

# Overview of ASME Finances

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This document introduces you to the basics of who is involved in the budget planning process, how the planning process works, where our money comes from, how it is spent and saved, and the process by which programs are funded, including Merit-Based Funding for Sections.

## Volunteer Leader and Staff Roles and Responsibilities

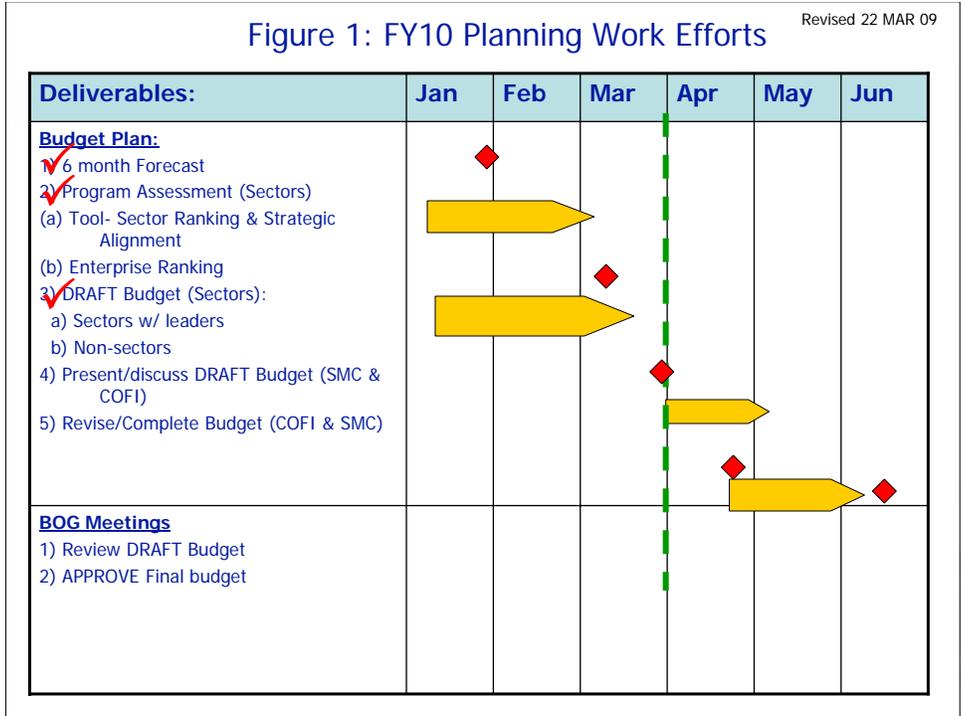
- The ASME Board of Governors (BOG) sets goals and strategic direction and approves the annual budget;
- The Committee on Finance and Investment (COFI) recommends annual budgets to the BOG, reviews all funding requests, reviews programs in light of their strategic importance and performance, and reviews variances from the projected budget.
- The individual Sectors, with oversight from the Sector Management Committee (SMC), develop programs, prepare business plans, implement programs, monitor and manage the performance and budget of the programs, and conduct program assessment.
- ASME staff assists Sectors, Operating Units, and Committees in implementing approved programs and collecting, organizing, and reporting on operations.

## ASME Three-Year Integrated Planning Process

- The SMC performs program assessment to ensure that programs align with ASME strategy.
- The planning process is focused on strategic objectives and proceeds as follows:
  - Updating of the strategic objectives for the coming year, for ASME as a Society and cascading down through the individual Sectors, using the Balanced Scorecard;
  - Establishing specific goals, targets, initiatives and measures for implementation and monitoring of the strategic objectives, using the Balanced Scorecard; and
  - Developing and approving of the budget, based on the results of the Enterprise (Society-level) and Sector strategic plans and budgets.
- The annual planning cycle is a three-year integrated financial plan that:
  - Factors in the three-year boiler code cycle where revenue is recognized over a three-year period.
  - Integrates operating and non-operating segments of ASME.
- The goal is a balanced 3-year net operating budget.

