

## **SOCIETY POLICY**

### **FISCAL FRAMEWORK**

#### **I. PREAMBLE**

- A. Article C4.1.1 of the Constitution reads: "The affairs of the Society shall be managed by a Board of Governors chosen from its membership which shall have full control of the activities of the Society subject to the limitation of the Constitution and By-Laws, Society Policies and Procedures, and the Laws of the State of New York."
- B. Article C4.1.11 of the Constitution reads: "The deposit, investment and disbursement of all funds shall be subject to the direction of the Board of Governors."
- C. The Board of Governors at its meeting in December 1986, recognizing the need to provide general policy guidance for the management of overall fiscal affairs of the Society, adopted a "Fiscal Policy Framework". Relevant sections of the Fiscal Policy Framework are summarized and incorporated herein.

#### **II. PURPOSE**

To serve as a guide for all units in fiscal and program planning and in program analysis and evaluation.

#### **III. POLICY**

- A. All Society Policies with fiscal impact upon ASME must meet or exceed the minimum requirement of this Society Policy as relates to fiscal responsibility and accountability content.
- B. The beneficiary or beneficiaries of a program shall provide a basis for determining the extent to which ASME will subsidize or support a program.
  - 1. Where the individual is the chief beneficiary, the fully burdened cost of the program must be recovered by the fees or charges to the participants or recipients of the program. Exceptions may be made during the initial development phase of the program. When feasible, as determined by the market, a surplus should be the target.
  - 2. Where ASME, the field of engineering, and /or the public is the chief beneficiary, the proportion of ASME funding support shall be established by the Board of Governors.

- C. Wherever possible, the overall ASME budget should be structured so that cost and benefit associated with a particular program are embodied in the same unit. Responsibility, accountability, and control for that particular program should also rest within the same unit.
- D. If III. C. is not possible, then the proportion share of ownership by various units shall determine the responsibility, accountability, and cash flow related to the program.
- E. The Board of Governors shall establish the following for each program:
1. Direct program responsibility of ASME;
  2. Budget for the program; and
  3. Surplus or cost proportions.
- F. If there are to be financial arrangements for the distribution of program income between units of ASME, those arrangements should be governed primarily by consideration of the Risk/Benefit distribution. If units wish to share in the surplus income, they should be willing to risk sharing in any potential loss. The degree of risk exposure shall determine the share of the benefit.
- G. New program development provisions.
1. Budget allocations for new programs shall be contingent upon the following:
    - a. Proposal documents containing the description of the program, the need for the program, the anticipated income and expenditures, and contingency plans for situations where actual results substantially differ from those projected;
    - b. The funds available for all new programs; and
    - c. The priority for programs as established by the Board of Governors.
  2. It should be recognized by all units of the Society that, to the extent new programs are initiated that require a subsidy or net financial support by the Society, and absent any new source of income to the Society, financial support to existing programs will have to be cut back and/or programs will have to be terminated.
- H. Definition
1. A "beneficiary" may be an individual, ASME, the field of engineering, or the public.

2. A "program" may be a service, a product, a conference, or such other activity of ASME.
3. The "fully burdened cost" includes the direct and indirect costs.
4. The "benefits" of a program include the tangible benefits and the intangible benefits, as evaluated by the Board of Governors.

Responsibility: Committee on Finance and Investment

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