

**SAE** *International*<sup>™</sup>

*Fueling The Future*



*2007 Annual Report*

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## Executive Message

### *Fueling the future*

Reading these three words may conjure up images of the latest fuels being developed – biodiesel, ethanol, biomass or even vegetable oil. Or perhaps it creates images of the newest electric or hydrogen-powered engines available.

Of course, all of these images are correct and true.

But, at SAE International, “Fueling the Future” means much more than just that which powers vehicles or aircraft. It also means that which powers the mind, as well – especially the innovative minds of the talented professionals in the mobility engineering industry.

Professional development courses and seminars, technical information, publications and industry conferences are the tools that help professionals excel at their jobs. And these are the things that SAE International brings to the table, and has done so for more than 100 years.

As we all know, education never really ends, regardless of how much experience someone has. That’s true for SAE members as well.

At SAE International we believe that learning starts at a young age. Through our A World In Motion® curriculum, students in grades K-12 experience and learn math and science through hands-on, interactive challenges. In college, the interactive learning continues. Through SAE’s Collegiate Design Series, students in colleges and universities around the globe compete in different and challenging competitions that combine engineering theory and knowledge, design skills, budget skills, project management skills and teamwork.

Education is the fuel for these students who are the future of mobility engineering. SAE International is one source for that fuel.

For those professionals who are already in the industry, SAE's products and services can help provide the knowledge to help them not only further their own careers, but also create the innovative technologies that define our industry.

SAE's professional development seminars enable mobility professionals to learn the latest and most relevant information from some of the top instructors around the globe. The technical papers written by SAE members are tops in the field. They help to explain the cutting-edge technology that power our vehicles and the theories that go behind their development.

Some of the perfect forums for bringing all of these learning opportunities together are SAE International's conferences and symposia. At these events, professionals from similar industries and backgrounds can gather together to hear some of the top minds in mobility engineering give their thoughts on the issues and challenges facing mobility engineering. They can also attend relevant technical sessions and visit top suppliers and manufacturers in the business.

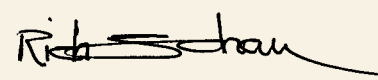
But, perhaps some of the best types of learning at these events are the many networking opportunities that occur – the simple conversations with colleagues from across the state, the nation or the globe. It is this type of direct sharing of information based on firsthand experiences that really cuts to the core of what mobility engineering is – identifying a problem and finding a solution.

### *Fueling the future*

Whether it's the fuel that powers the vehicle or aircraft or the fuel that powers the mind, SAE International will be there to help provide the information and tools necessary to keep the mobility engineering industry moving forward.

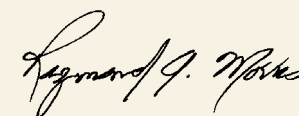
Thank you for your interest and support in SAE International. We hope that you enjoy this annual report and we welcome your feedback. As always, we look forward to serving you today and in the future.

Sincerely,



Richard O. Schaum

2007 President,  
SAE International



Raymond A. Morris, CAE

Executive Vice President,  
Chief Operating Officer  
SAE International



## Aerospace Initiative

The past 12 months could best be described as a year of ambitious strides for SAE International's Aerospace Initiative. From stimulating educational programs to exciting new global alliances, SAE continued to lay the groundwork to ensure that it would remain a critical component of the aerospace industry.

Four key goals were addressed in 2007:

Efforts continued to increase the number of aerospace engineering ABET-accredited schools participating in the Aero Design collegiate design competitions. A major marketing campaign targeted the top aerospace engineering ABET-accredited universities throughout the year. In 2006, 11 teams from ABET schools participated in Aero Design competitions. This year, the number doubled to 22 ABET-accredited teams.

SAE furthered its relationship with ASD-STAN, the European body for the development of global aerospace standards, and worked to increase global acceptance of SAE standards. SAE developed an analysis showing possible areas of committee overlap and exchanged a list of works in progress with ASD-STAN. Meetings between the two organizations were held in the United Kingdom and Orlando, Florida, resulted in the drafting of a potential partnership agreement.

The Aerospace Initiative established an executive-level body to manage the future of the AeroTech Congress & Exhibition. A council of SAE leader champions was created to address the viability and potential of this important aerospace event. Several

phone conferences held throughout the year led to a promising strategy that will continue to be refined to meet the needs of the 2009 AeroTech event.

A broad-based strategy was created for identifying, engaging and securing executive management support for SAE Aerospace. A management team has developed a list of goals and potential barriers related to the stated goal. In addition, the team has created a timeline for 2008 for collecting benchmark data, developing strategies and implementing initiatives.

A number of other highlights promise to not only maintain SAE's position as a leader in the global aerospace industry, but also to grow its presence.

Ronald E. York finished his first full year as the SAE Aerospace Vice President. In this elected position, York helped to establish a member-leader team and process for increasing aerospace executive-level support for SAE.

SAE increased its presence at EAA (Experimental Aircraft Association) AirVenture Osh Kosh. Thanks to the help of several of our valued members, a strategy was developed that included a table sponsorship at the event dinner and a reception coordinated with EAA.

SAE developed and presented the SAE Design Innovation Award at the two Aero Design collegiate competitions.



## Aerospace Standards

Innovation – this concept is key to fueling the future. And nowhere else is innovation more prevalent or critical than in the Aerospace Standards Services realm of SAE International.

Building on the momentum from previous years, SAE deepened relationships with several international aviation organizations, including the International Civil Aviation Organization (ICAO) and International Air Transport Association (IATA).

Such alliances allow harmonization of standards among different organizing bodies, as well as help to provide the best services where they are needed most.

SAE continued important work with other groups and agencies, including partnering with the European Organization for Civil Aviation Equipment and ASD-STAN, the European body for the development of global aerospace standards. In addition, members of the SAE Aerospace Standards team attended and exhibited at several air shows, conferences and meetings around the United States and the world – including the 2007 Paris Air Show.

Working with member volunteers and leaders, Aerospace Standards staff also conducted an analysis of its committees. The analysis posed questions such as these: What do companies and members need to do to best serve committees? Where does each committee hope to go in the future? The study also included an action plan of how to achieve these goals.

Other highlights and activities from SAE's Aerospace Standards include:

- Federal Aviation Administration (FAA) support for aerospace standards development – FAA executives agreed to sign formal letters of support for new aerospace standards of interest.

- Government support for SAE global outreach – The U.S. Trade and Development Agency pledged funds to support an SAE aerospace standards workshop in Beijing, China. Similar funding for a workshop in India is under discussion.





