

SAE International™

2003 Annual Report

*A world model for consensus standards development
and lifelong engineering education*



In 2003, SAE refocused its concentration on its core competencies: voluntary consensus standards development and lifelong engineering education.

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Executive Message

We are pleased to report that 2003 was a successful year for SAE International.

This Annual Report provides an overview of the key areas in which SAE worked to meet the needs of mobility professionals and the many constituencies it serves worldwide.

In 2003, SAE began to see some of the fruits of the organization-wide changes that were implemented in 2002. A streamlined SAE refocused its concentration on its core competencies: voluntary consensus standards development and lifelong engineering education. SAE staff also embraced and implemented a rededication to providing value in all that it does; the resultant changes were apparent throughout SAE's broad array of products and services.

During the year, we had the good fortune to travel the globe on behalf of SAE. We were struck by how highly regarded SAE International was around the world. This is clearly a testament to the quality of SAE's member leaders and volunteers, its professional staff, and its services.

We are proud of the successes that SAE India and SAE Brazil have enjoyed during the past year. Both of these affiliates have continued to serve as shining examples of the impact that SAE can have around the globe.

In cooperation with local entities, academia, and engineers, SAE in 2003 embarked on a major initiative to expand its presence in China. The growing automotive market in China has produced a favorable climate for increased SAE activity there; China will continue to be a major international development focus for SAE for years to come.

2003 was marked by the strengthening of existing relationships and by developing new partnerships within industry, governmental agencies, and academia. SAE promoted collaboration with other societies that serve the mobility community by signing new



Memoranda of Understanding (MOU's) and other cooperative agreements. Also, SAE strengthened its relationships with key governmental entities, such as the U.S. Army and the U.S. Department of Defense (DOD).

The Board of Directors had an active year, notably approving an agreement between SAE and the Convergence Transportation Electronics Association. This agreement accomplished two key things: it created the Convergence Transportation Electronics Program Office and established a joint operating agreement for the Convergence Conference & Exhibition.

The Board also converted the Service Technicians Society (STS) into an internal program office and it recommended a major effort to reinvigorate SAE's ground vehicle standards activity. Importantly, the Board approved the creation of the "Automotive Resources Institute," (ARI) a consultancy to be housed at the SAE Automotive Headquarters. ARI will provide value and benefit by harnessing the collective experience and leadership of many top engineering executives.

For the first time since adopting "Policy Governance" approximately 12 years ago, the Board initiated a major rewrite of the organization's Ends Policies, which describe the results SAE tries to achieve. The Board also approved changing SAE's fiscal year to coincide with the calendar year.

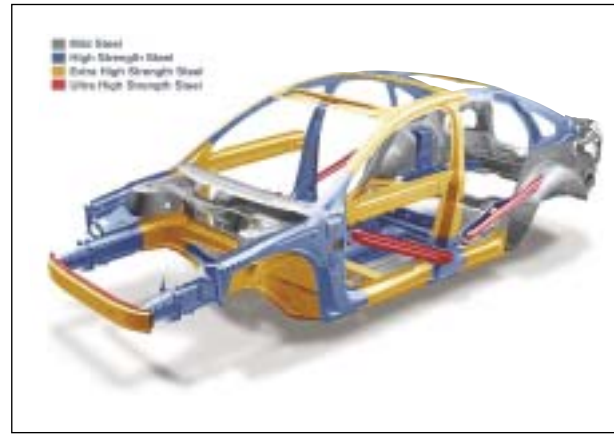
There were many highlights in 2003 – conducting a very successful World Congress, launching a redesigned SAE website, completing successful Collegiate Design competitions and AWIM projects, introducing SAE's TechKnowledge Centers, and "teleWebcasts" immediately come to mind. However, many more are detailed in this report.

In closing, rest assured that SAE International is committed to achieving its mission of advancing the mobility community to serve humanity. Your continued involvement in and support of SAE is critical to the organization's success in this endeavor.

Sincerely,

Dr. Jack E. Thompson

Raymond A. Morris



2003 Accomplishments

"We regard our involvement in the SAE Technical Standards process as essential to developing relevant technology. Standards level the playing field and free us to compete in areas that advance technology, safety, and customer satisfaction."

- James E. Queen
GM Vice President,
North America Engineering
General Motors Corporation

SAE Ground Vehicle Standards/Research

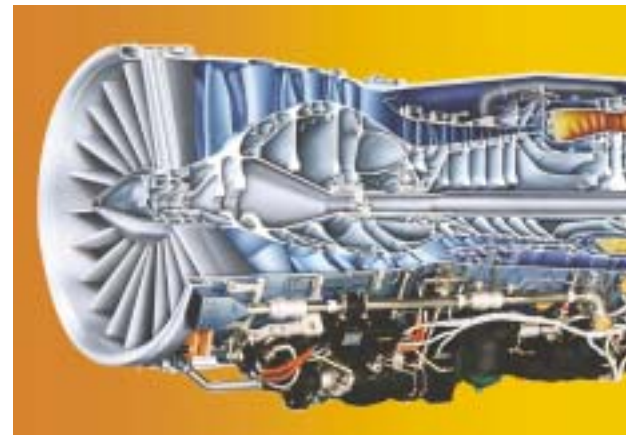
Engine Horsepower Rating Compliance: In 2003, the SAE Power Test Code Committee completed an update of the widely-used and important Net Power Rating standard. At the request of key industry representatives, SAE is investigating a new program whereby SAE, in partnership with noted testing organizations, would initiate a third-party witness compliance testing program in conjunction with SAE's power rating standards.

Fuel Cells: The SAE Fuel Cell Standards Committee (FCSC) had another productive year. Funded in part by a U.S. Department of Energy (DOE) grant, the FCSC and its six working groups published one standard and have three more currently in the balloting process. Three additional standards are listed as "works in progress."

The FCSC expanded its relationships with industry groups such as the California Fuel Cell Partnership (CaFCP) and the U.S. Fuel Cell Council (USFCC). The FCSC continues to explore potential research projects through the DOE grant and has created a new task force aimed at investigating the important issue of hydrogen fuel specifications.

Alternate Refrigerants: SAE initiated a major research study to evaluate the energy efficiency of various alternative mobile air conditioning systems. The study's results were presented at a meeting held in Phoenix and are now being used by SAE's Interior Climate Control Committee. Ongoing work topics for this group include new research with respect to HFC152a, enhanced HFC134a, and R744 (CO₂) and the pending European regulations.

VEDI - Vehicle Event Data Interface: With J1038, SAE took an important first step in harmonizing the electronic data collected from frontal impact crashes or events: it establishes a common format for displaying and presenting crash-related data recorded and stored by electronic components currently installed in many light duty vehicles. J1698 does not direct how the data is collected or which vehicle systems should be monitored. The committee expects further standardization work to include additional event types such as side impact, vehicle rollover, and multiple impacts.



2003 Accomplishments

More SAE Aerospace standards have been adopted into the DOD Index of Standards and Specifications than from any other standards organization.

SAE Aerospace Activities

Aerospace Council Strategic Plan:

The Aerospace Council completed the development of a comprehensive strategic plan for SAE's Aerospace Standards activities. The plan is composed of three main areas: globalization, improved processes and products, and management and oversight. As part of the plan, the Aerospace Council developed a 2004 Statement of Work to guide its efforts for the coming year.

Record Document Production: In 2003, the SAE Aerospace Standards program published more new and revised standards than at any time in the program's 87-year history. A total of 618 new and revised standards were published in 2003. By year's end, SAE Aerospace technical committees maintained over 6,300 active standards.

