

Summary of Changes to ASEE Financial Policies

Background and Purpose

- Minor editorial changes

Financial Policy 1: Overall Financial Policy

1.1. Financial Aims of ASEE

- Minor editorial changes

1.2. ASEE Tax Exemption Status

- No changes

1.3. Responsibilities of the Board of Directors, the Finance Committee, the Executive Director, and the Chief Financial Officer

- Added information about the role of the Chief Financial Officer, who was not mentioned in the previous version of the document.

1.4. Balance Between Core Mission Activities and Contracts and Grants

- Made this section more descriptive and less prescriptive. Converted a table into text for readability.

1.5. Net Assets and Long-Term Investment Reserve

- Adopted the term Long-Term Investment Reserve in this section and throughout the rest of the document.
- Removed some unnecessary discussion of sources of revenue and expenses that do not provide policy guidance.

1.6. Cost and Overhead Recovery

- Minor editorial changes

1.7. Cash Management

- Added the last bullet point, emphasizing the importance of cash management strategies such as a sweep account, mirroring actual practice.

Financial Policy 2: Restricted Funds

2.1 Definition and Scope

- No changes.

Financial Policy 3: Unrestricted Funds

3.1. Definition and Scope

- No changes

3.2 Banking and Accounting Services System (BASS)

- Changed the last bullet item to reflect that all interest earned on a BASS account is credited quarterly to that account.

3.3. Board-Designated Funds

Summary of Changes to ASEE Financial Policies

- No changes.

Financial Policy 4: Investments

4.1. Organization and Responsibilities

- Small changes to reflect the central role of the CFO in managing investments.

4.2. Short-Term Investments

- Removed a list of acceptable short-term investments in order to allow the CFO and ED to use their professional judgment.
- Removed a requirement that an excessive amount of cash be maintained on hand.

4.3. Long-Term Investments

- Emphasized the central role of the CFO in maintaining these investments.
- Removed a list of acceptable long-term investments in order to allow the CFO and ED to use their professional judgment.

4.4. Limits and Controls

- Emphasized the central role of the CFO in maintaining investments.
- Removed a list of acceptable long-term investments in order to allow the CFO and ED to use their professional judgment.

4.5. Diversification of Investments

- Combined sections 4.5 and 4.6, reducing a large number of very prescriptive policies down to the most important policies to ensure our investments are diversified.

Financial Policy 5: Capital Assets

5.1. Equipment Assets

- Increased the threshold for a capital asset from \$1000 to \$5000, reducing the cost to track these assets.

5.2. Depreciation of Capital Equipment

- No changes.

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| Removed Financial Policy 6, ASEE Reserve Fund. The contents of this short policy were included elsewhere in the document. All future policy numbers were decremented by one. |
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Financial Policy 6: Dues Income

6.1 Status of Dues Income

- No changes

6.2 Dues Billing Cycle

- No changes

Summary of Changes to ASEE Financial Policies

Financial Policy 7: Non-Dues Income

7.1 Publication Sales, Subscriptions, Advertising, and Mailing Labels

- No changes

7.2 Conference, Workshop, and Seminar Fees

- No changes

7.3 Revenue Sharing with Field Units

- No changes

7.4 Investment Income

- No changes

7.5 Grants and Contracts

- No changes

7.6 Charitable Contributions

- No changes

Financial Policy 8: Endowments

8.1 General Policy

- No changes

8.2 The Corpus of an Endowment

- No changes

8.3 Endowment of National Awards

- No changes

8.4 Reserve Earnings

- Changed the title of this policy to better reflect the content.
- Removed a reference to an administrative fee, which has been replaced by the 30% overhead rate.
- Clarified what happens when money moves into a reserve for an award.
- Clarified what happens when a reserve cap is reached.

8.5 Limits and Controls

- Removed a reference to ASEE contributing to awards from the general fund.

Summary of Changes to ASEE Financial Policies

Financial Policy 9: Externally Sponsored Awards and Activity Funds

9.1 Definition and Scope

- No changes

9.2 Sponsor Commitments

- No changes

9.3 Limits and Controls

- No changes

Financial Policy 10: Field Unit Finances

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| Some sections in this policy were re-ordered for clarity. |
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10.1 External Bank Accounts

- Added a section heading for clarity.
- Combined the previously unnumbered content at the start of this policy with content from the section on external bank accounts, which was repetitive.

10.2 Banking and Accounting Services System (BASS)

- Again, indicated that all interest earned on a BASS account is credited to that account.
- Minor editorial changes.
- Added the last bullet point, preventing BASS account expenses are that imprudent, in violation of the law, or unethical.

10.3 Zone Finances

- Removed a requirement preventing the use of Zone funds for personnel expenses.

10.4 Professional Interest Council Finances

- Added this discussion to mirror the other sections in this policy.

10.5 Institutional Council Finances

- Clarified that Institutional Council funds will be replenished each year, and funds do not roll over.
- Moved the level of replenishment to an external policy document that can be changed more easily.

Summary of Changes to ASEE Financial Policies

10.6 Section Finances

- Clarified that sections will have additional funds deposited in their BASS account each year, and existing funds roll over.
- Eliminated a distinction between annual budgets and BASS accounts, making life easier on section officers and on the finance office.
- Moved the amount of money given to each section to an external policy document that can be changed more easily.

10.7 Division Finances

- Clarified that divisions will have additional funds deposited in their BASS account each year, and existing funds roll over.
- Moved the amount of money given to each division to an external policy document that can be changed more easily.

10.8 Dues Income

- No changes.

10.9 Non-Dues Income

- Reorganized this section for clarity.
- Added detailed description of the 30% overhead rate.

Financial Policy 11: Planning and Budgeting (Revised June 2017)

11.1 Definition and Scope

- No changes.

11.2 Unrestricted Operating Budget

- No changes.

11.3 Restricted Operating Budget

- No changes.

11.4 Surplus Fund Balances

- Minor editorial changes.

11.5 Budget Development Process and Schedule

- Completely re-wrote this section to better match the current practice for developing and approving the annual budget.

11.6 Unbudgeted Expenditures

- No changes.

Summary of Changes to ASEE Financial Policies

11.7 Budget Amendments

- No changes.

11.8 Limits and Controls

- No changes.

11.9 Chart of Accounts

- No changes.

