

# 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.

# Overview of ASME Finances

## Figure 1: FY12 Planning Work Efforts

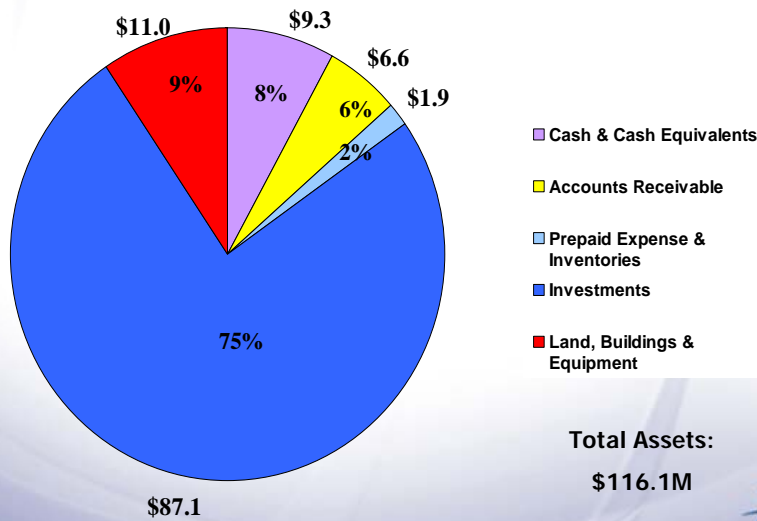
Deliverables:	Jan	Feb	Mar	Apr	May	Jun
<b>Budget Plan:</b>						
1) 6 month Forecast		◆				
2) Program Assessment (Sectors)						
(a) Tool- Sector Ranking & Strategic Alignment	▶					
(b) Enterprise Ranking						
3) DRAFT Budget (Sectors):			◆			
a) Sectors w/ leaders	▶					
b) Non-sectors						
4) Present/discuss DRAFT Budget (SMC & COFI)			◆			
5) Revise/Complete Budget (COFI & SMC)				▶		
<b>BOG Meetings</b>						
1) Review DRAFT Budget				◆		
2) APPROVE Final budget				▶		◆



### Assets, Revenue, and Expenses

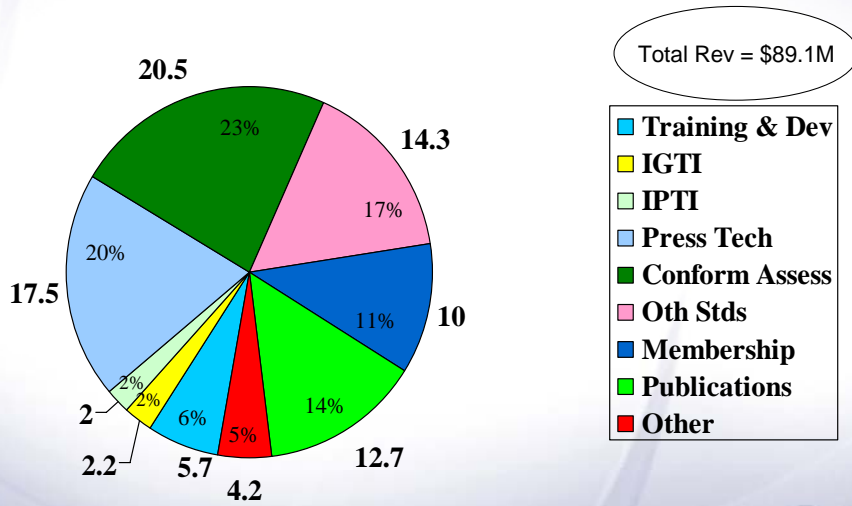
- Figures 2-4 depict the categories of ASME's assets, revenue and expenses.

## Figure 2: Statement of Financial Position/Balance Sheet - June 2010 \$ millions

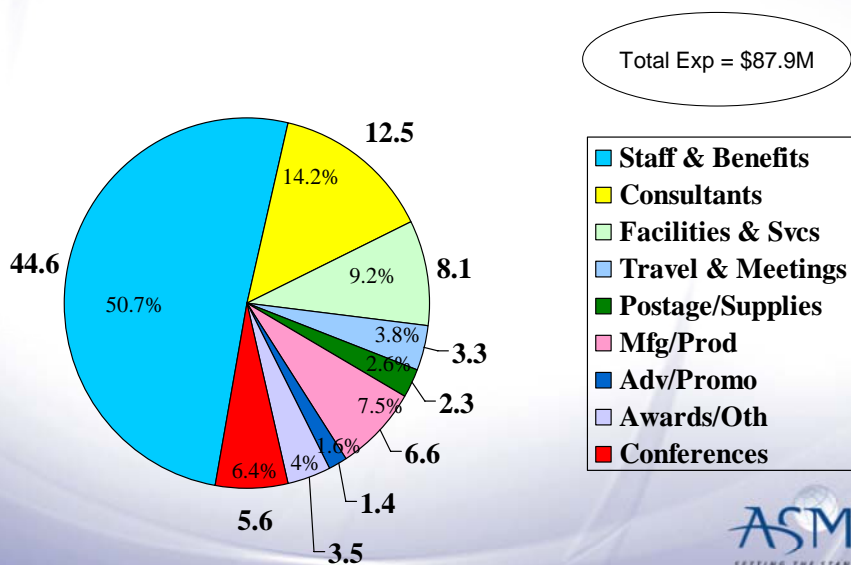


## Overview of ASME Finances

**Figure 3: General Fund Operating Revenue by Type (FY10 Actual) \$ millions**



**Figure 4: General Fund Operating Expense by Type (FY10 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 plus IGTI & IPTI
- Operating Budget = ~\$92.8 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 2010 Balance was  $\approx$  \$55.5 million (greater than the target set by the BOG)
- Other Fund Balances:
  - Custodial or Sections/Division \$14.2M
  - Foundation\* \$20.1M
  - Auxiliary\* \$ 1.3M
  - Others: \$ .2M

*Investments* – investments make up approximately 75% of ASME's assets

- The asset allocation guideline ASME uses is 55% equity/45% fixed

\*Separate Corporations