Milspec Conversion: SAE converted more DOD standards and specifications than any other standards organization. Since the initiation of the DOD Acquisition Reform, SAE has converted over 1,800 documents into SAE standards. Importantly, there have been more SAE Aerospace standards adopted into the DOD Index of Standards and Specifications than from any other standards organization. In 2003, SAE worked closely with DOD personnel to complete the remaining conversions and begin the process of technically revising the documents.

Global Aerospace Quality: Committee SAE G-14, Americas Aerospace Quality Group (AAQG), through its internationally recognized AS9100, provides and continually updates this thorough, broadly-adopted quality assurance system. AAQG and the International Aerospace Quality Group (IAQG) developed the Online Aerospace Supplier Information System (OASIS). Activated in July 2003, OASIS is a secured-access, relational database that will provide, when fully populated, QPL (Quality Product List) and audit data on every AS9100-certified supplier worldwide.

Standards Committee Support for ACE: Twenty-five SAE Aerospace technical committees – with nearly 800 members – met in conjunction with the Aerospace Congress & Exhibition, marking the largest single gathering of SAE Aerospace standards committees. In addition to their meetings, many of the committees participated in a standards symposium to help educate the conference attendees on the activities of the committees.

Process Improvements: Numerous process improvements were made during the year. The Aerospace Council approved a trial process for creating "amendments," which permit limited revisions that do not impact the form, fit, or function of a part but have an immediate procurement need. The Aerospace Council also finalized a 30-day process for the rapid release of standards



The SAE 2003 World Congress reaffirmed its stature as the world's preeminent automotive technology event.

2003 Accomplishments

due to an international or national emergency related to safety or security. Also, SAE Aerospace implemented processes which allowed for documents to be revised in Microsoft Word® templates and guidelines for the development of new standards.

SAE Meetings and Conferences

2003 proved to be an active, successful year for SAE's meetings and conferences. The combined efforts of the member volunteers and SAE staff produced 22 conferences, meetings, and symposia, with over 55,000 people in attendance.

Over 3,000 papers were published last year in conjunction with meetings and conferences. The increased focus on quality and value of the product offerings provided enormous benefit to all in attendance. Highlights in 2003 include:

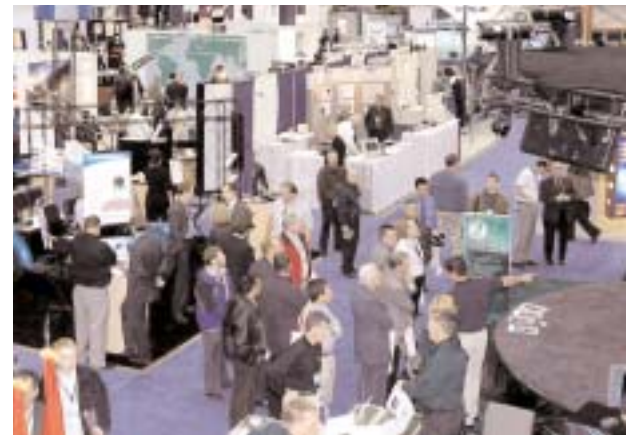
SAE 2003 World Congress: The SAE 2003 World Congress, hosted by DaimlerChrysler, was a success in virtually every measure when compared with the 2002 event. Despite a sluggish economy, war fears, and an overlapping schedule with the Geneva International Auto Show press days, the SAE World Congress again proved to be the largest global gathering of automotive professionals, uniquely bringing together the OEM and supplier communities with the one constant that drives the event – the technology.

Total attendance over the four-day period was 38,649, which represents a 3.8 percent increase following consecutive double digit drops in attendance in 2001 and 2002. This was an impressive gain, despite frigid temperatures and snow showers in metro Detroit during Congress week.

OEM attendance was 25 percent, or 9,653, an 18 percent increase over the 2002 show, and Tier One supplier attendance was 36 percent, or 13,896, up 3 percent from the previous year. Almost half (49 percent) of attendees were in product development positions.

Also, there were a record number of technical papers (1,276) presented at the World Congress. OEMs and Tier One companies presented a combined total of 384 technical papers, indicating a clear commitment to the value of the World Congress technical program.

Media attendance was at the second highest level ever – 464 attendees – which represents a 44 percent from 2002. Press coverage was widespread and diverse in nature, with outlets from Japan, Germany, France, and Mexico joining their North American counterparts to cover Congress.



2003 Accomplishments

At ACE 2003, over 4,500 attendees took advantage of the diverse and unique technical sessions and exhibits.

The new SAE Technology Theater proved to be another highlight of the event. The Technology Theater was unique in that it brought a high-level, business management conference to the exhibit floor, drawing packed sessions and garnering widespread media coverage as well as praise from attendees.

SAE's Professional Development courses offered during Congress posted a staggering 66 percent increase over 2002, an all-time record number. The exhibit was also very diverse and strong, with the total number of exhibitors down only slightly from 2002.

Aerospace Congress & Exhibition

(ACE): ACE 2003, presented jointly by Aerospace North America and SAE Aerospace, was hosted by Bombardier Aerospace. Held in Montreal, Quebec, Canada, ACE 2003 was unique in its expanded scope: four separate meetings were merged and conducted under the ACE umbrella. Housed at ACE were the Aerospace Automated Fastening Conference, Aerospace Manufacturing Technology Conference, Advances in Aviation Safety Conference, and the World Aviation Congress. Combining these meetings within one central event maximized value for attendees by providing a content-rich learning environment.

During the event, over 4,500 attendees took advantage of the diverse and unique technical sessions and exhibits. On the technical program side, over

2,000 attendees participated in 78 sessions. There were 102 written papers, and 115 "oral-only" presentations, as well as a number of panels that provided in-depth, cutting-edge information to attendees.

As previously noted in the "SAE Aerospace Activities" section of this report, approximately 800 technical standards committee members attended the event, representing the largest single category of ACE attendees. There were 25 aerospace standards technical committee meetings at ACE, as well as a day-and-a-half long standards symposium held at ACE where each of the technical committees made presentations on their current activities.

Importantly, the ACE exhibit was enormously successful, with over 200 companies represented on the exhibit show floor.

Truck & Bus Meeting & Exhibition:

The 2003 Truck & Bus Meeting & Exhibition, hosted by PACCAR, Inc., was held in Fort Worth, Texas. The event featured a new technology theater on the exhibit floor – which proved to be an unqualified success – showcasing executive business panels, keynote speeches, and general sessions.

Over 1,500 attendees enjoyed over 50 sessions and 96 exhibits during the three-day event. On a historic note, this marked the final Truck & Bus meeting as a stand-alone event. While Truck & Bus has served the industry and SAE's members well, after receiving



2003 Accomplishments

"SAE allows me to both contribute to and benefit from the Society in just about any way imaginable. I can make a difference for children and my community through the "A World in Motion" program, build social equity through my local contacts, learn leadership and management skills as a section officer (Chairman at age 26!), broaden my knowledge of local and global industry issues and increase my creativity as an engineer. SAE provides for all of my professional needs.

- Jason Wilkening
Sales Application Engineer,
Freightliner

comprehensive industry input, SAE decided to broaden the focus of its heavy-duty on road and off-highway program offerings.

As such, on October 26-28, 2004, SAE will host the inaugural Commercial Vehicle Engineering Congress & Exhibition in the Stephens Convention Center, Chicago, Illinois. This annual event will connect professionals from the truck and bus, diesel engine, construction, and agricultural engineering sectors of the mobility industry.

This new event will have common technical program tracks for engines, electronics, and other common technologies, yet maintain separate technical tracks for other truck and bus, construction and agricultural topics. The technical program content will equal or surpass the high level presented annually at Truck & Bus.