Financial Policy 12: Accounting and Reporting

12.1 Responsibilities

- Modified this section to emphasize the significant role played by the CFO.

12.2 Method of Accounting

- No changes.

12.3 Standard Reports and Schedule

- No changes.

Financial Policy 13: Safeguards and Controls

13.1 Competitive Procurement

- No changes.

13.2 Commitment of ASEE Funds

- No changes.

13.3 Authorized Signature

- Added the CFO as an authorized signature.

13.4 Annual Audit of Financial Records

- No changes.

13.5 Annual Conference Financial Transactions

- No changes.

Financial Policy 14: Risk Management

14.1 Indemnification

- No changes.

14.2 Insurance

- No changes.

Summary of Changes to ASEE Financial Policies

Financial Policy 15: Conflict of Interest

15.1 General Policy

- No changes.

15.2 Suppliers Holding Membership

- No changes.

Financial Policy 16: Travel Expenses

- Rewrote this section to reference the newly approved travel policy, which supplants most of the policies that appeared in this section.

ASEE Financial Policies

Background and Purpose

The financial policies of The American Society for Engineering Education (ASEE) have evolved by the actions of successive Boards of Directors and their Executive and Finance Committees. These actions have been recorded in the minutes of the meetings of these bodies. The various policies have been compiled into this Financial Policy Manual, to serve as a ready reference for:

- Volunteer officers and others who need to understand ASEE financial policy;
- The Board of Directors, which, on behalf of ASEE members, establishes and modifies financial policy, as may be appropriate;
- The Finance Committee, which is responsible for oversight of fiscal management in accordance with policy, review of financial policy, and for recommendations to the Board of Directors to modify financial policy; and,
- The Executive Director, who is responsible for the financial management of ASEE.

Financial Policy 1: Overall Financial Policy

1.1. Financial Aims of ASEE

- The American Society for Engineering Education, Inc., is a 501(c)(3) nonprofit organization that is operated exclusively for scientific, educational and charitable purposes with a specific focus on the advancement of engineering education and related activities. Increasing assets, while not the function of ASEE, is a legitimate goal that supports the need to develop working capital that is needed to underwrite Society capabilities and services. It is the policy of the Board of Directors of ASEE that the realization of these worthwhile purposes warrants a financially vital organization, so that expended capital can be replenished, the Society's capability can be enhanced, the eroding effects of inflation can be offset, new technologies can be adopted, services can be expanded, and ASEE can be protected against financial harm due to recessions or other uncontrollable situations.
- ASEE's tax exempt status is predicated on its service to engineering education as a whole — not on the provision of benefits exclusively to its own members. Accordingly, ASEE activities, products and services will be available to members and non-members. Reasonable pricing differentials can and will be used, however, since member dues provide a foundation for all ASEE activities.
- All funds earned under the auspices of ASEE, by any unit of the organization, are part of the assets of ASEE.
- No ASEE member, director, officer, employee, committee member, or any other private individual shall receive at any time a share of the net earnings or monetary profit from the operations of ASEE. This prohibition shall not prevent the payment to any such person of reasonable compensation for services rendered to ASEE in fulfilling any of its purposes, as defined by the Board of Directors.

1.2. ASEE Tax Exemption Status

The American Society for Engineering Education is exempt from federal taxes under the 501(c)(3) designation used for qualified charitable, educational, and scientific organizations.

Maintaining this tax exemption is a primary concern of the Board of Directors and shall be a primary concern of all Officers and Directors of ASEE.

1.3. Responsibilities of the Board of Directors, the Finance Committee, the Executive Director, and the Chief Financial Officer

The ASEE Board of Directors is legally responsible for ensuring the financial success of the organization by reviewing financial reports, evaluating financial policies, and approving budgets, among other items.

The Finance Committee provides direct oversight of the Society's finances, including budgeting, financial planning, financial reporting, and the creation and monitoring of internal controls and financial policies. The Finance Committee will make recommendations to the Board of Directors regarding these issues.

Responsibility for the day-to-day financial operation of the Society rests with the Executive Director (ED). The Executive Director implements the budget approved by the Board of Directors and ensures that all financial policies and controls are followed appropriately.

The Chief Financial Officer (CFO) oversees the operation of the Finance Office, provides financial reports to the Finance Committee and the Board of Directors, prepares an initial draft of the annual budget, and provides guidance and counsel to the Executive Director on financial issues.

All members of the Board of Directors, all members of the Finance Committee, the Executive Director, and the CFO should exercise fiduciary duty to act in the best interest of the organization and its members, including a duty of loyalty and a duty of care.

1.4. Balance Between Core Mission Activities and Contracts and Grants

The mission of ASEE is to advance innovation, excellence, and access at all levels of education for the engineering profession. The organization carries out many activities designed to directly support this core mission, while other activities, such as those associated with contracts and grants, are undertaken primarily for the financial return they provide. ASEE should maintain an appropriate balance of activity between core mission and contracts and grants activity.

A. Examples of core mission activities include:

1. Membership
2. Conventions & Seminars
3. Communications & Society Advancement
4. Education and Career Development activities not related to contracts and grants
5. Assessment, Evaluation & Institutional Research activities not related to contracts and grants
6. Appropriately allocated General & Administrative expenses

B. Examples of contract and grant activities include:

1. Fellowship and Research Opportunities
2. Education and Career Development activities related to contracts and grants

3. Assessment, Evaluation & Institutional Research activities related to contracts and grants
 4. Appropriately allocated General & Administrative expenses
- C. Core Mission Activities should provide revenue that is sufficient to cover the associated operating expenses and all fixed General and Administrative expenses.
- D. In order to minimize the risk of being overly dependent on any one type of revenue and to ensure the sustainability of the Society's core mission, revenue from Core Mission and Contract & Grant activity (excluding pass-through money) should each provide approximately half of the Society's revenue, with neither segment exceeding 80% of revenue without approval of the Board of Directors.

1.5. Net Assets and Long-Term Investment Reserve

Operating as a 501(c)(3) non-profit organization, ASEE generates revenue and pays expenses in alignment with an annual budget that is approved by the Board of Directors.

- A. Net Assets are defined as the accumulated net income (revenues minus expenses) of ASEE since its inception. Net Assets include cash and cash equivalents, Long-Term Investment Reserve, net fixed assets, and real estate, among other categories.
- B. The Long-Term Investment Reserve is designed to allow the Society to deal with unexpected negative financial events. The Board's stated goal is for the balance of this account to equal or exceed 30% of the budgeted revenue for core mission activities. No funds shall be spent out of the Long-Term Investment Reserve without approval of a majority of the Board of Directors.