## Asia/Pacific Business

An ongoing SAE International goal includes expansion into the vital Asia/Pacific region, and 2007 witnessed tremendous progress toward this goal. One important component of SAE's expanded presence in the Asia/Pacific region is its Corporate Technologies program, which experienced significant growth this year. Designed to connect companies with SAE's world-class mobility knowledge base and its global network of automotive engineering experts, SAE's Corporate Technologies program provides solutions and helps companies grow their engineering, engineering management and technology capabilities.

OEMs and suppliers in the developing regions, as well as multinational corporations that depend on them, are reaping the rewards of a customized and focused application of SAE resources. Several Targeted Technical Assistance programs were conducted with small- and mid-size suppliers throughout the year, and programs with OEMs are continuing to guide them through the latest technological advances and to improve their product development capability.

In all cases, these programs use new and existing ARI consultants, SAE Professional Development instructors and the supporting mobility information database to provide on- and off-site support in structured and focused ways. Through these programs and the supporting business growth opportunities SAE provides, such as exhibits and advertising, companies are learning the value of connecting with SAE's global network, accessing the mobility information database and utilizing SAE standards to achieve success in the industry.

In addition to Corporate Technologies programs, an informational session titled "The Global Automotive Supply Chain: Becoming a Preferred Supplier to Vehicle Manufacturers and Upper Tier Customers" was held for Chinese and Korean suppliers.

In China, the session took place at the Shanghai International Automobile City and was presented in cooperation with the Shanghai Autocity Development Company. In Korea, the session was held in Seoul as part of the Korea Auto Parts and Accessories Show.

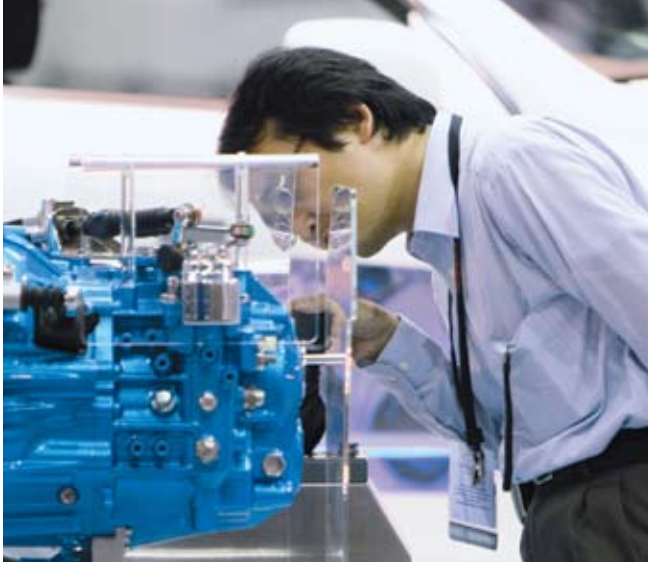
Later in the year, an SAE business development trip was conducted through China and Korea. Highlights from this trip include:

- Attending the inaugural China International Auto Parts Expo in Beijing.

- Meeting with SAE China and signing a Presidential MOU for joint student activities.

- Visiting the Automotive Engineering & Research Institute of Chery to begin cultivation of a long-term relationship.

- Meeting with leadership from the Automotive Parts Innovation Center from the Ulsan Autovalley Project in Seoul.



## Automotive Initiative

SAE's Automotive Initiative enjoyed the leadership of Jacqueline A. Dedo, Senior Vice President, Innovation and Growth, The Timken Company, who completed her first full term as Automotive Vice President this year. Under her guidance, SAE set the stage for engineers worldwide to discuss the future of the automotive industry.

Fuel efficiency, emissions, advanced power systems, vehicle electronics and safety were among the year's hot topics, driving the direction of SAE technical papers, executive panels, professional development seminars and standards activities.

The SAE 2007 World Congress, themed "Engineering for Global Sustainable Mobility – It's Up to Us," created an environment that encouraged collaboration among the brightest minds of the industry to face new technology challenges.

The Congress also saw an increase in international participation, attracting 35,822 attendees from 49 countries. Excluding North America, the continent of Asia led with the most attendees, followed by Europe. Toyota also made history as the first Asian company to host the event, which was chaired by Yasuhiko Ichihashi, the head of engineering and manufacturing for Toyota North America.

Other automotive highlights include:

BMW, Honda, Hyundai, Nissan and Toyota increased their SAE involvement this year, while Chrysler, Ford and General Motors continued to play a valuable role in the growth of SAE.

SAE's Automotive Headquarters in Troy, Michigan, continued to serve as a leading provider of educational programs, hosting 80 percent of SAE's Professional Development activity. The program experienced significant growth in 2007 with the introduction of 17 course titles, a new site in Birmingham, Alabama, and an online Learning Management System.

The popularity of the Formula SAE program gained speed, as shown by online registration for the next year's event selling out in just 11 minutes. Students' increased interest in the competition spurred the addition of a third U.S. event at the Virginia International Raceway.

The SAE Motorsports Initiative gained support from leaders of the major racing sanctioning bodies, original equipment manufacturers, suppliers and government agencies. A Motorsports Council led by SAE members was established to provide guidance to this initiative, which aims to bridge the technical and engineering gaps that exist between the production vehicle and racing and performance industries.

The Automotive Resources Institute, a service of SAE, experienced its most successful year since inception, expanding its consultant services to serve the global community.



A World In Motion®

The imaginative nature of SAE International's A World In Motion® (AWIM) program continues to entice young people to explore science, technology, engineering and math. The primary objective of this award-winning program is to inspire and educate students in elementary through high school in these concepts. The students are the future, and their fuel is the educational knowledge they possess.

Through highly interactive curricula and volunteer professionals, the AWIM program puts learning in the classrooms and in students' hands.

Each year, the AWIM curriculum serves thousands of students in underserved communities. In 2007, more than 300 students in grades three through five in Washington, D.C. got to experience the program firsthand. Through a partnership with the National Society of Black Engineers (NSBE), SAE co-sponsored the Summer Engineering Experience for Kids (SEEK) Camp in July, which was held at the Friendship Public Charter School's Woodridge Campus.

The students used the AWIM "challenges" to design a fleet of toy vehicles that met a range of performance criteria, including speed, travel distance and maneuverability. They were helped and guided by more than 70 volunteer mentors from NSBE.

The free camp was made possible by donations and contributions from SAE International, Caterpillar Inc., The Batelle Foundation, the U.S. Navy, Friendship Public Charter School, Howard University and the Center for Youth & Family Investment.