Membership and Sections Activities

SAE's worldwide membership reached an all-time high in 2003 with 84,970 members. This number includes professional members, student members and members in SAE's affiliate societies in India and Brazil. The Society's membership retention rates returned to over 80 percent during 2003, with higher rates projected for 2004. Equally important, SAE staff estimates that the organization will reach a total membership of 86,000 by December of 2004.

In 2003, SAE had more Section "Award of Excellence" winners than in any other time in the organization's history (17 Gold Award winners, four Silver winners, and two Bronze winners). Also, 2003 brought an increase in SAE Student Chapters: currently, there are over 420 chapters around the globe.

Professional Development

For Professional Development, 2003 was a year of innovation, expanding relationships, and building on past successes.

The 32 seminars conducted at the World Congress attracted the highest attendance since 1999. After Congress, open enrollment seminar activity at the Automotive Headquarters steadily increased with September and December posting record attendance levels.

Relationships were formed with Kettering University and Walsh College enabling SAE Professional Development courses to be applied to Master's



2003 Accomplishments

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degrees and professional certificates. Kettering, in particular, agreed that roughly 95 percent of SAE's courses can be used to satisfy up to 8-credits toward both the 20-credit Certificate in Automotive Systems and the 40-credit M.S. degree in Automotive Systems.

A relationship was also formalized with the Accreditation Commission for Traffic Accident Reconstruction to have ten SAE seminars approved for ACTAR CEUs, enabling certified ACTAR reconstructionists to use these courses for recertification.

The new e-Seminar format was launched in 2003. This product features an interactive CD ROM of SAE's seminar on Diesel Engine Technology featuring full-motion footage of the instructor teaching with accompanying PowerPoint slides. Additional e-Seminars on internal combustion engines and catalytic converter have been added to the production schedule.

Also, the telephone/webcast format was expanded. Seven 90-minute to two-hour programs were conducted that enrolled more than 140 company sites and touched an estimated 2,000 learners. Clearly, "teleWebcasts" have fulfilled a need for those individuals who desire quick information modules but still prefer live, interactive delivery.

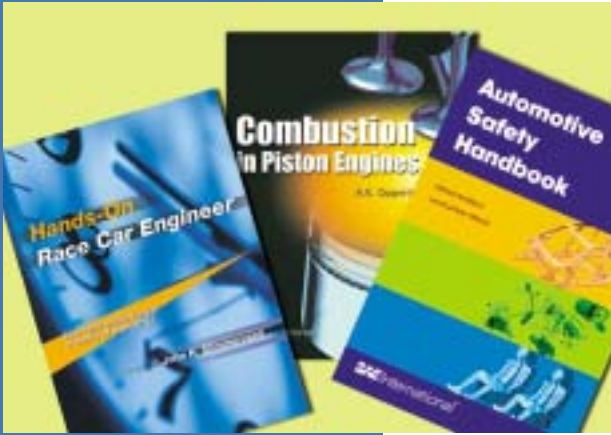
Publications

SAE TechKnowledge Centers: In March, SAE officially launched the "SAE TechKnowledge Centers," the first of several planned enterprise technical publications that shorten the gap between information and knowledge.

The SAE TechKnowledge Centers provide complete access to topically focused, full-text SAE documents on a dedicated site. The information is seamlessly integrated with supplemental content from internal and external sources, which is combined with editorial content, interpretation, and analysis. Everything is delivered directly to the user's desktop via the Internet.

Customization is a key values in this product line. Driven by leading-edge portal technology, the SAE TechKnowledge Centers include personalization features, alert services, browsing capabilities, regular content updates, and extensively linked bibliographic records.

Each Center features unique editorial content that examines critical topics or issues. Further value is provided through embedded links that go directly to SAE documents (Standards, Papers, Magazines) that support or expand on the article's topic. The editor shapes and filters the content, monitors hundreds of websites for additional information, and alerts the user to important news.



2003 Accomplishments

The SAE TechKnowledge Centers provide complete access to topically focused, full-text SAE documents on a dedicated site.

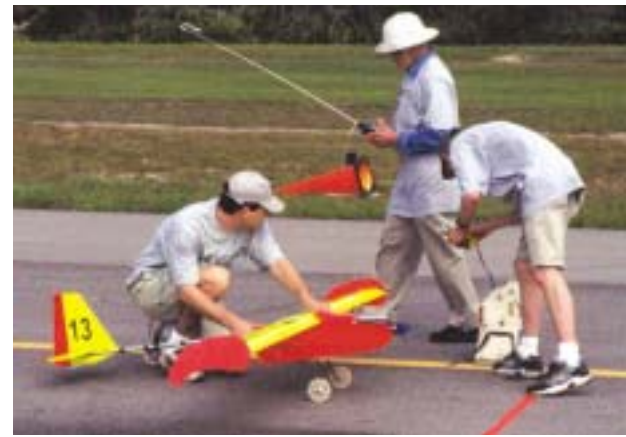
The SAE TechKnowledge Centers eliminate the sorting, sifting, and correlating of data that an engineer must perform and delivers relevant information in a user-friendly format. At year's end, two SAE TechKnowledge Centers were available, covering the topics of Powertrains and Safety.

UNS on the Web (Metals and Alloys in the Unified Numbering System): UNS on the Web is an online version of the popular UNS book—Metals and Alloys in the Unified Numbering System, a joint publication from SAE and ASTM. The Web product provides access to more than 5,000 UNS numbers, over 7,300 trade names, and more than 13,300 cross references, and will be updated quarterly. Since publication of the 9th Edition of the UNS book in October 2001, more than 200 new and updated UNS numbers and 3,400 updates to cross references and trade names have been collected and incorporated into the Web product.

The Unified Numbering System for metals and alloys is an international system of identifying the metals and alloys in use by industry. It provides the uniformity necessary for efficient indexing, records-keeping, data storage and retrieval, and cross-referencing.

Through UNS on the Web, customers can search by UNS number, description, chemical composition, common trade name, cross-reference organization, and cross reference-specification. The convenient Browse feature allows users to browse through the 18 series of designations for metals and alloys and view the corresponding UNS numbers and their descriptions.

Customized Subscription Plans: SAE continues to expand its line of electronic information products with JPaks, AeroPaks, and TechSelects. These customized subscription plans allow customers to download a pre-set number of standards or technical papers at a reduced cost (compared to downloading each one individually). Customers receive convenient online access and advanced searching capabilities and may select from a series of quantity and pricing options.



2003 Accomplishments

Success in SAE's design competitions depends on a team's ability to combine engineering expertise with a full range of project management skills. Just design expertise alone is not enough: teams must complete their projects on time and explain all of their decisions to the judges.

Educational Relations

The competitions of SAE's Collegiate Design Series have become an important aspect of engineering education around the world. These events challenge students to design, fabricate, test and compete with a vehicle that achieves the objective of the event. .

In 2003, the competitions attracted over 500 teams to the events in SAE's Collegiate Design Series and more than 800 teams world wide. With over 5,000 student competitors annually, these competitions are SAE's most important contribution to the education of the next generation of engineers and serve as a primary vehicle for introducing prospective engineers to the benefits of SAE membership.

Formula SAE® Series: The 2003 Formula SAE competition, held in Pontiac, Michigan, featured a first in its 25-year history: a team from outside of the United States won the overall competition. The University of Wollongong, Wollongong, New South Wales, Australia, bested every team in the field to capture first place. The University of Wollongong also won Formula SAE-Australasia in December 2002, making it a clean sweep for the University.