1.6. Cost and Overhead Recovery

- All direct costs related to an activity shall be recovered either through income generated in connection with the activity or through the approved use of ASEE funds.
- It is important to the financial welfare of ASEE that all Officers recognize that the indirect or overhead expenses of ASEE are real costs of carrying out activities. Appropriately allocated overhead costs shall be recovered in all ASEE revenue budgets and pricing structures for products, services, and externally funded projects that are supported by headquarters activity.
- The ASEE overhead rate shall be audited annually by the CPA firm chosen to conduct the external audit of the ASEE financial condition. Any exception to the application of the audited ASEE overhead rate to an internally or externally funded project or activity must be approved by the Finance Committee.

1.7. Cash Management

- The authority and responsibility for effective management of cash flow of ASEE rests with the Executive Director in consultation with the CFO.
- The Executive Director shall ensure that the earnings of all restricted funds are appropriately accounted for and credited.
- The Executive Director shall ensure that ASEE income is collected and that debts are paid in a timely manner.
- ASEE shall maintain at all times a balance of cash and short-term investments sufficient to cover all reasonably anticipated expenses. It is the responsibility of the Executive Director (in consultation with the CFO) to ensure that the cash reserve is neither too low (running the

risk of a cash flow crisis) nor too high (preventing the organization from receiving appropriate return on its assets). Automated cash management strategies such as the use of a sweep account are encouraged.

Financial Policy 2: Restricted Funds

2.1 Definition and Scope

- Restricted funds are those revenues advanced to and accepted by ASEE with the stipulation that they be used exclusively for the accomplishment of specific objectives. Various government and privately sponsored programs and endowed and sponsored awards are included in this category.
- Restricted funds are unavailable for any use other than that for which they have been advanced. All direct and overhead expenses incurred by ASEE in fulfilling the purposes of these activities are reimbursed out of these funds.
- Upon fulfilling specified objectives, and pursuant to any stipulations in the original agreement with the sponsor, any remaining balance shall be returned to the sponsor, including the remaining balance of any interest earned on resident cash during the period of the funded program. If the return of a remaining balance and/or interest is not specified in the original agreement with a sponsor, those funds shall become part of the general assets of ASEE upon completion of the program objectives.
- The Executive Director has the authority and responsibility to ensure adequate cash capacity for restricted programs, projects, and awards. Should all reasonable and timely efforts to secure the required and agreed upon funds from the sponsor fail, the Executive Director can hold all related activity in abeyance until adequate funds are made available.

Financial Policy 3: Unrestricted Funds

3.1. Definition and Scope

- Unrestricted funds include all revenues that are not specifically restricted as to their use. Unrestricted funds include income from dues, publication sales, advertising sales, conference fees, mailing label sales, interest income from unrestricted funds, fees obtained in the execution of externally funded projects, and contributions.
- Overhead recovery received in connection with execution of grants, contracts, sponsored projects, programs and/or awards is pooled with unrestricted funds for the purpose of covering ASEE expenses.

3.2 Banking and Accounting Services System (BASS)

- The ASEE Board of Directors has established a headquarters-administered Banking and Accounting Services System (BASS) for all ASEE field units. BASS Accounts hold ASEE funds designated for availability to specified ASEE field units. Unlike the operating budget (discussed below) of ASEE, the year-end balances in BASS accounts are carried over to the subsequent fiscal year.
- The Board of Directors of the American Society for Engineering Education, a non-profit corporation, must file income tax returns which accurately represent the income, assets, and liabilities of ASEE. Therefore, for purposes of IRS and ASEE audits, any funds earned by a field unit of ASEE must be deposited in an appropriate BASS account, unless an explicit exemption is approved annually by the ASEE Board of Directors.

- Division dues income is deposited directly into the appropriate BASS account as it is received.
- Interest earned on the balance of each BASS account shall be credited to that account quarterly.

3.3. Board-Designated Funds

The Board of Directors of ASEE may, at its discretion, designate the use of specific ASEE funds to pay expenses attributable to a particular activity for a specified period of time. Any such designated funds remaining at the end of that period of time, or at the end of that particular activity, which ever first occurs, shall revert to the general assets of ASEE. If any of the designated funds are restricted, then procedures of Financial Policy 12.4-C shall be followed for those funds.

Financial Policy 4: Investments

4.1. Organization and Responsibilities

- This Investment Policy Statement establishes ASEE's objectives and guidelines for the investment of its liquid cash and cash equivalent assets.
- The ASEE Board of Directors authorizes the Executive Director, with the informed advice and consent of the CFO and the Finance Committee, to manage the investments of ASEE within bounds of approved investment policy.
- The Finance Committee shall be provided a quarterly report at each Finance Committee meeting, monitor the investment program, and counsel appropriate courses of action.
- The Executive Director and Finance Committee shall always exercise judgment, care, and discretion in the management of ASEE investments with due regard to the balance of potential income versus the potential risk to ASEE's financial well-being.
- It is the responsibility of the Finance Committee to review and propose changes to this Investment Policy Statement, with final approval from the Board of Directors. The authority for investment discretion and decisions within the guidelines of this policy lies with the Executive Director and the CFO of ASEE in consultation with the Finance Committee.
- The Finance Committee shall be provided with quarterly statements which will include the transactions and performance of both the short and long term funds. Where applicable, the Executive Director may also seek recommendations from an external Investment Advisor. The CFO and Vice-President of Finance shall present a report of investment performance at each ASEE Board of Directors meeting.

4.2. Short-Term Investments

- The objective of short-term investments is preservation of capital and liquidity. Its risk tolerance shall be considered "Very Conservative." Short-term funds are defined to be funds not immediately needed for expenses and cash-flow maintenance, but which are likely to be needed for these purposes within one year.
- Short-term funds should be invested in appropriate high-quality financial instruments such as money market funds, interest-bearing accounts in FDIC-insured commercial banks, FDIC-insured certificates of deposit, treasury bills, and investment-grade short-term bond funds.

- C. Short-term investment decisions will be the responsibility of the Executive Director in continuing consultation with the CFO, the Finance Committee, and if appropriate, an Investment Advisor.
- D. Funds in short-term investments may be moved to cash or spent on expenses at the discretion of the Executive Director in consultation with the CFO.

