

**Society of American Archivists
Council Conference Call
October 14, 2019
3:00 – 5:00 pm EST**

**Proposed SAA Operating Reserve Policy
(Prepared by SAA Treasurer Amy Fitch and
Finance/Administration Director Peter Carlson)**

During the May 2019 Council discussion of the proposed FY20 budget, Fitch and Carlson noted the advisability of developing an Operating Reserve Policy for SAA. Carlson provided an update at the August 2019 Council meeting on Finance Committee discussions as well as review by the auditors. The following Operating Reserve Policy is proposed by the Finance Committee for Council approval. Embedded in the proposed policy is a response to the Council's request to rename the Technology Fund.

**Society of American Archivists
Operating Reserve Policy**

I. PURPOSE

The purpose of this Operating Reserve Policy is to ensure that SAA builds and maintains an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as research and development, staff development, or investment in infrastructure. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. SAA intends for the operating reserves to be used and replenished within a reasonable period of time. This Operating Reserve Policy will be implemented in conjunction with the other financial policies of the organization (see SAA Governance Manual, [Appendix A. Current SAA Policies and Procedures](#)), and is intended to support the goals and strategies outlined in those related policies and in strategic and operational plans.

II. DEFINITIONS AND GOALS

SAA's reserves will be held in two discreet funds: 1) the Operating Reserve Fund and 2) the Projects Fund. Both will be funded by retained earnings from SAA operations.

The Operating Reserve Fund is established to provide sufficient funds to maintain

ongoing operations and programs for a period of six months. The target minimum to be held in this reserve fund is equal to a rolling six-month average of recurring operating costs for the immediate prior period in which the SAA annual meeting occurred.

The Projects Fund may be used to fund specific strategic or organizational goals, beyond what might be considered “ongoing operations.” (This fund serves a purpose much like the Technology Fund, which was established in 2001 and superseded by this Projects Fund.) This fund will not be subject to a target minimum.

III. ACCOUNTING FOR RESERVES

The Operating Reserve Fund and the Projects Fund will be recorded in the accounting and financial statements as Council-designated funds. Both will be funded by and available in cash or cash equivalents and/or conservative long-term bond investments. Operating and Projects reserves will be commingled with the general cash and investment accounts of the organization.

IV. FUNDING OF RESERVES

The Operating Reserve Fund and the Projects Fund will be funded with surplus unrestricted operating funds. The SAA Council may, from time to time, direct that a specific source of revenue be set aside for either fund. Examples may include one-time gifts or bequests, special grants, or special appeals.

V. AUTHORITY TO USE THE OPERATING RESERVE FUND

The Executive Director and Director of Finance/Administration will identify the need for access to the Operating Reserve Fund, confirm that the use is consistent with the purpose of the reserves as described in this Operating Reserve Policy, notify the Finance Committee, and make a recommendation for approval to the Executive Committee. Determination of need requires analysis of 1) the sufficiency of the current level of reserve funds, 2) the availability of any other sources of funds before using reserves, and 3) the time period during which the funds will be required and replenished. Should the Executive Committee determine that replenishment would likely take more than twelve months from the date of notification, it will seek approval from the full Council.

Upon funding approval, authority to implement use of the Operating Reserve Fund is delegated to the Executive Director and the Director of Finance/Administration in consultation with the Treasurer and the Finance Committee. Disbursement of Operating Reserve Fund reserves will be reported to the SAA Council at its next scheduled meeting, with a description of the rationale for the use of funds and plans for replenishing the Operating Reserve Fund to the target minimum amount (or other such level as determined by the SAA Council).

The Operating Reserve Fund will be reviewed annually by the Finance Committee and target levels adjusted as internal and external changes require.

VI. AUTHORITY TO USE THE PROJECTS FUND

The SAA Council will identify the need for access to the Projects Fund and confirm that the use is consistent with the purpose of the reserves as described in this Operating Reserve Policy. Authorization for the use of funds from the Projects Fund will require a Council resolution identifying the purpose and duration of the financial support and its relation to the SAA Strategic Plan.

Authority to implement use of the Projects Fund is delegated to the Executive Director and the Director of Finance/Administration in consultation with the Treasurer and the Finance Committee, as appropriate. Use of the Projects Fund will be reported to the Finance Committee and the Council according to the routine financial reporting schedule.

VII. REPORTING AND MONITORING

The Executive Director and Director of Finance/Administration are responsible for ensuring that the Operating Reserve Fund and the Projects Fund are maintained and used only as described in this Policy. The Executive Director and Director of Finance/Administration will maintain records of the use of funds and the plan for replenishment, and will provide regular reports to the Finance Committee and the Council.

Each year, the Executive Director and Director of Finance/Administration will discuss with the Finance Committee and the Council what additional risk factors might be considered for the organization, the impact of budgeting on operating reserve levels, and any requirements with funders.

VIII. REVIEW OF POLICY

This Policy will be reviewed by the Finance Committee every year, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the SAA Council. This policy, upon every revision hereof, must be distributed by the Director of Finance/Administration to the following: the SAA Council, the SAA Foundation Board of Directors, SAA staff directors, and SAA's audit partner.