Formula Student in the UK and Formula SAE-Australasia are further proof that the Formula SAE series provides educational opportunities that today's students—and their future employers in the mobility industries—demand.

In 2003, DaimlerChrysler, Ford and General Motors continued their enthusiastic sponsorship of the competition.

Mini Baja Series: The Mini Baja series continues to grow and attract new teams from around the world. SAE is pleased to report that Honda America has agreed to sponsor the Mini Baja Technical Inspectors who will oversee the vehicle inspections at all three competitions.

Specifics about the events:

Mini Baja East was held at the University of Central Florida, Orlando, Florida, and was won by Ecole de Technologie Superieure of Montreal, Quebec, Canada.

Mini Baja West was hosted at Brigham Young University, Provo, Utah, and was won by a team from BYU.

Mini Baja Midwest, hosted by the Dayton Section, was won by a strong team from Tennessee Tech. Second place at this event was won by a team from Instituto Tecnologico de Buenos Aires, Argentina, competing in only their second Mini Baja event. Also of note: Midwest Mini Baja had 143 entries, an all-time high.

Clean Snowmobile Challenge™

(CSC): 2003 marked the first time that a university played host to the CSC: the event was hosted by Michigan Technological University and held in Houghton, Michigan. The University of Idaho team won the event.



2003 Accomplishments

China is becoming a powerhouse in the mobility industries, and SAE is working with local entities, academia, and engineers to meet a wide variety of needs there.

SAE Magazines

The magazines of SAE successfully weathered what proved to be a tough year in the magazine publishing industry. *Automotive Engineering International* continued its string of recent successes with another boost in share, holding nearly 56 percent of the advertising market in 2003. This compares favorably with last-year's record 53 percent share.

AEI continued to enhance its global brand image by strengthening its content and contributor base. With the help of SAE's Hong Kong Section, the first Chinese-language edition of AEI was published in March, joining Portuguese and Spanish versions of the magazine.

SAE Off-Highway Engineering continued to build on its increased industry recognition and *Aerospace Engineering* continued to be the only comprehensive technical magazine in North America covering the Aerospace industry. Following the redesign of *Aerospace Engineering* in 2002, the Magazines group led a successful redesign of *SAE Off-Highway Engineering* in 2003, giving it a cleaner, more contemporary look.

In January, online magazine production was streamlined and improved, going from time-consuming "flat" pages to more magazine-like PDFs of the printed magazine pages. This makes the content easier to read and saves many labor hours in the process.

International Development – China

By all accounts, China is becoming a powerhouse in the mobility industries, and SAE is working with local entities, academia, and engineers to meet a wide variety of needs there. In October, an SAE delegation met with numerous organizations in mainland China; meetings occurred in Beijing, Shanghai, and Tianjin. Partnerships for education and training were top agenda items during this visit.

Four years ago, the SAE-DTI Library was established on the Tsinghua University campus. After meetings in October with Delphi Corporation, DTI, and Tsinghua, the groundwork was established for transforming the library into the "DTI-SAE Global Knowledge Center." Drawing on SAE's vast educational resources, professional development courses and seminars will be added to the existing library. The new course offerings will be available both on campus and at satellite locations, the first of which will be held in Shanghai.



2003 Accomplishments

SAE is committed to working to inspire new generations of students and increase their interest in math and science.

A World In Motion (AWIM)

Teacher Workshops: During 2003, AWIM program staff and volunteers conducted over 20 AWIM teacher workshops throughout North America. Led by industry representatives and educators, the workshops provided intensive, hands-on training designed to equip AWIM instructors with all of the tools necessary to maximize the AWIM educational experience.

Workshops were also held in cooperation with two national teacher conferences: the International Technology Association (ITEA) Conference and the National Conference Southeastern Consortium for Minorities in Engineering (SECME).

Also in 2003, several science centers actively provided AWIM professional development opportunities for teachers.

Challenge 4: After two years in development, AWIM Challenge 4 curriculum was released during 2003 and is currently in classrooms. Challenge 4 explores electricity and its relationship to self-propelled vehicles.

Challenge 4 consists of a CD Rom with two hands-on application kits filled with exciting educational activities, such as opportunities to construct lemon juice batteries and magnetic motors. The curriculum targets grades four through ten.

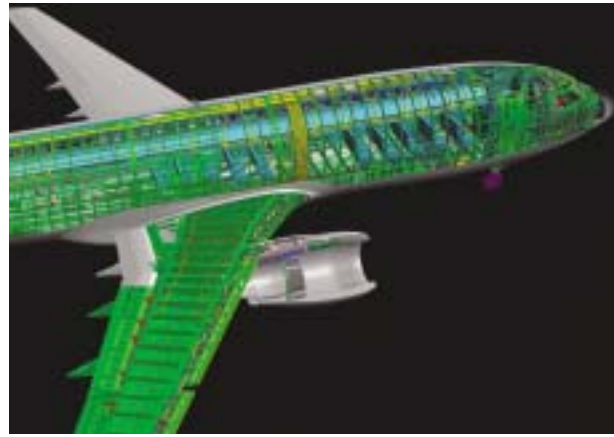
As in AWIM Challenges 1-3, students will learn the “engineering design experience” by participating in design challenges that integrate language arts, social studies, mathematics, science and technology.

2003 Teacher Awards: Kimberly Sweet, a fourth-grade teacher in Haslett, Michigan, was the recipient of the 2003 Lloyd Reuss Award for Teaching Excellence. The annual award recognizes teachers who have effectively implemented the AWIM program to further develop students’ understanding of the principles of motion and the science that underlies them.

Sweet has taught fourth-grade students at Murphy Elementary School in Haslett for six years. She received her Bachelor’s degree from Michigan State University, and recently earned her Masters degree in education.

Additionally, Tim Worthy, a seventh- and eighth-grade teacher at Lancaster Drive Public School in Kingston, Ontario, Canada, received the 2003 SAE Gary Dickinson Award for Teaching Excellence.

This annual award recognizes an outstanding middle school teacher and his or her school for the best use of the AWIM Challenges 2 & 3 curriculum to further develop students’ interest in math and science.



2003 Accomplishments

Worthy has taught in schools in and around Kingston for over 16 years. He received his Bachelor's degree from Queen's University in Kingston and has been an active educator since his graduation.

Additional information on the AWIM program can be found in the SAE Foundation's 2003 Annual Report.

Performance Review Institute (PRI)

2003 was a year of spectacular growth for PRI, raising the bar to a level that may remain unsurpassed. Using audits as the barometer, NADCAP conducted 67 percent more audits in 2003 than in 2002. PRI's total revenue for the year was approximately \$13.8 million, representing a \$5 million increase over last year. PRI projects that year-end margins exceeded \$1.3 million, which should result in current net assets of approximately \$2.9 million.

Equally important, by the end of 2003, the majority of the world's special processors are now required to achieve NADCAP certification status. The roster of subscribing members of the NADCAP program reads like a "Who's Who" of the aerospace industry, including Boeing, Bell Helicopter, Cessna, MD Helicopter, NASA, Northrop Grumman, Raytheon, UTC, and Vought, among others.

PRI/NADCAP will conduct 2,785 audits in 2004, a 14 percent increase over 2003. Prime mandates to European suppliers will be the main growth area. A host of companies – Rolls Royce, plc, Cessna, GEAE, Honeywell, Airbus, Boeing, UTC, and Vought – will apply the NADCAP process to their European suppliers and will lead the NADCAP movement into Asia in 2004.

PRI Registrar continued to serve admirably in its principle role as a premier registrar to the NADCAP suppliers. In 2003, PRI Registrar conducted 1,045 audit days, a 37 percent increase over 2002 results. PRI projects that its Registrar business volume will grow to 1,250 audit days in 2004, representing a 20 percent increase.