4.3. Long-Term Investments

- A. The objective of long term investments is capital appreciation, with a time horizon of one to ten years. Its risk tolerance shall be considered “Moderate.” Long-term funds are defined to be funds not expected to be needed for expenses and cash-flow maintenance within the next year.
- B. Long-term funds should be invested in appropriate high-quality financial instruments such as interest-bearing accounts in FDIC-insured commercial banks, FDIC-insured certificates of deposit, treasury bills, investment-grade short-term bond funds, publicly traded common stock, mutual funds, exchange-traded funds, and investment-grade corporate notes and bonds.
- C. Long-term funds shall not be invested in risk-intensive investments such as futures contracts, individual options, short selling, and margin transactions. Individual real estate transactions intended to generate revenue should also be avoided.
- D. Long-term investment decisions will be the responsibility of the Executive Director in continuing consultation with the CFO, the Finance Committee, and if appropriate, an Investment Advisor.
- E. Subsequent to the completion of the annual audit report of ASEE accounts, the Executive Director, in consultation with the CFO, shall analyze, determine, and report to the Finance Committee what portion of net assets, if any, can be transferred to long-term investments. This recommendation will be made only after close examination of the projected budget for the current year, and it shall be made in alignment with Financial Policy 12.4-A.
- F. Funds in long-term investments constitute a long-term financial reserve, and they shall only be spent with the approval of a majority of the Board of Directors.
- G. It is the goal of the Board of Directors that the long-term financial reserve be maintained at a level at least 30% of the annual budgeted revenue for core activities.

4.4. Limits and Controls

- A. The CFO shall report on the performance of all ASEE investments at each meeting of the Finance Committee.
- B. All investment actions taken by the Executive Director shall be reported at the next subsequent meeting of the Executive Committee or the Board of Directors.
- C. The CFO is authorized by the Board to retain an Investment Advisor to oversee the management of invested funds. The Finance Committee shall review the performance of the funds invested by the investment advisor and shall provide the Board of Directors with a summary report annually.

4.5. Diversification of Investments

- A. Diversification across and within asset classes is the primary means by which the Finance Committee expects the Portfolio to avoid undue risk of large losses over long time periods.
- B. With the exception of fixed income investments explicitly guaranteed by the U.S.

government, no single investment security shall represent more than 5% of total Portfolio assets.

- C. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 20% of total Portfolio assets.
- D. Long-term investments should be allocated at approximately 70% equities and 30% fixed-income investments in a traditional passive investment structure.

Financial Policy 5: Capital Assets

5.1. Equipment Assets

Any piece of equipment valued at \$5,000 or more and having an expected lifetime of greater than one year shall be considered part of the capital assets of ASEE.

5.2. Depreciation of Capital Equipment

Capital Equipment shall be depreciated across its expected useful life-span according to generally accepted accounting practices, thereby matching the cost of an asset to the periods in which it is used.

Financial Policy 6: Dues Income

6.1 Status of Dues Income

- All ASEE dues shall be received as unrestricted general funds.
- Division dues shall be credited to BASS accounts on a quarterly basis.

6.2 Dues Billing Cycle

Members shall normally be billed annually for ASEE dues on the anniversary of their joining. As set forth in ASEE Constitution, failure to remit dues within three months after the anniversary date shall place the member in arrears and cause the member to be dropped from the active member roster.

Financial Policy 7: Non-Dues Income

7.1 Publication Sales, Subscriptions, Advertising, and Mailing Labels

The Executive Director shall establish the selling price for all ASEE publications and for all advertising and mailing labels, including any appropriate discount schedule for quantity sales.

7.2 Conference, Workshop, and Seminar Fees

- Conference, workshop and seminar financial policies are the concern of the Finance Committee, subject to review by the Executive Committee and approval by the Board of Directors. The Executive Director is delegated the authority to set fee structures for all such activities to ensure that all direct and indirect expenses are recovered.
- Registration and all other fees related to the Annual Conference shall be set by the Board of Directors upon the recommendation of the Executive Director.

7.3 Revenue Sharing with Field Units

All services should be self-supporting, including indirect and overhead expenses. Agreements for the sharing of conference, workshop, and publication sales proceeds between ASEE and the field units involved must be approved in advance by the Finance Committee.

7.4 Investment Income

ASEE, under the management of the Executive Director and guidance of the Finance Committee, derives unrestricted income from investing excess cash.

7.5 Grants and Contracts

- ASEE may apply for and receive government, corporate, foundation, and private grants and contracts to carry out activities related to its tax exempt purposes.
- All grant or contract agreements between ASEE and external funding sources must include provisions for the recovery of direct and indirect expenses, unless otherwise authorized by the Board of Directors.

7.6 Charitable Contributions

- By virtue of its 501(c)(3) tax status, ASEE may receive tax deductible contributions. ASEE shall actively solicit contributions that can be accepted for specific purposes or can be applied as unrestricted funds for the use of continuing ASEE operations.
- Unless otherwise agreed in advance, when charitable contributions have been restricted to a particular purpose and that purpose has been satisfied, any and all remaining fund balances become part of the general unrestricted funds of ASEE.
- All currently held contributions for which there are no enabling documents, or where the enabling documents are silent on disposition of funds at the conclusion of the supported activity, shall be regarded as having no stipulation on the use of any remaining balance and said balance shall become a part of the general funds of ASEE.

Financial Policy 8: Endowments

8.1 General Policy

An ASEE endowment can be established for any purpose (restrictive or non-restrictive) that is funded in perpetuity by the earnings of a restricted ASEE investment, with the corpus of the investment reserved for purposes specified in the endowment agreement. The corpus can be directed to other purposes only when the original intent of the endowment is no longer consistent with ASEE goals. The corpus funds from all endowments shall be held in a consolidated endowment fund, for efficient management purposes, with shares of that fund allocated pro-rata to the various endowments.

- Endowments are encouraged, but must be approved by the appropriate oversight committee (for example, Awards Policy Committee for endowed awards), Finance Committee, and the Board of Directors.
- In the case of restricted use endowments, such as awards, the principle of the endowment must be adequate to return all direct and indirect expenses and must be equal to a minimum of twenty-five (25) times the anticipated annual expenses. A minimum of \$40,000 is required to endow a national award.
- Endowments to support national awards may be created at a level of less than \$40,000, but no awards shall be made from said endowment until the corpus has risen, due to re-investment of earnings, to \$40,000.