AWIM's numbers speak for themselves. This year, 4,140 kits were shipped to schools throughout the United States, and more than 2,000 engineers volunteered time in the classrooms.

Since 1990, it is estimated that the AWIM program has reached more than 4 million students in all 50 U.S. states and every Canadian province. SAE has provided more than 65,000 free AWIM kits to teachers and involved more than 17,000 industry volunteers in the program.



## Collegiate Design Series

Learning, of course, does not end in high school, which is where SAE International's Collegiate Design Series comes in. This exciting program drove students to explore new vehicle technologies through its 2007 competitions.

The first Formula Hybrid competition took off at the New Hampshire International Speedway in May. Based on the Collegiate Design Series' flagship event, Formula SAE, Formula Hybrid challenged student teams to design, build and race a formula car with a hybrid-drive system. SAE International partnered with Dartmouth College's Thayer School of Engineering and the Institute of Electrical and Electronics Engineers to launch this first-of-its-kind event, which will return to the track in 2008.

Alternative fuels also took center stage in this year's Clean Snowmobile Challenge, which introduced a class of zero-emission sled designs. At Supermileage, students continued to build and race fuel-efficient vehicles, achieving up to 1,541 miles per gallon.

Additional highlights from the season:

The Collegiate Design Series boosted its global recognition, hosting student teams from 68 countries at events on six continents.

The first Baja SAE India event was held in December.

Aero Design aimed to attract more universities with engineering programs certified by the Accreditation Board for Engineering and Technology.

Online registration for next year's Formula SAE sold out in 11 minutes with 140 teams on the roster. Other sold-out competitions include Formula SAE West, Baja SAE and Baja SAE West.

The Collegiate Design Series received national and international recognition in the media, including a Formula SAE feature in *Popular Science* magazine.

Official videos of Collegiate Design Series competitions debuted on the popular Web site YouTube.com, reaching a new audience.





## Commercial Vehicle Initiative

Helping to provide industry leadership and direction for this initiative was inaugural SAE Commercial Vehicle Vice President, Mark Pfloderer, who also serves as Vice President for the Heavy Construction and Mining Products Division of Caterpillar Inc. This year, Pfloderer completed his three-year term. An active participant throughout his tenure, he also provided guidance for the Commercial Vehicle Engineering Congress & Exhibition and strong support for the SAE Foundation and the Baja SAE collegiate design competitions. Pfloderer also was a key supporter of the Summer Engineering Experience for Kids (SEEK) Camp in July in Washington, D.C. The camp was funded in part by a \$1 million donation from Caterpillar Inc.

A flagship product of this initiative, the SAE Commercial Vehicle Engineering Congress & Exhibition, treated its audience to another valuable event this year. Continuing to grow, this Congress proved an important force in the global mobility engineering industry, with more than 3,000 attendees from 25 nations.

Keeping with the global nature of the event, more than 50 percent of the technical papers presented were from outside of North America. The Congress also featured technical sessions and presentations, panel discussions, a global CEO panel and an exhibition showcasing the world's premier companies in the commercial vehicle arena.

In October, it was announced that Richard E. "Ric" Kleine, Vice President of Off-Highway Business for Cummins Inc., was nominated to succeed Pfloderer in the Vice President position.



## Ground Vehicle Standards

The vehicle industry could not operate (or operate well) without standards, and SAE International's ground vehicle standards continued to fuel the future of mobility engineering throughout the year.

Through its many activities, the SAE International Ground Vehicle Standards team pursued new international alliances and opportunities and worked to raise awareness of SAE's standards throughout the world.

Some of the year's highlights include:

Increased growth of SAE's Certified Power™ program (a certification program for horsepower and torque claims from engine manufacturers) to include more than 80 engines submitted by General Motors, Ford and Chrysler.

Participated with U.S., European and Asian industry organizations in a joint research project for identifying new candidate refrigerants with a global warming potential index less than 150. This project provided testing results and assessments in the areas of toxicology risks, chemical compatibility and system-efficiency impact.

Successfully completed the Improved Mobile Air Conditioning cooperative research project, which included more than 25 industry and government organizations. The project met its goals of providing solutions to cut emissions of HFC134a in mobile air conditioning systems by 50 percent; improving efficiency by 30 percent; reducing soak heat loads by 30 percent; and reducing refrigerant loss during servicing by 30 percent.

Signed an expanded scope memo of understanding with ZVEI, the German Electrical and Electronics Manufacturers Association.

Formed a new technical committee under the SAE Motor Vehicle Council to respond to the Society of Automotive Engineers of Japan's request for a cooperative standardization effort on Volatile Organic Compounds, which addressed air quality in vehicle interiors.

Funded and supported travel by SAE experts to select and critical International Organization for Standardization and Working Party 29 (World forum for Harmonization of Vehicle Regulation) meetings to advance U.S. technical positions in areas such as robustness validation, urea (diesel), diagnostics, refrigerants, tire pressure and electronics.

Attended a CITA (an advisory group on international motor vehicle inspection to the European Commission) committee meeting to introduce the SAE Automotive Standards program.



## Magazines

SAE International may be known for developing standards, but its three magazines – *Automotive Engineering International*, *Aerospace Engineering* and *SAE Off-Highway Engineering* – have been exceeding standards of their own for years. Month after month, professionals turn to these periodicals for the latest in mobility engineering information. And this past year witnessed an acceleration in electronic delivery with the introduction of technology e-newsletters.

The e-newsletters are custom-designed to fit readers' specific interests, with four offerings that focus on commercial vehicles, electronics, powertrain, and testing and simulation. The success of each newsletter is measured by the number of times readers click to read the articles. With this type of readership feedback, editors easily can tailor the content of future newsletters to match readers' needs.

The powertrain newsletter proved to be the most popular this year. It kept magazine readers informed on the latest breakthroughs in fuel efficiency and alternative power sources.

E-newsletters also created new channels for advertisers to reach clients, resulting in ad revenue that surpassed the year's expectations.



## Meetings

SAE International meetings exceeded expectations, reaching more than 50,000 individuals across the globe.

Attendees benefited from networking opportunities and an impressive range of papers and presentations that advanced SAE's role as the go-to resource for technical information in the industry.

Particular focus was placed on fuel and emission technologies, influencing the research and discussion topics at SAE's three industry congresses – World Congress, AeroTech Congress and Commercial Vehicle Engineering Congress. A number of specialty conferences were dedicated to the issue as well, including the successful SAE Hybrid Vehicle Technologies Symposium, which attracted a sold-out crowd.