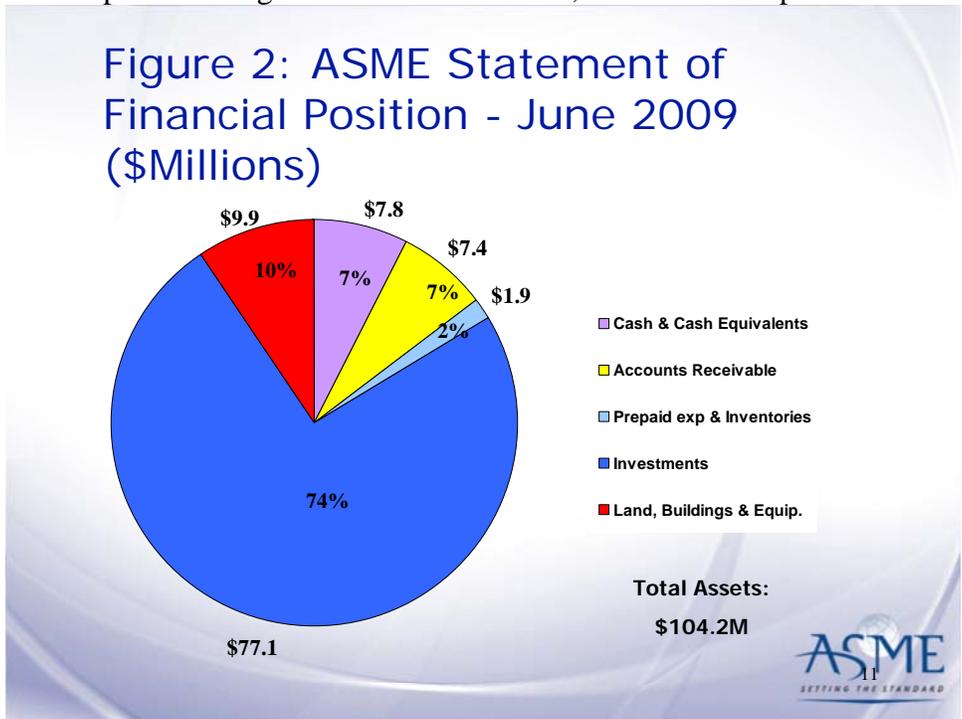
The timing of the cycle is depicted in Figure 1.

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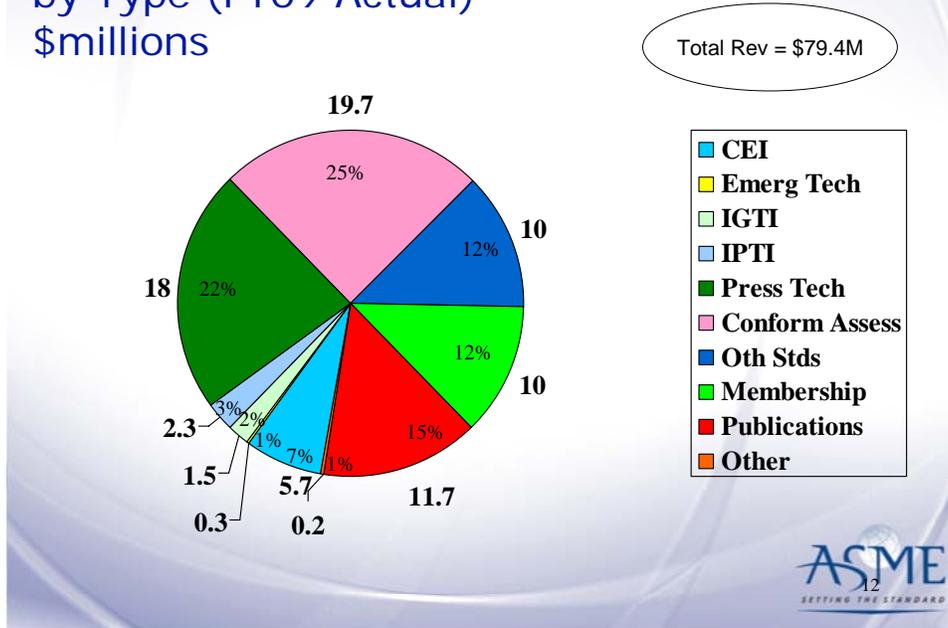
## Assets, Revenue, and Expenses

- Figures 2-4 depict the categories of ASME's assets, revenue and expenses.