- National awards established prior to June 1991 without proper enabling documents and with less than \$40,000 in the endowment corpus may be suspended until the corpus attains \$40,000 or may be commingled to establish a single corpus with at least \$40,000.

8.2 The Corpus of an Endowment

The primary purpose of the corpus of an endowment is to generate sufficient income to execute an award or activity. Additionally, income from the corpus is used to cover the expense and administration of the award. ASEE awards or activity endowments established in perpetuity are subject to adjustments in award amounts or frequency or change in activity budgeting depending on the realized return on investment.

8.3 Endowment of National Awards

No capital sum shall be accepted by ASEE without the stipulation that jurisdiction over the selection and review of the nominees, the selection of the recipient, design and specification of mementos of recognition, and all rights of administration will rest with ASEE.

8.4 Reserve Earnings

Each award endowment account shall have an associated financial reserve. If earnings on the corpus exceed the costs associated with the award in a given year, the remaining earnings will be assigned to the reserve for that award. The reserve will be capped at an amount equal to three times the cost of giving the award. This reserve will be moved into a low-risk investment such as a money market fund to reduce the volatility of the reserve and to increase the likelihood the award can be given each year.

If earnings in a particular year fall short of the cost of the award, the additional amount will be taken out of the reserve. If the reserve falls to zero and the costs exceed the earnings, the award will not be given in that year. If the reserve for a particular fund has reached the cap, additional earnings for each award will be transferred to the corpus for that award.

8.5 Limits and Controls

- In addition to an annual financial review, the nature and focus of all awards shall be reviewed on a ten-year cycle.
- In any year when adequate funds are not available from income, an award or activity can be held in abeyance by the Executive Committee of the ASEE Board of Directors.

Financial Policy 9: Externally Sponsored Awards and Activity Funds

9.1 Definition and Scope

An externally sponsored award or activity is one whose expenses, including overhead, are wholly or partially underwritten by funds supplied from external sources.

9.2 Sponsor Commitments

- Grantor commitment to a sponsored national award must be made for at least four years.
- The agreement with the grantor shall include provisions for a stipend of reasonable value, administrative expenses, and support of awardee travel expenses to the awards presentation at the Annual Conference.

- The preferred method of supporting recipient travel expenses is through a fixed grant for travel, rather than by a reimbursement of travel expenses to the awards presentation at the Annual Conference.

9.3 Limits and Controls

- The Board of Directors may discontinue, or the Executive Director may suspend any sponsored award or activity for which agreed-upon funds are not forthcoming in a timely manner.
- Award sponsors are billed at a time agreed between the donor and the Executive Director.

Financial Policy 10: Field Unit Finances

10.1 External Bank Accounts

- The Board of Directors of ASEE and its designees have the sole legal right to authorize, direct, and discontinue any activity purporting to be that of ASEE and using its reputation or intangible assets.
- ASEE headquarters must be provided with specific information on all bank accounts involving activities carried on in its name or using any of its intangible assets. To obtain and retain all needed information on those activities, all such financial activity should flow through the ASEE accounting system. Any bank accounts maintained at locations other than headquarters must be specifically authorized each year by the Finance Committee of the Board of Directors. For Divisions, Sections, or Councils with income, expenses, or accounts not maintained at headquarters:
 - If payments are made to any entity in excess of \$600 per year, it must be reported to headquarters by January 15 of each year, so ASEE can file IRS Form 1099 with the IRS and the individual for tax reporting purposes;
 - Honoraria (but not prizes or awards) should be approved by the Board (or its delegate) if any individual is to receive \$5,000 or more, in any year;
 - Third party agreements with banks should be executed authorizing ASEE's Executive Director or their designee to be a signatory on any account;
 - In situations where a government contract is involved, or third party sponsorship is financially significant, ASEE should be in complete control of all receipts and disbursements for a project, convention or seminar sponsored by a Section, Division, or Council.
 - A reasonably detailed financial statement should be rendered within 30 days after the fiscal year end to enable ASEE to use the financial data for reporting to IRS, supplementing a quarterly summary of much of the same information;
 - A proposed budget for the next year should be submitted to headquarters showing expected expenditures, contracts, vendors and revenue sources;
 - A conflicts statement should be submitted disclosing any duality of financial interests of ASEE members with vendors or sponsors which have conflicts. Regardless of size considerations, any new contracts for goods, services or facilities creating a potential liability should be sent to ASEE in advance of its execution so that a disclaimer of ASEE liability can be added as an addendum. Copies of all other executed contracts which

purport to bind ASEE (or a Division, Section or Council) where ASEE may still have some corporate liability must be submitted to Headquarters for review and approval.

- The authority for any ASEE unit to establish bank accounts resides with the Finance Committee. All funds received on behalf of ASEE, by any unit of ASEE, must be deposited in an account approved by the Finance Committee.
- Any ASEE unit wishing to use ASEE's IRS uniform employer identification number for any purpose must have the annual approval of the Finance Committee.
- No ASEE unit should apply for separate exemption from Federal income tax. If any unit is requested to do so by the Internal Revenue Service, the Executive Director should be notified at once. The Executive Director will communicate with the IRS and advise the unit of its status.
- By virtue of its incorporation, ASEE generally provides corporate rather than personal liability for failed or flawed transactions, or financial responsibility in the event of insolvency. However, failure to adhere to financial policy regarding such activities/responsibilities as external bank accounts, or tax exempt status, or use of the IRS uniform employer identification number, may result in personal liability of the responsible individual for any claims against ASEE.

10.2 Banking and Accounting Services System (BASS)

- A BASS account will be established for each field unit. The size, complexity and use of such a BASS account will vary according to the activities of the field unit. The BASS account can be used as a continuing fund for the purpose of developing new products and services for members.
- The Banking and Accounting Services System provides an interest bearing checking account service to Sections, Councils, and Divisions. All interest earned by the account balance is credited quarterly to the account.
- The ASEE Business Office will credit all field unit income received and honor authorized check requests up to the amount of the remaining balance. BASS accounts cannot be overdrawn.
- Field units are financially responsible for all membership services they provide, including travel, newsletters, general administration, etc. Their activities should be outlined in an annual business plan and budget.
- To ensure that BASS account funds are used for purposes consistent with ASEE goals, the BASS account may be discontinued with the funds reverting to ASEE's General Fund. BASS Account funds may revert if it is determined either that the unit is not using the fund to develop membership services or if the funds are needed by ASEE to ensure its continued viability.
- BASS accounts shall not be used in any way which is imprudent or in violation of law, or of commonly accepted business and professional ethics.