SAE International's meetings enjoyed a number of additional milestones this year:

The SAE 2007 World Congress, hosted by Toyota, lived up to its status as the premier automotive technology event, attracting 35,822 attendees from 58 countries. Asia came in second only to North America with the most attendees, followed by Europe. Original Equipment Manufacturer participation was also high, with 18 companies represented, and nearly all of the 150 Top Suppliers were onsite. Attendees had access to more than 1,400 technical papers and presentations.

A Futures Panel explored the infinite possibilities of the aerospace industry at the biennial SAE AeroTech Congress, which was hosted by Northrop Grumman Corp.

The SAE Commercial Vehicle Engineering Congress & Exhibition received kudos for its global focus, drawing more than 3,000 attendees from 25 nations. To stress the international theme, a Global CEO Panel discussed how emerging business trends are impacting the engineering industry. On the show floor, a record 183 exhibitors showcased the latest on- and off-road technologies. Executive leadership for this event was provided by John Deere.

SAE International took the lead in organizing the 14th Asia Pacific Automotive Engineering Conference through its membership with the International Federation of Automotive Engineering Societies (FISITA).





## Membership

SAE International boasts a diverse and talented group of members across the globe. SAE served 115,000 members in 2007, exceeding the year's expectations.

To fuel the future of mobility engineering, SAE linked members with job opportunities in the industry. Career Centers held in conjunction with the World Congress, AeroTech Congress and Commercial Vehicle Engineering Congress drew more than 600 job postings. Each Congress also hosted a sold-out Career Fair of employers searching for talent in their respective industries. Looking forward, SAE is working to strengthen its valued relationship with these employers to help members effectively position themselves in the job market.

The value of membership was further enhanced through a number of benefits and achievements:

SAE Sections connected with members across the globe through WebEx technology, which allowed members to participate in meetings online.

Section revitalization efforts continued to improve the quality of technical content presented at section meetings and to train officers through leadership seminars.

The World Congress featured a well-attended lounge for members who wished to take advantage of networking opportunities during SAE's premier automotive technology event.

SAE conducted a J.D. Power Survey to measure the effectiveness of its membership benefits, with the goal of increasing members' overall satisfaction.



## Professional Development

To say that the year was “satisfactory” for the SAE International Professional Development department would be an understatement, as it enjoyed record-breaking attendance through its lifelong learning opportunities, which fueled the minds of mobility engineering professionals worldwide.

Professional Development invested in the future of electronic learning with its launch of the Learning Management System in March. Through this format, SAE has begun to build its own portfolio of online courses that will soon be available, including one-hour learning modules called “Fast Tracks.”

However, traditional classroom seminars continued to serve as the primary source of learning for mobility engineering professionals. The program experienced significant growth with the addition of 17 course titles and the introduction of a seminar site in Birmingham, Alabama. Professional Development staff created the new site in response to strong interest from members of the Alabama Automotive Manufacturers Association, which welcomed SAE as its official provider of technical training.

Additional accomplishments include:

SAE delivered a record number of courses to companies this year, increasing its in-house training activities by 21 percent. Courses also were delivered internationally to companies in Canada, Korea, Luxemburg, Mexico, Taiwan and Singapore.

The telephone/Webcast “Active Safety Technology: Paving the Road to Accident-Free Driving,” held in conjunction with *Automotive Engineering International* magazine, drew more than 1,000 individuals.

SAE was invited to conduct courses for a group of five aviation companies in Wichita, Kansas. In response to a survey filled completed by 550 engineers employed by the companies, Professional Development is planning to offer four existing courses and develop seven new titles.



## Publications

SAE International's decision to develop a Content Management System this year will change the future of how the mobility engineering community receives information.

As demand grows for more specialized content, SAE laid the groundwork for a system that allows customers to create their own products. Using this format, customers can easily access a wide range of technical papers, standards, books, magazine articles and graphics and select content tailored to their specific needs.

SAE also played a significant role in the launch of Scitopia.org, a search portal created through the collaboration of 14 other science and technology associations. Through this online database, customers can search the associations' electronic libraries for quality content related to their fields of interest. By contributing to this effort, SAE heightened its visibility among leading technical publishers and broadened its reach to customers worldwide.



## SAE Foundation

Visibility and reach are paramount to the success of any fundraising campaign, and the SAE Foundation's centennial campaign continued toward its goal of raising \$25 million through corporate and individual donations. The *Inspiring A New Generation* campaign, which began in 2004, will help provide the resources to support SAE's innovative outreach programs like A World In Motion® and the Collegiate Design Series.

This year, Nissan Technical Center North America Inc. donated \$1 million to the campaign. In addition, AISIN World Corp. of America, EDS, Honda Motor Company North America, Johnson Controls Foundation, PACCAR Foundation and FEV Engine Technology Inc. each pledged more than \$50,000.

Other SAE Foundation highlights include:

The SAE Foundation Banquet featured a keynote speech by Carlos Ghosn, President and Chief Executive Officer, Nissan Motor Co., Ltd. Ghosn also received the Manufacturing Leadership Award, an honor presented to an individual who has made meaningful contributions to the truck or automobile industry in the manufacturing area.

The SAE Foundation funded more than 54 award programs that honored more than 200 award recipients, recognizing accomplishments within and contributions to the mobility industry. Foundation money also funded 66 scholarships to graduate and undergraduate students.





SAE Institute

The SAE Institute continued to make substantial contributions to the mobility industry over the past 12 months, experiencing growth in terms of both clients and services offered. An affiliate of SAE International, the SAE Institute offers four lines of business – standards consortium, management, certification and industry solutions.

This was a breakthrough year as a new certification program for aviation maintenance professionals was developed, thanks to a partnership between SAE and the Professional Aviation Maintenance Association. The program is intended to improve the quality and safety of aviation maintenance through education and training.

The SAE Institute client base includes:

- Professional Aviation Maintenance Association (PAMA)
- Americas Sector of the International Aerospace Quality Group (IAQG)
- Off-Highway Standards Consortium – provide necessary resources for the off-highway industry to continue its role as a viable player in developing and approving International Organization for Standardization (IS) standards
- Off-Road Vehicle Identification Number (ORVIN) System

In addition to providing a core base of services, the lines of business offered by the SAE Institute are also very adaptable and flexible to handle the unique needs presented by each client. By allowing customers to define their wants and needs, the SAE Institute presents the best paths to the best solutions.

