your financial institution partner(s) and in Participant Savings Plans are the keys to a successful AFI Project. Below are some important tips for designing and managing these accounts. Additional information is included in the discussion of grant management and reporting in the next section of this guide.<sup>1</sup>

**Keep accounts in Federally insured financial institutions.** Project agencies must maintain the Project Reserve Account at a Federally insured financial institution, such as a bank or credit union. If no Federally insured bank or credit union is available, accounts may be maintained in a State-insured financial institution.

**Do not mingle the AFI Project Reserve Account or participant IDAs with other funds.** The Project Reserve Account and the IDAs must be separate and distinct from other accounts held by your organization or by the participants. Project Reserve Accounts for different AFI grants should also be separate and distinct.

**Draw Federal funds when nonfederal funds are available and deposited into the Project Reserve Account.** Organizations that are managing AFI Projects may draw down their Federal grant funds as soon as the nonfederal contribution is available. It is best to have access to the nonfederal contribution as early as possible and to draw the total of the Federal grant amount as soon as the nonfederal funds are deposited into the Project Reserve Account. All nonfederal contributions and the Federal grant amount deposited into the Project Reserve Account may earn interest income. The resulting interest income may be used to augment the total resources available for the program. Once an amount is allocated to a participant IDA, however, the interest income earned on that amount is also allocated to the participant's IDA on a prorated basis (see below).

*Tip:* A great added-value marketing tool for both participants and potential funders is offering interest on top of the match itself. First, many AFI Project staff report that this offers more incentive to participants. Second, interest earned on the fund in the Project Reserve Account is available to the grantee organization for other uses (e.g., administrative costs)—as long as it is not already dedicated to specific participant IDAs.

Section D of the Project Builder that discusses the Project Reserve Account and participant IDAs includes illustrations of how funds are joined in the reserve account and how they are disbursed from the reserve account.

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<sup>1</sup> See Section D of the AFI Project Builder: A Guide for Planning and Assets for Independence Project: <http://www.acf.hhs.gov/assetbuilding/applying.html#guide>.