10.3 Zone Finances

- Each geographic Zone will have an annual operating account established for activities which promote the mission and vision of ASEE. These Zone operating accounts may be used by the Zone chairs to pay expenses associated with convening executive board meetings within their respective zones including expenses associated with member travel.

10.4 Professional Interest Council Finances

- Each Professional Interest Council (PIC) will have an annual operating account established for activities which promote the mission and vision of ASEE. These PIC operating accounts may be used by the PIC chairs to pay expenses associated with convening executive board meetings within their respective PICs including expenses associated with member travel.

10.5 Institutional Council Finances

- Each Institutional Council will have an annual operating budget account established for activities which promote the mission and vision of ASEE. These Institutional Council operating accounts may be used by the Institutional Council officers to carry out activities that benefit members of their Section
- Each Institutional Council operating account will be replenished on October 1 of each year as specified in the Field Unit Finances Policy.
- Beyond this allocation from the Board of Directors, Councils are expected to be self-sustaining. Income may be generated by meeting registration fees, publication sales and/or contributions. In no case may a Council derive income by direct assessment of dues to its membership.

10.6 Section Finances

- Each geographic Section will have a BASS account established for activities that promote the mission and vision of ASEE. These Section BASS accounts are intended to be used by section officers to carry out activities that benefit members of their Section.
- Each Section BASS account will have additional funds transferred into it on October 1 of each year as specified in the Field Unit Finances Policy.
- Beyond this allocation from the Board of Directors, Sections are expected to be self-sustaining. Income may be generated by meeting registration fees, publication sales and/or contributions. In no case may a Section derive income by direct assessment of dues to its membership.

10.7 Division Finances

- Each Division (including Constituent Committees) will have a BASS account established for activities that promote the mission and vision of ASEE. These Division BASS accounts are intended to be used by division officers to benefit members of their Division.
- Each Division BASS account will have additional funds transferred into it on October 1 of each year as specified in the Field Unit Finances Policy.

10.8 Dues Income

- Pursuant to Article VIII, Section 4 of the ASEE By-Laws, Divisions and Constituent Committees may establish a dues structure for their members. All such dues are payable to Headquarters through the annual billing process and shall be credited to the Division or Constituent Committee BASS account.
- Any establishment or change in the dues for a Division or Constituent Committee must receive prior approval from the Board of Directors.

- Since Sections receive an annual membership-based allocation from the general funds of ASEE, they are prohibited from charging dues or assessing any fee for membership.

10.9 Non-Dues Income

- To keep membership dues to an affordable level while simultaneously expanding services and capabilities, field units are encouraged to develop non-dues income streams through activities that are appropriate to the mission of ASEE, following the guidelines set forth in this section of the Financial Policies on Field Unit Finances (Financial Policy 10).
- The Board of Directors delegates to the Executive Director all responsibility for allocating overhead and indirect cost recovery and for monitoring all unrelated business income. The potential tax liability for unrelated business income (such as advertising revenue) requires close scrutiny in appropriately allocating indirect costs to government and non-government sources.
- Income from ASEE Annual Conference and Specific Meetings
 - Field units are encouraged to realize a moderate net income from meetings, conferences, and workshops, including those held in association with the Annual Conference.
 - Unless otherwise approved by the Finance Committee, income and expenses for these meetings and conferences must flow through the respective unit's BASS account for accounting purposes. Unless the ASEE Board of Directors otherwise authorizes in specific cases, all income from annual conference ticketed events is applied toward the relevant conference expense.
 - An overhead rate of 30% is applied to the net income from field unit activities associated with the annual conference or with specific meetings. This means that 70% of net income from these activities is deposited in the field unit's BASS account, and 30% of the net income is placed in the ASEE general operating fund.
- Income from External Sources
 - Because of the delicate nature of raising funds from external sources by field units of ASEE, the need for coordination is paramount. The Vice President of Finance shall be consulted in advance of any effort by an ASEE field unit to solicit external financial support on behalf of that unit.
 - An overhead rate of 30% is applied to the gross revenue obtained by field units from external sources.
 - Field units are prohibited from selling mailing lists of their members unless explicit approval is granted annually by the Board of Directors.
 - The Chairs of field units that sell advertising in their publications are responsible for an accurate allocation of publication costs between advertising and editorial expenses. This allocation must be reported annually to ASEE Headquarters in a form adequate to allow external audit.

Financial Policy 11: Planning and Budgeting (Revised June 2017)

11.1 Definition and Scope

ASEE annually determines the cost of its major activities and assigns overhead expenses to each activity's direct cost. The personnel time, income, and expenses in each activity area are isolated and identified.

11.2 Unrestricted Operating Budget

The unrestricted operating budget of ASEE consists of all accounts which are not restricted by external contract, grant, or contribution.

11.3 Restricted Operating Budget

The Restricted Operating Budget of ASEE shall consist of externally funded grant and contract funds and award or other endowment investments.

11.4 Surplus Fund Balances

- A. The annual operating budget of ASEE should include a minimum target surplus (revenues in excess of expenses) of 5% of the total current year budgeted revenue for core mission activities. This target surplus goal will be in effect until such time that ASEE achieves the target Long-Term Investment Reserve of 30% of budgeted core mission revenue as referenced in Section 1.5 (B). Thereafter, the annual budget target surplus should be between 2% and 5%. This is necessary in order to build sufficient Long-Term Investment Reserves to cover unanticipated expenses that could not have been foreseen in the budget setting process.
- B. Any unrestricted operating surplus remaining at the end of the fiscal year shall remain part of the general assets of ASEE and shall be managed by the Executive Director with the advice and consent of the Finance Committee.
- C. Any restricted operating surplus must be handled pursuant to the original agreement, that may state that any balance must be refunded, reinvested, or become part of the general unrestricted assets of ASEE.
- D. In the absence of any agreement or legal statute to the contrary, the Finance Committee may elect to place the unused balance of any previously restricted fund into the general unrestricted assets of ASEE, or designate that the funds be used for purposes congruent with those for which it was originally intended.