# 2007 SAE International Board of Directors

## Officers



*2007 President*

**Richard O. Schaum**  
EVP Product Dev & Quality  
DCX (Retired)



*2008 President Elect*

**Thomas W. Ryan III**  
Institute Engineer,  
Southwest Research  
Institute



*2006 President*

**Greg Henderson**  
Director, Weight  
Management & Control,  
Lockheed Martin  
Aeronautics Co.



*Vice President Aerospace*

**Ronald York**  
Chief Operating Officer,  
Rolls-Royce North  
American Tech (Retired)



*Vice President Automotive*

**Jacqueline A. Dedo**  
Senior VP, Innovation &  
Growth,  
Timken Company



*Vice President Commercial  
Vehicle*

**Mark R. Pflederer**  
VP & Chief Technology  
Officer,  
Caterpillar Inc.



*Treasurer*

**Terence J. Rhoades**  
President,  
Mechanical Simulation  
Corporation



*Assistant Treasurer*

**Carol A. Story**  
Global Sourcing Program  
Manager,  
Navistar International Corp



*Secretary*

**Raymond A. Morris**  
Executive VP & COO

## Directors

### 2005-2006-2007

**Joseph B. Anderson Jr.**  
*Chairman & CEO,  
TAG Holdings, LLC*

**Felice E. Corcione**  
*Research Manager,  
Istituto Motori CNR*

**Linda Duschl**  
*Sr. Manager,  
The Boeing Company*

**Thomas W. Ryan III**  
*Institute Engineer,  
Southwest Research Institute*

**Gerald Shoemaker**  
*Assistant Project Engineer,  
Cessna Aircraft Co.*

**James E. Smith**  
*Director, Center for Industry Research App.,  
West Virginia University*

### 2006-2007-2008

**David J. Andrea**  
*VP Business Development,  
Original Equipment Suppliers Association*

**Iftekhar Ibrahim**  
*Chief Engineer, New Business Development  
GM China*

**Robert Ireland**  
*Director, Training Devices & Facilities,  
United Airlines Inc.*

**Andrew Jeffers**  
*Sr. Project Engineer,  
GM Powertrain*

**Ronald R. Smisek**  
*President,  
RRS Technical Services LLC*

**Bharat S. Vedak**  
*Sr. VP JDIMET,  
Deere & Company*

### 2007-2008-2009

**Gregory W. Davis**  
*Professor,  
Kettering University*

**Mazen Hammoud**  
*Manager P/T Controls Hardware,  
Ford Motor Co.*

**Douglas Patton**  
*Sr. VP Engineering,  
DENSO International America, Inc.*

**Nicholas K. Petek**  
*Engineering Supervisor,  
Bendix Commercial Vehicle Systems LLC*

**Ahmed A. Soliman**  
*Industrial Director,  
The Ohio State University*

**Leonard Tedesco**  
*VP & General Manager,  
Laird Technologies*

# *SAE Financials*



*2007 Annual Report*

## THE FINANCIAL MESSAGE

To All SAE International Members:

To all SAE International Members:

We are pleased to present the SAE 2007 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 is an unincorporated affiliate of SAE and, accordingly, is included in the accompanying financials. The actual accounts of SAE and the SAE Foundation are maintained separately and the respective funds are not co-mingled.

The Statements of Financial Position reflect total assets of \$82.476 million at the end of 2007. The increase in total assets was \$3.056 million, or an increase of 3.8% over 2006. 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 2007, the Statement of Activities and Changes in Net Assets reflect SAE operating revenues of \$64.760 million. Net margin from operations was \$1.598 million in calendar year 2007. Both operating revenue and net margin exceeded SAE Financial Management Policy targets.

In non-operating activities, SAE invested \$2.173 million in development activities to fund new programs; these program costs were supported by returns from the General Investment Fund. In 2007, investment activities finished with a net gain of \$3.492 million, due primarily to increases in the market value of our long-term investments. In addition, SAE adopted FAS 158 – a new accounting standard for pensions that required a non-cash decrease to net assets of \$5.100 million. The investment in development activities, when combined with long-term investment gains and the pension adjustment, resulted in a total non-operating loss of \$3.781 million.

Net assets decreased \$2.183 million during 2007 as a result of the operating gains and non-operating losses noted above. The decrease in net assets for the year of \$2.183 million, when combined with net assets at the beginning of the year of \$64.760 million, resulted in \$62.577 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, and management's philosophy and operating style. There were no auditor recommendations for strengthening SAE's 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,



Terence J. Rhoades  
Treasurer



Carol A. Story  
Assistant Treasurer

## Independent Auditor's Report

### SAE INTERNATIONAL:

We have audited the accompanying statement of financial position of SAE International as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of SAE'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 SAE's 2006 financial statements and, in our report dated February 9, 2007, we expressed 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 SAE International as of December 31, 2007, 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*

STELMACK DOBRANSKY & EANNACE, LLC  
Pittsburgh, Pennsylvania

February 8, 2008



## SAE INTERNATIONAL

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006  
(000'S OMITTED)

	2007	2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and short-term investments .....	\$ 1,255	\$ 2,623
Current portion of long-term investments .....	6,548	2,094
Accounts receivable - less allowance for doubtful accounts of \$168 and \$187 .....	2,849	2,391
Pledges receivable .....	2,431	1,851
Inventories and supplies .....	300	208
Prepaid expenses .....	3,374	2,467
Accrued interest and other receivables .....	4,319	3,279
Total current assets .....	<u>21,076</u>	<u>14,913</u>
<b>LONG-TERM INVESTMENTS</b> - market value .....	48,798	50,165
<b>OTHER ASSETS</b>		
Pledges receivable - amounts due after one year .....	4,200	4,476
Prepaid pension costs .....	-	1,315
Other assets .....	4,200	5,791
<b>FIXED ASSETS</b>		
Land and buildings .....	13,726	13,064
Furniture and equipment .....	18,929	18,413
Total cost .....	32,655	31,477
Less accumulated depreciation .....	24,253	22,926
Net fixed assets .....	<u>8,402</u>	<u>8,551</u>
<b>TOTAL ASSETS</b> .....	<u>\$82,476</u>	<u>\$79,420</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 5,841	\$ 5,321
Accrued expenses .....	2,060	1,792
Deferred revenue:		
Conferences and publications .....	6,260	5,020
Dues and fees .....	2,071	2,333
Total current liabilities .....	<u>16,232</u>	<u>14,466</u>
<b>LONG-TERM LIABILITIES</b>		
Accrued pension costs .....	3,500	-
Charitable gift annuity .....	167	194
Total long-term liabilities .....	<u>3,667</u>	<u>194</u>
<b>TOTAL LIABILITIES</b> .....	<u>19,899</u>	<u>14,660</u>
<b>NET ASSETS</b>		
Unrestricted .....	47,347	51,117
Temporarily restricted .....	13,722	12,135
Permanently restricted .....	1,508	1,508
Total net assets .....	<u>62,577</u>	<u>64,760</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<u>\$82,476</u>	<u>\$79,420</u>