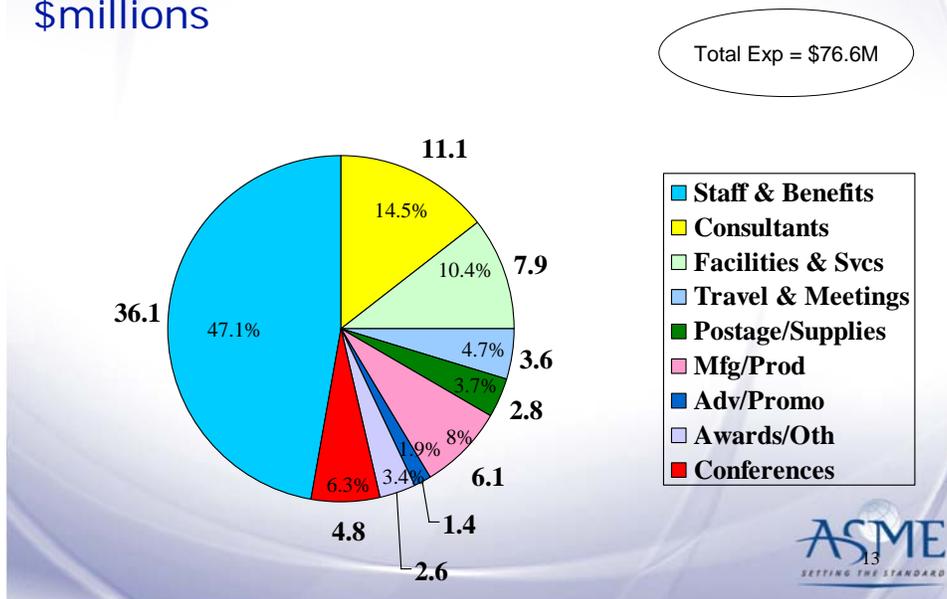


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**Figure 3: General Fund Operating Revenue by Type (FY09 Actual)**  
\$millions



**Figure 4: General Fund Operating Expense by Type (FY09 Actual)**  
\$millions



## Overview of ASME Finances

### Fund Balance, Operating Budget, Reserves, and Investments

*Fund Balance* - the balance of ASME's overall funds is made up of the operating budget and its various reserve funds. The overall fund balance = assets – liabilities.

#### Operating Budget

- “Budget” normally refers to General Fund
- The General Fund is the greatest source of funds for ASME's programs.
- General Fund = Operating Budget = ~\$82.5 million