Corporate Directory

The 2003 SAE Board of Directors



2003 President

Jack E. Thompson

Director, CAE & Concept Development
(Retired)
Advance Vehicle Engineering
DaimlerChrysler Corporation



2004 President-Elect

Duane Tiede

Vice President of Functional Engineering
(Retired)
CNH Global NV



2002 President

S. M. Shahed

Vice President, Advanced Products & Systems
Garrett Engine Boosting Systems
Honeywell International, Inc.



2003-2004-2005 Vice President, Aerospace

Robert E. Spitzer

Vice President, External Affiliations &
University Relations
The Boeing Company



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Karl Goering

Vice President, Application & System
Engineering
Automotive Chassis Division
Robert Bosch Corporation



2003 Assistant Treasurer

Greg W. Henderson

Senior Manager, Design & Development
F-16 Systems Engineering
Lockheed Martin Aeronautics Company



Executive Vice President, Chief Operating
Officer, and Secretary

Raymond A. Morris

SAE International

Directors One-Year Term (2003)

Stephen D. Burdette

Manager, Product Safety &
Regulation
CNH Global NV

Bernard J. Cousyn

Research Engineer
PSA Peugeot Citroen

Daniel M. Hancock

Chief Executive Officer
Fiat-GM Powertrain Italia

Donald G. Hillebrand

Manager, Research Policy
DaimlerChrysler Corporation

Gerald S. Jakubowski

Dean
College of Science and Engineering
Loyola Marymount University

William R. Leppard

Principal Research Engineer
GM Research & Development Center

Terence J. Rhoades

Consultant

Directors Two-Year Term (2003-2004)

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Chen Technology, Inc.

Teresa A. Hundley

Supervisor, Product Engineering
Delphi Energy & Chassis Systems

Robert L. Ireland

Director, Training Devices & Facilities
United Airlines, Inc.

Douglas C. Johnson

President
Cal-Draulics, Inc.

D. Brad Keleher

Senior Engineer
Deere & Company

Landon J. Sproull

Assistant Chief Engineer
Peterbilt Motors Company

Keith Barend Termaat

CEO
Suntree Associates

Directors Three-Year Term (2003-2004-2005)

Andrew Brown, Jr.

Executive Director, Engineering
Competency
Delphi Corporation

Nicholas P. Cernansky

Professor
Drexel University

Derek J. Logan

Senior Project Engineer
Nissan Technical Center North
America, Inc.

Michael D. Madley

Vice President, OEM Sales
Cloyes Gear & Products, Inc.

Andrew C. Palmer

Program Director, LCV & President,
Light Truck
Nissan Motor Company, Ltd.

V. Sumantran

Executive Director
Tata Engineering & Locomotive
Company, Ltd.

Steven W. Woodard

Division Engineering Manager –
Powertrain
Eaton Corporation

THE FINANCIAL MESSAGE

To all SAE International Members

We are pleased to present the SAE fiscal year 2003 audited financial statements for your information and review. The accompanying reports are: the Independent Auditor's Report, Statements of Financial Position, Statements of Activities and Changes in Net Assets, Statements of Cash Flows, and Notes to Financial Statements. The SAE Foundation and the Service Technicians Society are unincorporated affiliates of SAE and, accordingly, are included in the accompanying financials. The actual accounts of SAE and the SAE Foundation are maintained separately and the respective funds are not commingled.

The Statements of Financial Position reflect total assets of \$58.2 million at the end of the 2003 fiscal year (October 1, 2002 – September 30, 2003). The increase in total assets was \$5.5 million, or an increase of 10.5% over 2002. We believe you will find the Statements of Financial Position show SAE to be in excellent financial condition and well positioned to continue to provide strong member service activities in the future. We appreciate the efforts of the SAE staff and all who were involved in producing these favorable results.

In 2003, the Statements of Activities and Changes in Net Assets reflect SAE operating revenues of \$52.8 million. This was an increase of \$1.7 million or 3.3% from 2002. The net gain from operations was \$1.3 million, a dramatic turnaround from the \$2.9 million net loss from operations in 2002.

In non-operating activities, SAE invested \$759,000 in development activities to fund new programs; these program costs were supported by returns from the General Investment Fund. In 2003, investment activities finished with a net gain of \$4.4 million, due primarily to increases in the market value of our long-term investments. The investment in development activities, when combined with long-term investment gains and an adjustment for additional pension expense, result in a total non-operating gain of \$2.6 million.

Net assets increased \$3.9 million during 2003 as a result of the operating and non-operating gains noted above. The increase in net assets for the year of \$3.9 million, when combined with net assets at the beginning of the year of \$38.0 million, result in \$41.9 million net assets at year-end.

Once again we received a favorable management letter from our independent auditors. Cited positively were SAE internal control activities including budgeting and reporting to the Finance Committee, and the SAE control environment including integrity and ethical values, commitment to competence, Board of Directors and Audit Committee participation, management's philosophy and operating style, etc. There were no auditor recommendations for strengthening internal controls.

As a reminder, please recall that SAE is tax exempt under Section 501(c)(3)

of the Internal Revenue Code. Ultimate responsibility for the financial statements and other information in the annual report rests with the SAE Board of Directors. The Board, through its Finance Committee and Financial Audit Committee, monitors the system of accounting and internal controls, investment management, and the professional competency and integrity of persons performing these functions. The independent auditors have direct access to the Financial Audit Committee to discuss the scope and results of their audit, their comments on the adequacy of internal accounting controls, and the quality of financial reporting.

If you would like more details about the accompanying financial statements or any aspect of financial operations at SAE, please feel free to contact either of us or Dana Pless, Chief Financial Officer at SAE World Headquarters (dpless@sae.org).

Respectfully submitted,



Karl Goering
Treasurer
goering@email.sae.org



Gregory W. Henderson
Assistant Treasurer
greg.henderson@email.sae.org

Society of Automotive Engineers, Inc.

We have audited the accompanying statement of financial position of the Society of Automotive Engineers, Inc. as of September 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Society's financial statements and, in our report dated November 1, 2002, we express an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society of Automotive Engineers, Inc. as of September 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Stelmack Dobransky & Eannace, LLC

STEMMACK DOBRANSKY & EANNACE, LLC

Joseph S. Stelmack, CPA, Member

Joseph S. Stelmack, CPA, Member
Pittsburgh, Pennsylvania

October 31, 2003

Society of Automotive Engineers, Inc.

Statements of Financial Position

September 30, 2003 AND 2002

(000's omitted)

	2003	2002
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Short-Term Investments	\$ 10,620	\$ 3,223
Current Portion of Long-Term Investments	1,580	2,513
Accounts Receivable - Less Allowance for Doubtful Accounts of \$296 and \$223	2,991	3,120
Pledges Receivable	551	711
Inventories and Supplies	764	1,023
Prepaid Expenses	1,926	2,338
Accrued Interest and Other Receivables	999	1,612
Total Current Assets	19,431	14,540
LONG-TERM INVESTMENTS - Market Value	30,803	27,856
OTHER ASSETS		
Pledges Receivable - Amounts Due After One Year	128	281
FIXED ASSETS		
Land and Buildings	10,471	10,451
Furniture and Equipment	18,615	17,796
Total Cost	29,086	28,247
Less Accumulated Depreciation	21,232	18,242
Net Fixed Assets	7,854	10,005
TOTAL ASSETS	\$ 58,216	\$ 52,682
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 3,259	\$ 3,146
Accrued Expenses	2,179	1,749
Deferred Revenue:		
Conferences and Publications	4,757	5,944
Dues and Fees	2,405	2,483
Total Current Liabilities	12,600	13,322
LONG-TERM LIABILITIES		
Accrued Pension Costs	3,345	1,196
Charitable Gift Annuity	325	178
Total Long-Term Liabilities	3,670	1,374
TOTAL LIABILITIES	16,270	14,696
NET ASSETS		
Unrestricted	35,999	32,076
Temporarily Restricted	4,439	4,354
Permanently Restricted	1,508	1,556
Total Net Assets	41,946	37,986
TOTAL LIABILITIES AND NET ASSETS	\$ 58,216	\$ 52,682

See Independent Auditor's Report and Notes to the Financial Statements

Society of Automotive Engineers, Inc.