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

## SAE INTERNATIONAL

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2007  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006  
(000'S OMITTED)

	-----2007-----			--2006--	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>OPERATING ACTIVITIES</b>					
Revenue					
Meetings and conferences .....	\$14,691	\$ -	\$ -	\$14,691	\$15,631
Magazines and publications .....	28,606	-	-	28,606	27,702
Membership .....	4,161	-	-	4,161	4,300
Technical standards .....	4,680	-	-	4,680	3,532
Other products and services .....	3,242	34	-	3,276	1,919
Contributions .....	475	505	-	980	2,089
Pledges .....	-	2,733	-	2,733	2,153
Contributed services .....	5,634	-	-	5,634	4,346
Net assets released from restrictions .....	2,153	(2,153)	-	-	-
Total revenue .....	63,642	1,119	-	64,761	61,672
Expenses					
Meetings and conferences .....	12,518	-	-	12,518	13,385
Magazines and publications .....	8,451	-	-	8,451	8,273
Membership .....	1,978	-	-	1,978	1,912
Technical standards .....	5,541	-	-	5,541	4,248
Other products and services .....	12,506	-	-	12,506	10,019
Administrative services .....	13,292	-	-	13,292	12,957
SAE Foundation .....	3,243	-	-	3,243	3,613
Contributed services .....	5,634	-	-	5,634	4,346
Total expenses .....	63,163	-	-	63,163	58,753
Net change from operations .....	479	1,119	-	1,598	2,919
<b>NONOPERATING ACTIVITIES</b>					
Development activities .....	(2,173)	-	-	(2,173)	(1,550)
Investment activities - net of expenses of \$190 and \$138 .....	3,024	468	-	3,492	5,911
Pension adjustment .....	(5,100)	-	-	(5,100)	463
Net change from nonoperations ...	(4,249)	468	-	(3,781)	4,824
<b>CHANGE IN NET ASSETS</b> .....	(3,770)	1,587	-	(2,183)	7,743
<b>NET ASSETS - BEGINNING OF YEAR</b> .....	51,117	12,135	1,508	64,760	57,017
<b>NET ASSETS - END OF YEAR</b> .....	\$47,347	\$13,722	\$1,508	\$62,577	\$64,760

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

## SAE INTERNATIONAL

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006  
(000'S OMITTED)

	2007	2006
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Change in net assets .....	\$ (2,183)	\$ 7,743
Adjustments to reconcile change in net assets		
To net cash used by operating activities:		
Depreciation and amortization .....	1,793	1,872
Net (gain)/loss on investments .....	(2,392)	(4,827)
Net (gain)/loss on sale of fixed assets .....	(8)	7
Changes in assets (increase)/decrease		
Accounts receivable .....	(458)	(308)
Pledges receivable .....	(304)	(132)
Inventories and supplies .....	(92)	359
Prepaid expenses .....	(907)	(245)
Accrued interest and other receivables .....	(1,040)	(342)
Prepaid pension costs .....	1,315	(1,315)
Changes in liabilities (decrease)/increase		
Accounts payable .....	520	923
Accrued expenses .....	268	470
Deferred revenue .....	978	321
Accrued pension costs .....	3,500	(111)
Charitable gift annuity .....	(27)	(33)
Net cash from (used in) operating activities .....	<u>963</u>	<u>4,382</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of fixed assets .....	(1,674)	(2,221)
Proceeds from sale of fixed assets .....	38	61
Purchase of investments .....	(27,156)	(11,654)
Proceeds from sale of investments .....	<u>26,461</u>	<u>10,365</u>
Net cash from (used in) investing activities .....	<u>(2,331)</u>	<u>(3,449)</u>
<b>NET INCREASE (DECREASE) IN CASH BALANCES</b> .....	(1,368)	933
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b> .....	<u>2,623</u>	<u>1,690</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b> .....	<u>\$ 1,255</u>	<u>\$ 2,623</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid .....	\$ -	\$ -
Income taxes paid .....	\$ -	\$ -

See Independent Auditor's  
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## SAE INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

## 1. GENERAL

SAE International (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. In November 2006, SAE changed its name from the Society of Automotive Engineers, Inc. to SAE International. 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 is an unincorporated division of SAE and, accordingly, is 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 not-for-profit 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.

SAE is affiliated with the SAE Institute, a Pennsylvania not-for-profit corporation organized by SAE in December 2003. It operates as a trade association organized to oversee and manage its programs and participant groups. Its mission is to provide an efficient and legal framework for automotive, aerospace, or commercial vehicle companies and organizations to create solutions to technical and business problems. The Internal Revenue Service has granted the SAE Institute tax-exempt status under 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 SAE International. The funds and accounts of SAE 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 SAE. 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 Statements** - 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 the organization's financial statements for the year ended December 31, 2006 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.

**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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash and Cash Equivalents** - For purposes of the Statement of Cash Flows, SAE considers all highly liquid investments with an initial maturity of a year or less to be cash equivalents. For the years ended December 31, 2007 and 2006, SAE had no noncash investing or financing activities for cash flow purposes.

**Accounts Receivable** - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. SAE provides for losses on accounts receivable using the allowance method, which management values based on experience and current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts and has deemed the receivable uncollectible are written off through bad debts.

**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** - All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. 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 \$1,793,000 and \$1,872,000 for the years ended December 31, 2007 and 2006, respectively, is allocated to the various activities based on usage.

**Revenue and Expense Recognition** - Income from membership dues, magazines and publications, and subscription fees are deferred and recognized over the periods to which the specific types of income relate. Revenues related to continuing education programs, and 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 December 31, 2007 and 2006, 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).

**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 December 31, 2007 and 2006, SAE had no significant concentrations of credit risk.