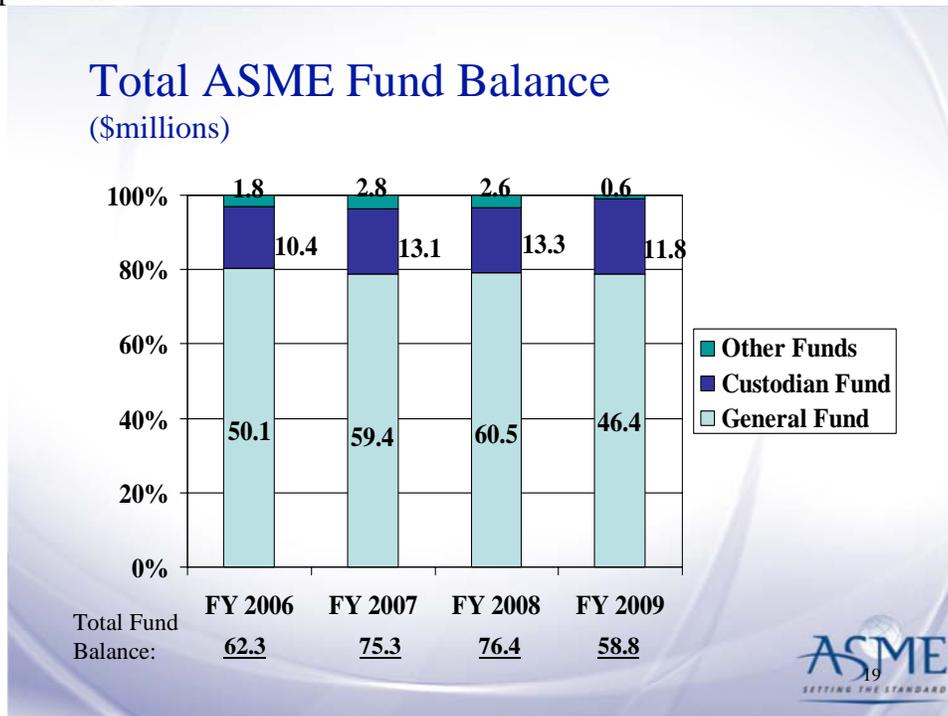
*Reserves* - ASME also maintains a Reserves Fund, which it needs for a number of reasons, including funds for growth and investing in initiatives and projects and contingency.

- The BOG has established a goal of a reserve equal to or greater than 60% of the average of 3 years of operating expenses.
- Its 2009 Balance was  $\approx$  \$50.1 million (greater than the target set by the BOG)
- Other Fund Balances:
  - Custodial or Sections/Division     \$11.8M
  - Foundation\*                             \$18.1M
  - Auxiliary\*                                 \$ 1.2M
  - Others:                                     \$ .6M

*Investments* – investments make up approximately 70% of ASME's assets

- The asset allocation guideline ASME uses is 60% equity/40% fixed

\*Separate Corporations



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### **Program Funding Options**

Most of the Society's programs and services are funded through the annual operating budget. In addition to the General Fund (Operations), there are several program funding options available, which can be solicited in instances where the project may not have been identified in time for the budget cycle, or for programs that are new or cross-functional, or require start-up funding and are strategic in nature.

The [ASME Development Fund](http://www.asme.org/Governance/Volunteer/Funding/Development_Fund.cfm) is intended to support projects and programs that are thought to be worthwhile with long-term benefit to the Society, but where the response and reception are not yet known. Any project is eligible for consideration as long as it provides a benefit to mechanical engineering and/or the Society. Funds are intended to permit a project or program to be tested prior to inclusion in the annual operating budget. In no case will Development Funds be used to augment existing, operating General Fund programs. The Development Fund was established in the 1950s, from contributions from industry to undertake projects of a developmental nature. Since 1971 voluntary contributions from members have been added to the fund. There is no specific limit to requests for funds; however, annual voluntary contributions from members generally run \$350k-\$500k. Additional information is available online at [http://www.asme.org/Governance/Volunteer/Funding/Development\\_Fund.cfm](http://www.asme.org/Governance/Volunteer/Funding/Development_Fund.cfm).

The [ASME Foundation Grants Program](http://www.asme.org/Governance/Volunteer/Funding/Foundation_Grants_Program.cfm), funded by donations, provides grants to ASME units to enable them to develop leading edge programs that help engineers fulfill their leadership role in society - to use technology for the benefit of all. Eligible projects are not expected to be net revenue producers, and the minimum request is \$20,000. Additional information is available online at [http://www.asme.org/Governance/Volunteer/Funding/Foundation\\_Grants\\_Program.cfm](http://www.asme.org/Governance/Volunteer/Funding/Foundation_Grants_Program.cfm).

The Board of Governors designates an annual percentage of operating reserves to be used for new enterprise initiatives and innovation. The funds are for broad-based, cross sector proposals for the development of programs that further the ASME strategic initiatives approved by the Board of Governors, and for projects that are outside the "business as usual" of the proposing unit. Funding for both single- and multiple-year projects is available. There is no dollar limit to proposal funding requests; however, the total funding available in any given year will vary, based on the recommendation of the Committee on Finance and Investment.