Statements of Activities and Changes in Net Assets

For the Year Ended September 30, 2003

With Comparative Totals for the Year Ended September 30, 2002

(000's omitted)

	-----2003-----			--2002--	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING ACTIVITIES					
Revenue					
Meetings and Conferences	\$ 13,710	\$ -	\$ -	\$13,710	\$11,912
Magazines and Publications	22,477	-	-	22,477	22,228
Membership	4,546	-	-	4,546	4,775
Technical Standards.....	3,739	-	-	3,739	4,264
Other Products and Services.....	677	118	-	795	775
Contributions	383	1,541	-	1,924	1,813
Contributed Services	5,609	-	-	5,609	5,337
Net Assets Released from Restrictions	1,942	(1,894)	(48)	-	-
Total Revenue	<u>53,083</u>	<u>(235)</u>	<u>(48)</u>	<u>52,800</u>	<u>51,104</u>
Expenses					
Meetings and Conferences	11,034	-	-	11,034	11,394
Magazines and Publications	8,960	-	-	8,960	10,081
Membership	1,765	-	-	1,765	1,908
Technical Standards.....	3,932	-	-	3,932	4,508
Other Products and Services.....	5,692	-	-	5,692	6,115
Administrative Services.....	12,267	-	-	12,267	12,395
SAE Foundation	2,199	-	-	2,199	2,240
Contributed Services	5,610	-	-	5,610	5,337
Total Expenses	<u>51,459</u>	<u>-</u>	<u>-</u>	<u>51,459</u>	<u>53,978</u>
Net Change from Operations	<u>1,624</u>	<u>(235)</u>	<u>(48)</u>	<u>1,341</u>	<u>(2,874)</u>
NONOPERATING ACTIVITIES					
Development Activities	(759)	-	-	(759)	(2,159)
Investment Activities - Net of Expenses of \$111 and \$119	4,110	320	-	4,430	(3,941)
Additional Pension Expense	(1,052)	-	-	(1,052)	(940)
Net Change from Nonoperations.....	<u>2,299</u>	<u>320</u>	<u>-</u>	<u>2,619</u>	<u>(7,040)</u>
CHANGE IN NET ASSETS	<u>3,923</u>	<u>85</u>	<u>(48)</u>	<u>3,960</u>	<u>(9,914)</u>
NET ASSETS - BEGINNING OF YEAR	<u>32,076</u>	<u>4,354</u>	<u>1,556</u>	<u>37,986</u>	<u>47,900</u>
NET ASSETS - END OF YEAR	<u>\$ 35,999</u>	<u>\$ 4,439</u>	<u>\$ 1,508</u>	<u>\$41,946</u>	<u>\$37,986</u>

See Independent Auditor's Report and Notes to the Financial Statements

Society of Automotive Engineers, Inc.

Statements of Cash Flows

For the Years Ended September 30, 2003 AND 2002

(000's omitted)

	2003	2002
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,960	\$ (9,914)
Adjustments to Reconcile Change in Net Assets		
To Net Cash Used by Operating Activities:		
Depreciation and Amortization	3,162	3,387
Net (Gain)/Loss on Sale of Fixed Assets	23	(24)
Net (Gain)/Loss on Investments	(3,402)	5,054
Changes in Assets (Increase)/Decrease		
Accounts Receivable	129	489
Accrued Interest and Other Receivables	613	(182)
Prepaid Expenses	412	168
Inventories and Supplies	259	(426)
Pledges Receivable	313	(103)
Changes in Liabilities (Decrease)/Increase		
Accounts Payable	113	(2,171)
Accrued Expenses	430	623
Deferred Revenue	(1,265)	(28)
Accrued Pension Costs	2,149	2,215
Charitable Gift Annuity	147	-
Net Cash From (Used In) Operating Activities	<u>7,043</u>	<u>(912)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1,072)	(1,050)
Proceeds from Sale of Fixed Assets	38	55
Purchase of Investments	(12,676)	(16,960)
Proceeds from Sale of Investments	<u>14,064</u>	<u>17,711</u>
Net Cash From (Used In) Investing Activities	<u>354</u>	<u>(244)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Debt Reductions	<u>-</u>	<u>(287)</u>
NET INCREASE/(DECREASE) IN CASH BALANCES	7,397	(1,443)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,223</u>	<u>4,666</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,620</u>	<u>\$ 3,223</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ -	\$ 4
Income Taxes Paid	\$ -	\$ -

See Independent Auditor's Report and Notes to the Financial Statements

Society of Automotive Engineers, Inc.

Notes to the Financial Statements

For the Years Ended September 30, 2003 AND 2002

1 GENERAL

The Society of Automotive Engineers, Inc. (SAE) is a not-for-profit corporation originally organized and incorporated in 1905 under the laws of New York and reincorporated in 1986 under the laws of Pennsylvania. SAE is a technical society aimed at developing, collecting and disseminating on a worldwide basis the knowledge of mobility technologies in order to advance these fields and their practitioners in a manner which serves humanity. The SAE Foundation and the Service Technicians Society (STS) are unincorporated divisions of SAE and, accordingly, are included in the accompanying financial statements.

SAE Foundation Canada is organized as a separate entity under the laws of Canada. It was formed to manage the activities, missions and goals in support of SAE in Canada, which requires SAE Foundation Canada's solicitation and receipt of specific funding from individuals, public or private corporations, foundations, or government agencies. The SAE Foundation Canada operates under the direction of a Board of Trustees with administrative support provided by the SAE Executive Vice President and reports directly to the SAE Board of Directors.

SAE is affiliated with Performance Review Institute, Inc. (PRI), a Pennsylvania corporation organized by SAE in April 1990 to compile and review performance standards, to promote and administer quality assurance, accreditation and certification programs for the benefit of the general public, industry and government. PRI also contributes funds, property and services to nonprofit organizations that develop and publish standards for maintaining and improving quality and performance within the automotive industry. The Internal Revenue Service has granted PRI tax exempt status under Section 501(c)(6) of the Internal Revenue Code.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements are prepared on the accrual basis of accounting and include only the assets, liabilities, net assets and financial activities of the International organization of the Society of Automotive Engineers, Inc. The funds and accounts of Society Sections are not included in the accompanying financial statements. However, Sections are permitted to invest in a money market investment pool and a long term investment pool managed by the Society. Funds of Sections participating in the pool are included in the Short Term Investment Fund and are reflected as an accounts payable liability in the accompanying financial statements.

Comparative Financial Information The Statements of Activities and Changes in Net Assets include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SAE's financial statements for the year ended September 30, 2002, from which the summarized information was derived.

Financial Statement Presentation SAE has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, SAE is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets Net assets subject to donor imposed stipulations that may or will be met either by actions of SAE and/or the passage of time.

Permanently restricted net assets Net assets subject to donor imposed stipulations that they be maintained permanently by SAE. Generally, the donors of these assets permit SAE to use all or part of the income earned on related investments for general or specific purposes.