**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.

## 3. INVESTMENTS

At December 31, 2007 and 2006, investments were as listed below:

	-----2007-----		-----2006-----	
	Cost \$(000)	Market \$(000)	Cost \$(000)	Market \$(000)
U.S. Gov't and U.S. Gov't				
Agency bonds .....	\$ 3,773	\$ 3,767	\$ 5,056	\$ 5,016
Corporate bonds .....	9,084	9,640	9,154	9,689
Corporate stocks .....	29,609	35,966	28,965	35,611
Money market funds .....	5,466	5,466	486	486
Certificates of deposit .....	509	507	1,469	1,457
Total investments .....	\$ 48,441	\$ 55,346	\$ 45,130	\$ 52,259

## SAE INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

## 3. INVESTMENTS, Continued

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2007 and 2006:

2007	Temporarily		Total \$(000)
	Unrestricted \$(000)	Restricted \$(000)	
<b>OPERATING ACTIVITIES:</b>			
Interest and dividend income	\$ 278	\$ -	\$ 278
<b>NON OPERATING ACTIVITIES:</b>			
Interest and dividend income	\$ 1,086	\$ 204	\$ 1,290
Realized gains	2,064	552	2,616
Unrealized gains	(224)	-	(224)
Subtotal investment return	2,926	756	3,682
Less investment expenses	(190)	-	(190)
Under-allocation	288	(288)	-
Total investment return from non operating activities	\$ 3,024	\$ 468	\$ 3,492

2006	Temporarily		Total \$(000)
	Unrestricted \$(000)	Restricted \$(000)	
<b>OPERATING ACTIVITIES:</b>			
Interest and dividend income	\$ 311	\$ -	\$ 311
<b>NON OPERATING ACTIVITIES:</b>			
Interest and dividend income	\$ 1,051	\$ 171	\$ 1,222
Realized gains	820	336	1,156
Unrealized gains	3,671	-	3,671
Subtotal investment return	5,542	507	6,049
Less investment expenses	(138)	-	(138)
Under-allocation	96	(96)	-
Total investment return from non operating activities	\$ 5,500	\$ 411	\$ 5,911

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 and conditional. Unconditional promises to give at December 31, 2007 and 2006 are as follows:

	2007 \$(000)	2006 \$(000)
Receivable in less than one year	\$ 2,431	\$ 1,851
Receivable in one to five years	4,720	5,166
Greater than five years	4	-
Total unconditional promises to give	7,155	7,017
Less discounts to net present value	357	516
Less allowance for uncollectible pledges receivable	167	174
Net unconditional promises to give	\$ 6,631	\$ 6,327

Pledges receivable due in more than one year are discounted at 4.5%.

Conditional pledges receivable at December 31, 2007 amounted to \$455,000 and consists of pledges for the Education Support Fund.

## 5. EMPLOYEE BENEFIT PLANS

## Defined Benefit Pension Plan

SAE has a noncontributory defined benefit pension plan covering substantially all employees of SAE and PRI. 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.

SAE adopted the recognition provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)", as of December 31, 2007, which requires an employer that sponsors a defined benefit postretirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its statement of financial position, to measure the plan assets and plan obligations as of the statement of financial position date, and to include enhanced disclosures about the plan. The incremental effects of applying SFAS No. 158 on individual line items in the statement of financial position as of that date are as follows:

	Before Application of SFAS No. 158 \$(000)	After Application of Adjustments \$(000)	After Application of SFAS No. 158 \$(000)
Pension cost liability (asset)	\$ (1,600)	\$ 5,100	\$ 3,500
Total liabilities	\$ 14,799	\$ 5,100	\$ 19,899
Unrestricted net assets	\$ 52,447	\$ (5,100)	\$ 47,347
Total net assets	\$ 67,677	\$ (5,100)	\$ 62,577

SAE has adopted a measurement date of September 30, which is 90 days prior to the end of the fiscal year. Accordingly, all calculations for the fiscal year reflect the actual measurement date. For the year ended December 31, 2007, SAE has elected to record plan obligations as of December 31, 2007, which is reflected in the accompanying financial statements. Application of this provision resulted in a \$329,000 decrease in unrestricted net assets.

## Obligations and funded status:

Net periodic pension costs charged to expense for years ended December 31, 2007 and 2006 included the following components:

	2007 \$(000)	2006 \$(000)
Service cost	\$ 1,767	\$ 1,627
Interest cost	2,272	2,079
Expected return on plan assets	(2,533)	(2,245)
Net amortization and deferral	209	175
Net periodic pension expense	\$ 1,715	\$ 1,636

SAE is reimbursed for the net periodic pension expense based upon the following allocation:

	2007 \$(000)	2006 \$(000)
SAE	\$ 1,392	\$ 1,325
PRI	301	291
Detroit Section	22	20
Total	\$ 1,715	\$ 1,636

Due to the change in the minimum liability requirements, SAE's pension expense was reduced by \$463,000 in 2006, which is shown under the Nonoperating Activities of the accompanying Statements of Activities.

## SAE INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

## 5. EMPLOYEE BENEFIT PLANS (Continued)

The following table sets forth the funded status and obligations of the pension plan as of September 30, 2007 and 2006:

	2007 \$(000)	2006 \$(000)
Accumulated benefit obligation.....	<u>\$ 33,528</u>	<u>\$ 31,119</u>
Projected benefit obligation.....	\$ (40,793)	\$ (38,469)
Plan assets at fair value .....	<u>37,622</u>	<u>32,045</u>
Funded status .....	(3,171)	(6,424)
Unrecognized actuarial net (gain) loss .....	-	7,794
Unrecognized net asset at July 1, 2006 being amortized over remaining one (1) year .....	-	(55)
Net periodic benefit expense October 1 to December 31 .....	(329)	-
Prepaid (accrued) pension costs .....	<u>\$ (3,500)</u>	<u>\$ 1,315</u>
Employer contributions .....	<u>\$ 2,000</u>	<u>\$ 2,600</u>
Benefit payments .....	<u>\$ 1,020</u>	<u>\$ 951</u>
		\$(000)
Amounts recognized in the statements of activities consist of:		
Net loss .....		\$ 5,100
Amounts recognized in unrestricted net assets, not yet recognized as periodic pension cost .....		<u>\$ 5,100</u>

The estimated net loss for the defined benefit pension plan that will be amortized from nonoperating activities into net periodic benefit cost over the next fiscal year is \$46,143.

*Assumptions*

The weighted average assumptions used to determine net periodic pension benefit cost for years ended December 31:

	2007	2006
Discount rate .....	6.00%	6.00%
Long-term rate of return .....	8.00%	8.00%
Average rate of compensation increase .....	4.00%	4.75%

The weighted average assumptions used to determine benefit obligations at December 31:

	2007	2006
Discount rate .....	6.00%	6.00%
Average rate of compensation increase .....	4.00%	4.75%

To develop the expected long-term rate of return on plan assets, SAE considered the historical returns and the future expectations for returns in each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 8.00% long-term rate of return on assets assumption.

