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	<i>Paul C. Lee</i> 10/26/2016	3-4
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SUBJECT		
ANNUAL BUDGET PREPARATION AND REVISION		

PURPOSE

To establish the procedure for preparing and approving the annual operating budget.

DEPARTMENTS AFFECTED

Board of Directors, President, and Treasurer.

DEFINITIONS

None

GENERAL

1. Establish a policy for preparation of annual operating budget that will identify the expenditures allocated from all sources of income.

PROCEDURE

1. President and Treasurer. Prepare the annual operating budget for submittal to the Board of Directors via the Chairperson of the Board prior to the October Board of Directors meeting.

The following criteria must be utilized in the preparation of the budget:

- a. Income shall be based on:
 - (1) The estimated number of association members for the fiscal year (membership multiplied by the amount of dues equals' income).
 - (2) Corporation contributions.
 - (3) All other income producing sources.
 - (4) EBMA contribution (Contingency Fund - requires Board of Directors approval).
- b. Expenses shall be identified for each area of activity, the total of which shall not exceed the income established in paragraph 1a.

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c. This paragraph only establishes the metric that will be used to evaluate whether an EBMA FY budget complies with 75 percent rule stated in Article I of the Constitution. Other requirements that can affect how the EBMA is allowed to spend budget, such as FAR requirements and rules regarding matching company contribution funds with EBMA expenditures in the Management Development (MD) area, are not covered in this document. This metric shall be considered by the administration when developing the proposed budget to avoid submittal of a non-compliant budget.

(1) Measuring that “at least 75 percent of the Association's total program shall be of a management development nature” shall be calculated as follows: EBMA subsidization of management related expenses divided by EBMA net discretionary income.

(2) EBMA subsidization of management related expenses is defined as follows:

(a) All EBMA Funds used to subsidize MD seminars/courses, MD training and for qualifying Major Programs. MD training includes items such as CM (Certified Manager) training. This funding does not include:

- Income raised from charging members for MD training
- Income raised from selling tickets to members and their guests to the qualifying Major Program dinner events

NOTE: The term ‘qualifying Major Programs’ excludes the Major Programs that are not MD related. The excluded programs are: ‘Holiday’ and ‘Scholarship Night’ dinner programs.

NOTE: EBMA’s practice has been to not spend any ‘company contribution’ funds on these two Major Programs because ‘Company Contribution’ funds are only to be spent for MD activities.

(b) All money used to pay dinner speakers for qualifying Major Programs.

(c) Money spent on EBMA Member Scholarships (e.g., James Brown and/or Robert Januska Memorial Scholarships) qualifies as business related training.

NOTE: Money spent on community activities or by the President or Chairperson from their contingency funds on non-management development related activities (i.e., gifts) are not qualifying expenses. It has been argued that the June family outing could be construed as being ‘management related’ because the outing provides members with a networking opportunity. Such expenses shall not be considered ‘management related.’

(3) EBMA net discretionary income is defined as follows:

(a) All dues/ EBMA initiation fees

(b) Company FY contribution

(c) Rollover of company FY contribution from previous year, if applicable

(d) Minus the cost of student scholarships

- The scholarship program is a core function of the EBMA, explicitly called out in our plans and procedures.

(e) Minus the cost to keep the EBMA running as a business. These costs include:

- Office secretary salary and related costs, as applicable (this could include the cost to provide parking for the office secretary, for example)
- The cost of giving the office secretary a 'Holiday bonus.'
- Office supplies
- Taxes
- Cost to have an outside financial audit performed
- Treasurer/ Assistant Treasurer stipend
- EBMA advertising related or promotional costs (which are subject to the BoD's approval as part of the budget approval process). For example, the EBMA currently has a practice of distributing 'Monthly Planners' to the membership as a 'Holiday appreciation.' However, the distributed the Monthly Planners provide visibility for the EBMA, and therefore qualify as an 'Advertising Related/ Promotional' cost.

2. Board of Directors. Review and/or modify the submitted annual operating budget for approval. The Board shall approve the proposed/adjusted budget on or before the first meeting of the fiscal year.
3. President. Request the Board of Directors to approve any change or transfer of funds from the approved annual operating budget with detailed justification for the request.
4. Board of Directors. Act on request of the President for change or transfer of funds from the approved budget. All requests must be acted upon prior to or at the next meeting.