Contributions SAE has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents For purposes of the Statement of Cash Flows, SAE considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the years ended September 30, 2003 and 2002, SAE had no noncash investing or financing activities for cash flow purposes.

Estimates Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Investments SAE has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." In accordance with SFAS No. 124, investments are presented at their current market value, which is established using published market prices.

Inventories Inventories and supplies are stated at the lower of cost (determined on the first in, first out or average cost method) or market.

Fixed Assets Fixed assets are recorded at cost and depreciated using the straight line method over estimated useful lives of three to forty years. Depreciation expense, totaling \$3,162,000 in 2003 and \$2,387,000 in 2002, is allocated to the various activities based on usage.

Revenue and Expense Recognition Income from membership dues, subscription fees, magazines and publications are deferred and recognized over the periods in which the specific types of income relate. Revenues related to continuing education programs, engineering meetings and displays are deferred and recognized in the period when the programs are held. Expenses related to such activities are also deferred as prepaid expenses and recognized in the period when the programs are held.

Income Tax Status SAE is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the SAE's tax exempt purpose such as advertising revenue is subject to taxation as unrelated business income. At September 30, 2003 and 2002, there were no federal income taxes provided as business activities unrelated to exempt purposes resulted in no taxable income in those years. In addition, SAE qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Reclassifications Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Concentration of Credit Risk Financial instruments which potentially subject the organization to concentrations of credit risk consist principally of marketable debt and equity securities and trade receivables. The organization's temporary cash investments are greater than the \$100,000 insured by the FDIC but are maintained by creditworthy, high quality financial institutions. The organization holds bonds and notes issued by the United States government and financially strong corporations. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade receivables is limited because SAE deals with a large number of customers in a wide geographic area. As of September 30, 2003, SAE had no significant concentrations of credit risk.

3 INVESTMENTS

At September 30, 2003 and 2002, Investments were as listed below:

	2003		2002	
	Cost \$(000)	Market \$(000)	Cost \$(000)	Market \$(000)
U.S. Gov't and U.S. Gov't				
Agency Bonds	\$ 1,857	\$ 1,895	\$ 2,788	\$ 2,852
Corporate Bonds	9,564	10,248	11,615	11,714
Corporate Stocks	19,788	19,199	19,768	14,870
Money Market Funds	1,012	1,012	904	904
Certificates of Deposit	29	29	29	29
Total Investments	\$ 32,250	\$ 32,383	\$ 35,104	\$ 30,369

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended September 30, 2003 and 2002:

	2003		Total \$(000)
	Unrestricted \$(000)	Temporarily Restricted \$(000)	
2003			
OPERATING ACTIVITIES:			
Interest and Dividend Income	\$ 77	\$	\$ 77
NON OPERATING ACTIVITIES:			
Interest and Dividend Income	\$ 1,004	\$ 135	\$ 1,139
Realized Gains (Losses)	(1,339)	(127)	(1,466)
Unrealized Gains (Losses)	4,858		4,858
Subtotal Investment Return	4,533	8	4,541
Less Investment Expenses	(111)		(111)
Over Allocation	(312)	312	
Total Investment Return from Non Operating Activities	\$ 4,110	\$ 320	\$ 4,430
2002			
OPERATING ACTIVITIES:			
Interest and Dividend Income	\$ 55	\$	\$ 55
NON OPERATING ACTIVITIES:			
Interest and Dividend Income	\$ 1,077	\$ 106	\$ 1,183
Realized Gains (Losses)	(2,668)	(387)	(3,055)
Unrealized Gains (Losses)	(1,950)		(1,950)
Subtotal Investment Return	(3,541)	(281)	(3,822)
Less Investment Expenses	(119)		(119)
Over Allocation	(594)	594	
Total Investment Return from Non Operating Activities	\$ (4,254)	\$ 313	\$ (3,941)

Investment returns from operating activities are comprised of returns included in SAE's liquidity investment fund, which are included in the accompanying Statements of Activities as part of other products and services.

4 PLEDGES RECEIVABLE (PROMISES TO GIVE)

Pledges of contributions (or promises to give) have been classified as unconditional. Unconditional promises to give at September 30, 2003 and 2002 are as follows:

	2003	2002
	\$(000)	\$(000)
Receivable in less than one year	\$ 551	\$ 811
Receivable in one to five years	130	286
Total unconditional promises to give	681	1,097
Less discounts to net present value	2	5
Less allowance for uncollectible promises to give		100
Net unconditional promises to give	\$ 679	\$ 992

5 EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

SAE has a noncontributory defined benefit pension plan covering substantially all employees of SAE and PRI. Pension expense amounted to \$1,162,000 and \$1,275,000 for the fiscal years ended September 30, 2003 and 2002, respectively. The benefits are based on years of service and the employee's final average compensation, as defined, during the last ten years of employment. SAE's funding policy is to fund amounts on an actuarial basis, which complies with ERISA.

Net periodic pension costs charged to expense for fiscal years 2003 and 2002 included the following components:

	2003	2002
	\$(000)	\$(000)
Service cost - benefits earned during the period	\$ 1,009	\$ 1,332
Interest cost on projected benefit obligation	1,665	1,762
Expected return on plan assets	(1,512)	(1,786)
Net amortization and deferral	(60)	(53)
Net periodic pension expense	\$ 1,162	\$ 1,275

In 2003, SAE incurred an additional pension expense of \$1,052,000 due to the minimum liability requirements. Also, in 2002 an additional pension expense of \$940,000 was incurred as a result of enhanced termination benefits offered under an early retirement window. Both of these expenses are accounted for in the Non operating section of the Statement of Activities. In addition, a reduction in work force occurred in April 2002 that triggered curtailment accounting. The result was a \$592,000 reduction in the accumulated unrecognized loss, but this had no immediate impact on the Statement of Activities.

Society of Automotive Engineers, Inc.

Notes to the Financial Statements

For the Years Ended September 30, 2003 AND 2002

5 EMPLOYEE BENEFIT PLANS (Continued)

The following table sets forth the funded status of the pension plan as of July 1, 2003 and 2002:

	2003 \$(000)	2002 \$(000)
Actuarial present value of accumulated benefit obligation:	\$ 21,806	\$ 18,129
Projected benefit obligation:	\$ (27,481)	\$ (22,632)
Plan assets at fair value:	18,461	19,322
Plan assets (deficit) in excess of projected benefit obligation:	(9,020)	(3,310)
Unrecognized actuarial net (gain) loss:	7,020	2,480
Unrecognized net asset at July 1, 2003 and 2002 being amortized over remaining four (4) years:	(293)	(366)
Additional minimum liability:	(1,052)	
Prepaid (accrued) pension costs:	\$ (3,345)	\$ (1,196)

The weighted average assumptions used in determining the net periodic pension costs and reconciliation of funded status as of September 30, 2003 and 2002 is as follows:

	2003	2002
Discount rate:	6.75%	7.5%
Long term rate of return:	8.0%	8.0%
Average compensation increase:	4.75%	4.75%

SAE's contributions to the pension plan for the year ended September 30, 2003 and 2002 amounted to \$65,000 and \$0 respectively. Benefits paid from the plan for the years ended September 30, 2003 and 2002 amounted to \$866,000 and \$640,000, respectively.

Group-Tax Deferred Annuity Plan

SAE also has a group tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees. Employees may make voluntary matched and unmatched contributions. Employees not entitled to full benefits are not eligible to receive matching contributions. Employees may make voluntary matched contributions in a range from 1% to 6% (subject to maximums allowed by the Internal Revenue Code) and SAE will match up to 100% of the contributions based on the employee's years of service. Employee contributions in excess of 6%, also subject to maximums, are not matched by SAE. SAE's contributions were \$558,000 and \$604,000 for the years ended September 30, 2003 and 2002, respectively. Employees are immediately vested in all contributions but withdrawals are subject to plan withdrawal and distribution rules.