11.5 Budget Development Process and Schedule

- A. Beginning in November, the CFO will coordinate the efforts of the Senior Management Team (SMT) to develop proposed budgets for their units. The CFO will compile these individual budgets and will present a draft budget to the Executive Director. The Executive Director will ensure that the proposed budget meets the surplus requirements outlined in policy 12.4(B) and that it aligns with the strategic directions provided by the Long-Term Planning Committee.
- B. The Executive Director presents this draft budget to the Finance Committee for review at their meeting in January or February. Based on feedback received from these meetings, the Executive Director may adjust the proposed budget.
- C. The Finance Committee reviews the revised budget at their April meeting, providing any additional guidance to the Executive Director and the CFO.
- D. The Board of Directors then reviews and votes on the proposed budget at their June meeting.

11.6 Unbudgeted Expenditures

To give the Executive Director the flexibility to seize unforeseen opportunities or respond to unforeseen expenditures, the total operating expenses may exceed the budget by up to 5% without approval of the Finance Committee.

11.7 Budget Amendments

- A. Should the situation arise that the budget established for a particular fiscal year needs to be altered, the Board of Directors can amend the budget at any time or enact a contingency plan to protect the finances of ASEE. This situation could occur, for example, if there were a severe economic downturn. The Board of Directors may also authorize an overrun in a particular expense area in order to accomplish or extend the purposes of that activity.
- B. Occasionally, one-time items of expense, unknown at the time of budget approval, may arise. To forego bringing these items to the Board of Directors, the item may be funded from a special "Contingency" budget. Funds can be used from this account only after the approval of the President, President-Elect, and Executive Director.

11.8 Limits and Controls

- A. A financial summary shall be issued on a regular basis by the Headquarters staff and distributed to the Board of Directors.
- B. If a volunteer officer projects a budget overrun for the year, the responsible Board member should be notified immediately. The volunteer officer may approve additional expenditures from other accounts his/her area of control. If the volunteer officer determines that this overrun will cause the unit to exceed its annual budget, they can either disapprove further expense reimbursements or request the Executive Committee and Board of Directors for permission to overrun the budget.

11.9 Chart of Accounts

To record properly the sources and application of ASEE funds, a Chart of Accounts reflecting all income and expense areas shall be established and maintained by the Executive Director. The Chart of Accounts shall also classify asset and liability accounts, and the various categories of restricted and unrestricted accounts for financial reporting purposes.

Financial Policy 12: Accounting and Reporting

12.1 Responsibilities

- A. The accounting function is accomplished at ASEE Headquarters under the direction of the Executive Director. The Executive Director may delegate responsibility, but not accountability, for this function to the CFO.
- B. The accounting function maintains records in conjunction with an approved Chart of Accounts. A report is prepared and distributed to the members of the Finance Committee at the end of each month and also distributed to the Board of Directors in preparation for each meeting. Such reports normally carry appended comments to explain significant areas of difference between actual and budget amounts (either income or expense), as well as approved expenditures from contingency funds.

12.2 Method of Accounting

- A. The books of account and financial information of ASEE are maintained by the Headquarters staff under the direction of the Executive Director.

- B. ASEE uses the fund accounting approach, through which ASEE funds are established for a variety of purposes and with a variety of designations.
- C. Under ASEE's Purchase Authorization System, funds are "encumbered" when ASEE enters into a commitment. Encumbered funds must be available within an appropriate budget category prior to making a commitment.
- D. Dues earnings are accrued monthly at the rate of 1/12 of the annual amount. For any dues that are paid late, ASEE will accrue all of the delayed earnings during the month of payment.
- E. Non-Dues earnings are accrued when ASEE generates an invoice, confirming that the commitment to purchase is made. All commitments are presumed collectible.

12.3 Standard Reports and Schedule

- A. The records and report formats must conform to the stated needs and requirements of the government agencies and services having an authorized interest, the auditors retained by ASEE, and the general principles and practices of sound management.
- B. Financial reporting shall include the following:
 - 1. Comparative Balance Sheet - reflecting assets, liabilities and fund balance
 - 2. Comparative Operating Statement - reflecting income, direct expense, indirect expense and net activity for each functional area
 - 3. Detailed Functional Statement - reflecting full detail of income and direct expense for each functional area, with indirect expenses applied
 - 4. Indirect Expense Statement - reflecting full detail of all indirect expenses
 - 5. Officers, Directors, and Committees Expense Statement - reflecting full detail for each volunteer leader, director and committee.
- C. The financial statement, supplemented by the Executive Director's analysis and comments regarding performance to date and trends, shall be submitted to the Finance Committee.
- D. A financial status report and year-end report shall be presented by the President-Elect to the Board of Directors at the Annual Conference. A year-end report shall be included in the Annual Report printed in an ASEE publication.
- E. Other reports dealing with financial matters shall be prepared from time to time by the Executive Director as the need arises or as directed by the President, the Finance Committee, the Executive Committee, or the Board of Directors. Examples of ongoing types of reporting follow:

1. Annual Tax Returns

It is a requirement of the United States government that all financial activities of ASEE be reported annually. Each year, ASEE files the necessary tax returns to maintain its tax exempt status, along with the necessary tax returns to report all unrelated business income.

2. Contract and Grant Reports

ASEE accepts contracts and grants from government agencies to develop or produce professional material or conduct professional activities that relate directly to engineering education. Each contract or grant has its own specific types of reports, both technical and financial, which must be submitted to the contracting officer on a timely basis.

- F. Reports summarizing certain areas of activities are routinely prepared and distributed at the request of the Board of Directors.
- G. Reports reflecting conference and seminar attendance, financial and programmatic outcomes

shall be prepared after each event and reviewed by the Annual Conference Committee, Finance Committee, and the Board of Directors. The reports and review process shall be designed to gauge performance and assist the planning of future events.

- H. An investment performance report shall be prepared on a regular basis and serves to report the long- and short-term investment holdings of ASEE. This report shall be sent to the Finance Committee prior to its scheduled meetings. The minutes of each Finance Committee meeting shall be presented to the Executive Committee and the Board of Directors, who review the proceedings and act upon any recommendations.