Beneficiary Association

SAE has established the SAE Employees and Retired Employees Beneficiary Association, which is exempt from federal income tax under Section 501(c)(9) of the Internal Revenue Code. The Beneficiary Association provides a means of accumulation and distribution of certain welfare plan benefits including benefits after retirement. The contributions to the Beneficiary Association are determined by reference to insurance premiums and estimated costs determined by SAE's independent outside actuary. SAE's contributions were \$60,000 and \$59,000 for the years ending September 30, 2003 and 2002, respectively.

6 LINE OF CREDIT

As of September 30, 2003, SAE has a \$2,000,000 line of credit with a bank to be drawn down upon as needed, with an interest rate of 1.0% above the LIBOR rate. As of September 30, 2003, no amount has been drawn down. The line is secured by all deposits, investments and receivables maintained by SAE.

7 SPLIT-INTEREST AGREEMENTS

During 1998, the SAE Foundation received a \$300,000 charitable gift annuity, which calls for annual annuity payments totaling \$24,000 for the term of the donor's natural life. The present value of estimated future payments to the donor, which totals \$176,000 using a discount rate of 1.0% and applicable mortality tables is included in the accompanying Statements of Financial Position.

During 2003, the SAE Foundation received a \$200,000 charitable gift annuity which calls for annual annuity payments totaling \$16,000 for the term of the donor's natural life. The value of estimated future payments to the donor, which totals \$189,000 using a discount rate of 1.0% and applicable mortality tables is included in the accompanying Statements of Financial Position.

8 TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Net assets restricted by donors as of September 30, 2003 and 2002 provide support for the following purposes:

	2003		2002	
	Temporarily Restricted \$(000)	Permanently Restricted \$(000)	Temporarily Restricted \$(000)	Permanently Restricted \$(000)
Futures Fund:	\$ 3,716	\$ 385	\$ 3,776	\$ 433
Awards and Recognition Fund:	720	1,019	577	1,019
Engineering Activity Support:	3	104	1	104
Totals:	\$ 4,439	\$ 1,508	\$ 4,354	\$ 1,556

9 OPERATING LEASES

SAE has noncancelable operating leases, primarily for off site office space, that expire at various dates through September 30, 2006. Those leases generally contain renewal options and require SAE to pay all executory costs such as taxes, maintenance, and insurance. Rental expense for those leases amounted to \$451,000 for the year ended September 30, 2003.

Future minimum lease payments under operating leases, which have remaining terms in excess of one year as of September 30, 2003, are:

Year Ended September 30,	Amount \$(000)
2004	\$ 433
2005	441
2006	445
	<u>\$ 1,319</u>

10 SAE FOUNDATION

The SAE Foundation is organized as part of the Society of Automotive Engineers, Inc. The SAE Foundation was created to facilitate financial contributions from members and others to provide an additional source of income, beyond those sources normally available to SAE, for activities in support of SAE's Purpose, Missions, and Goals. The Foundation has also adopted a Financial Management Policy so that the Foundation can maintain fiscal stability and viability, be self sustaining and have the financial competency to meet its obligation to provide the required funding for programs as well as to pay for its fund raising and administrative costs.

The Foundation operates under the direction of a Board of Trustees, with administrative support provided by the SAE Executive Vice President, and reports directly to the SAE Board of Directors. The Foundation conducted fund raising activities that cost \$263,000 for the year ended September 30, 2003.

11 SERVICE TECHNICIANS SOCIETY

The Service Technicians Society (STS) is organized as an unincorporated society within SAE, and has its own group of members. STS was created to advance the skills and education of service technicians; encourage high ethics and performance; inspire professionalism and excellence in the mobility service industry; disseminate mobility service technology information; foster communication and cooperation among service technicians and other professionals worldwide; and serve the public's need for environmentally responsible, safe and efficient mobility systems. Until September 30, 2003, STS operated under the direction of a Board of Governors with administrative support provided by the SAE Executive Vice President and received oversight from the SAE Board of Directors. Effective October 1, 2003, STS ceased to exist and its activities were absorbed into SAE.

12 CONTRIBUTED SERVICES

SAE's No. 116 requires contributed services to be recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by volunteers. SAE receives such services from numerous members who volunteer to serve on technical committees that are responsible for developing, reviewing, revising and updating technical standards for the ground vehicle and aerospace industries. The value of these services was calculated as \$5,609,000 and \$5,337,000 and for the years ended September 30, 2003 and 2002, respectively, and is included in the accompanying Statements of Activities as revenue and expense.

13 RELATED PARTY TRANSACTIONS

PRI

SAE is related to PRI but their affiliation does not meet the criteria requiring consolidation in the accompanying financial statements.

PRI leases office space from SAE under an operating lease that expires December 31, 2003 unless thirty days notice of cancellation or modification is provided by either party to the other.

As of September 30, 2003 and 2002, SAE's financial statements reflect the following balances and transactions with PRI:

	2003 \$(000)	2002 \$(000)
Accounts receivable	\$ (40)	\$ 65
Service fees revenue	410	235
Rental income	156	123

SAE Foundation - Canada

SAE is related to SAE Foundation Canada, but their affiliation does not meet the criteria requiring consolidation in the accompanying financial statements.

As of September 30, 2003, there was a \$63,000 liability to SAE Foundation Canada in the accompanying financial statements, which included accrued interest of \$32,000.

14 CONTINGENT LIABILITIES

SAE Sections

While the funds and accounts of Society Sections are not included in the accompanying financial statements, the Sections Board minutes do not disclose any major potential liability to SAE from Section's activities.

15 SUBSEQUENT EVENT

Effective October 1, 2003, SAE has changed their fiscal year end to a December 31 calendar year end.

SAE International™

Staff Leadership Team

Raymond A. Morris

Executive Vice President & Chief Operating Officer

Antenor R. Willems

Executive Director

Dana M. Pless

Chief Financial Officer

William G. Wagner

Managing Director – PRI

V. Herbert Kaufman

Director – Aerospace/Heavy Duty Business
& Chief Technical Officer

David L. Amati

Director – Automotive Business

Robert H. Chalker

Director – Sales, Marketing,
& Younger Member Activities

Maryann Ihrig

Director – Human Resources

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SAE Sections/Groups

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Mogilev, Belarus
SAE Beijing, China
Cairo, Egypt
Hong Kong
Naples, Italy
Kuala Lumpur, Malaysia
Mexico
Bryansk, Russia
Moscow, Russia
Nizhni Novgorod, Russia
St. Petersburg, Russia
Volga, Russia
Aviation and Astronautics Development, Russia
Central Proving Ground, Russia
Orenburg, Russia
Zhukovsky (Moscow), Russia
VTK, Russia
Taipei, Taiwan
Kiev, Ukraine
United Kingdom

Joint Sections

Bucharest, Romania
Brasov, Romania
Constantza, Romania

Society of Automotive Engineers, Inc.

Raymond A. Morris, CAE

*Executive Vice President, COO & Secretary
SAE International*

Reed Smith

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Cohen & Grigsby, P.C.

Legal Counsel

Smith Barney Inc.

Investment Counsel

INVESCO National Asset Management

Investment Counsel

Roxbury Capital Management

Investment Counsel

Bowling Portfolio Management

Investment Counsel

Delaware Capital Management

Investment Counsel

Lord Abett & Co.

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