Financial Policy 13: Safeguards and Controls

13.1 Competitive Procurement

At least three bids from separate vendors shall be secured for all purchase in excess of \$10,000. To ensure that ASEE is not conducting business with vendors that have been debarred or suspended by the Federal government, ASEE requires vendors to certify in writing that they have not been debarred or suspended by the Federal government. ASEE will further ensure this by checking the web site <http://epls.gov> where debarred or suspended vendors are listed.

13.2 Commitment of ASEE Funds

- A. The Executive Director is authorized to commit budgeted ASEE funds and may delegate this authorization as appropriate.
- B. The ultimate financial obligation of any unit activity rests with ASEE. ASEE will not be responsible for financial obligations to which it has not given prior approval. ASEE units should notify the Board of Directors before any commitments are made that imply financial responsibility and potential risk to ASEE.
- C. In view of the ultimate responsibility of ASEE for the financial obligations of its units, all such arrangements should be brought to the attention of the Executive Director before being consummated by any unit of ASEE.

13.3 Authorized Signature

- A. Checks may be drawn on the ASEE operating cash account bearing one authorized signature.
The following shall be authorized to sign checks:
 - 1. Executive Director
 - 2. Assistant to the Executive Director
 - 3. Chief Financial OfficerIn addition, one additional member of the senior management staff may be authorized by the Executive Director to sign checks as back-up to the three primary signatories. The manager of Meetings and Conferences can, at the discretion of the Executive Director, sign checks drawn on an account established at the site of ASEE's Annual Conference.
- B. The Executive Director, or designee, is authorized to disburse ASEE funds through the use of a facsimile check-signing machine.
- C. Checks greater than \$10,000 must be signed by two of the four people authorized.

13.4 Annual Audit of Financial Records

- A. It is ASEE policy to retain a professional firm of certified public accountants to examine the annual financial statement and perform an annual audit of ASEE's financial records. Included

in the scope of this activity is the examination of financial procedures and safeguards and the submission of appropriate recommendations in the form of a management letter. The auditor may also be requested to provide counsel on special matters that may arise from time to time.

- B. The Executive Director shall arrange for an annual external audit of ASEE financial records. The audit should begin as soon as possible after the closing of the previous fiscal year and conclude with a written report to the Finance Committee on the financial condition of ASEE.
- C. The Executive Director shall select the ASEE Auditor, subject to the approval by the Executive Committee of the Board of Directors.

13.5 Annual Conference Financial Transactions

The receipt and disbursement of funds for the Annual Conference shall be handled through ASEE Headquarters.

Financial Policy 14: Risk Management

14.1 Indemnification

The Indemnification policy of ASEE is cited in Article VII, Sections 10 and 11 of the ASEE Bylaws as follows:

Section 10. Each member of the Board, including each member of the Finance Committee of the Society, shall be indemnified by said Society against reasonable expenses actually and necessarily incurred by the member in connection with the defense of any action, suit, or proceeding in which the person is made a party by reason of being or having been a member of the Board or as a member of the Finance Committee except in relation to matters as to which the person shall be adjudged in such action, suit, or proceeding to be liable for negligence, misfeasance, or misconduct in the performance of his or her duties as director or a member of the Finance Committee; such right of indemnification shall not be deemed exclusive of any other right to which the person may be entitled.

Section 11. No member of the Board or of the Finance Committee shall be liable either jointly or severally to the Society for any loss suffered by the Society as a result of any action of the Board or action of the Finance Committee or any of its members except in relation to matters as to which such members shall be adjudged in any action, suit, or proceeding to be liable for negligence, misfeasance, or misconduct in the performance of their duties as such member.

14.2 Insurance

- A. ASEE shall maintain insurance up to limits established by the Finance Committee at expense, to support the indemnification of the previous section.
- B. The Executive Director shall be responsible for arranging and maintaining such insurance in accordance with the laws of the Commonwealth of Pennsylvania or the District of Columbia, whichever holds jurisdiction.

Financial Policy 15: Conflict of Interest

15.1 General Policy

- A. Conflict of interest is defined as any situation in which an individual's decisions, actions, or

votes could materially affect that individual's financial, business, or professional interests. It is the responsibility of all ASEE staff, members, and officers to consider each item of business where they have a vote, action, responsibility, or decision authority to determine if a conflict of interest, or the appearance of such conflict of interest, may exist. Any such recognized potential conflict shall be made known immediately to the person in charge of the activity (or the next higher authority if that individual is in charge), who, after consultation with the Executive Director, will advise the member of the proper course of action and cause a notation of the action to be entered in the activity's record.

- B. In the case of a director or other principle of the organization, a full disclosure of any actual or apparent conflict of interest will be made generally known, and the individual concerned will be recused from all involvement in the matter (which means that the individual will not be present when discussions of the subject are held, votes are cast, or business decisions are made).

15.2 Suppliers Holding Membership

Any individual member or representative or employee of an institutional member of ASEE who is a supplier or potential supplier of goods or services to ASEE is in a position of potential conflict of interest with respect to the provision of such goods or services.

Financial Policy 16: Travel Expenses

The Board of Directors will budget for and reimburse its members for related and reasonable travel expenses incurred when attending Board and Executive Committee meetings, except for the Board meetings held at the Annual Conference, the expenses of which are part of the commitment made when accepting a Board position. When attending conferences other than the Annual Conference at which a Board of Directors meeting is being held, members of the Board of Directors will be reimbursed for their air travel and expenses for the period of the Board meeting only. Conference registration and expenses relating to staying beyond the actual days of the Board of Directors meeting will not be reimbursed.

With the prior authorization by the President, ASEE may reimburse expenses for persons not members of the Board, who, by virtue of their association with a related organization or special expertise, have been invited or requested to participate in a Board meeting, planning session or other formal Board function. Such compensation must come from funds allocated in the budget for such purpose. Exceptions can be made to ASEE travel policies by submitting a written request, in advance of the expenditure, to the Vice President, Finance outlining the requested exception. The Vice President, Finance has the authority to approve exceptions for all reporting areas, except their own. An exception for the Vice President, Finance, must be approved by the President. Approval must be in advance and in writing and must state the budget or BASS account to which charges would be applied.

All travel by ASEE employees and volunteers will be governed by the ASEE Travel Policy, which is maintained at ASEE headquarters by the Director of Compliance, Internal Audit, and Sponsored Programs. Any changes to this policy must be approved by the Executive Director.