*Plan Assets:*

SAE's pension plan actual asset allocations at September 30, 2007 and 2006, by asset category are as follows:

	2007	2006
Equity securities .....	71.1%	64.4%
Fixed income .....	27.8%	26.8%
Cash and equivalents .....	1.1%	8.8%
Total .....	<u>100.0%</u>	<u>100.0%</u>

The plan's assets are held in a trust and SAE's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long term. Accordingly, the composition of SAE's plan assets is broadly characterized as a 70%/30% allocation between equity and fixed income securities.

SAE attempts to mitigate investment risk by rebalancing between equity and debt classes as SAE's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains or losses would not be realized unless the investments are sold.

## 5. EMPLOYEE BENEFIT PLANS (Continued)

*Cash Flows:*

SAE expects to contribute \$2,000,000 to the plan in 2008.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	\$(000)
2008 .....	\$ 1,183
2009 .....	1,278
2010 .....	1,354
2011 .....	1,461
2012 .....	1,637
Years 2013-2017 .....	<u>10,587</u>
Total .....	<u>\$ 17,500</u>

*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 \$670,000 and \$629,000 for the years ended December 31, 2007 and 2006, 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 \$29,000 and \$23,000 for the years ended December 31, 2007 and 2006, respectively.

## 6. 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 \$90,000 using a discount rate of 4.5% 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 \$117,000 using a discount rate of 4.5% and applicable mortality tables is included in the accompanying Statements of Financial Position.

## 7. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Net assets restricted by donors as of December 31, 2007 and 2006 provide support for the following purposes:

	-----2007-----		-----2006-----	
	Temporarily Restricted \$(000)	Permanently Restricted \$(000)	Temporarily Restricted \$(000)	Permanently Restricted \$(000)
Program support funds .....	\$ 9,843	\$ -	\$ 8,443	\$ -
Awards funds .....	3,061	1,013	2,871	1,013
Scholarship funds .....	801	391	806	391
Engineering activity support .....	17	104	15	104
Totals .....	<u>\$13,722</u>	<u>\$ 1,508</u>	<u>\$12,135</u>	<u>\$ 1,508</u>

## SAE INTERNATIONAL

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**8. OPERATING LEASES**

SAE has noncancelable operating leases, primarily for off-site office space and copiers, that expire at various dates through May 31, 2010. 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 \$1,076,000 and \$1,106,000 for the years ended December 31, 2007 and 2006, respectively.

Future minimum lease payments under operating leases, which have remaining terms in excess of one year as of December 31, 2007, are:

Year Ended December 31,	Amount \$(000)
2008 .....	\$ 883
2009 .....	883
2010 .....	<u>113</u>
	<u>\$ 1,879</u>

**9. SAE FOUNDATION**

The SAE Foundation is organized as part of the SAE International. 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 fundraising 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 fundraising activities that cost \$271,000 and \$493,000 for the years ended December 31, 2007 and 2006, respectively. In addition, SAE contributed \$1,000,000 to the Foundation during 2007 to support the Legacy Fund.

**10. CONTRIBUTED SERVICES**

SFAS 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 \$5,634,000 and \$4,346,000 for the years ended December 31, 2007 and 2006, respectively, and is included in the accompanying Statements of Activities as revenue and expense.

**11. 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, 2008 unless thirty days notice of cancellation or modification is provided by either party to the other.

SAE has entered into a consulting and office space agreement with PRI for the services of a consultant to contribute to the successful fulfillment of SAE carrying out standards development and marketing activities with customers in Europe. The agreement extends through November 30, 2009.

**11. RELATED PARTY TRANSACTIONS (Continued)**

As of December 31, 2007 and 2006, SAE's financial statements reflect the following balances and transactions with PRI:

	2007 \$(000)	2006 \$(000)
Accounts receivable .....	\$ 34	\$ 58
Accounts payable .....	19	-
Service fees revenue .....	148	150
Rental income .....	185	185
Pension expense reimbursement .....	301	291
Consulting agreement expense .....	19	-

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.

Included in the accompanying Statements of Financial Position there are receivables due from SAE Foundation Canada of \$318,000 and \$103,000 as of December 31, 2007 and 2006, respectively.

SAE Institute

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

On December 20, 2007, SAE entered into a five year line of credit (LOC) agreement with SAE Institute, whereby the SAE Institute may borrow a principal amount not to exceed \$1,000,000. Interest on the outstanding balance is due monthly and is based on the Federal short-term interest rate. As of December 31, 2007 and 2006, the balance due from the SAE Institute was \$464,000 and \$158,000, respectively, which is included in the accompanying Statements of Financial Position as part of accrued interest and other receivables. The balance due SAE at December 31, 2006, and prior to the execution of the agreement are considered draws against the LOC.

**12. 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.

**13. SUBSEQUENT EVENT**

Effective January 1, 2008, SAE has "soft frozen" its defined benefit pension plan. Employees hired prior to January 1, 2008 will continue to earn benefits in the Plan, while employees hired on or after January 1, 2008 will not be eligible to participate in the Plan. However, employees hired on or after January 1, 2008 will receive a contribution to a defined contribution plan.

## Staff Leadership Team

**Raymond A. Morris, CAE**

*Executive Vice President &  
Chief Operating Officer*

**David L. Schutt, PhD**

*Executive Vice President &  
Chief Operating Officer - Elect*

**Antenor R. Willems**

*Executive Director*

**David L. Amati, PhD**

*Director – Global Automotive Business &  
Automotive Headquarters*

**Robert H. Chalker**

*Director – Global Sales & Marketing*

**Thomas Drozda**

*Director – U.S. Corporate Sales and Publications*

**Maryann Ihrig**

*Director – Human Resources &  
K-12 Education Programs*

**V. Herbert Kaufman, CAE**

*Director – Commercial Vehicle Business &  
Chief Technology Officer*

**Scott R. Klavon**

*Director – Standards, Professional Development  
and Aerospace Business*

**Dana M. Pless, CPA, CAE**

*Chief Financial Officer*

**William G. Wagner**

*Managing Director – PRI*



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**SAE Foundation**

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**SAE Sections/Groups  
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Belarus: Minsk  
 Columbia: Andino  
 China: Hong Kong  
 Ecuador: Andino  
 Egypt: Cairo  
 Isarel: Tel-Aviv

Italy: Naples  
 Malaysia: Kuala Lumpur  
 Romania: Bucharest, Brasov  
 Russia: Moscow, St. Petersburg  
 Taiwan: Taipei  
 Ukraine: Kiev  
 Venezuela: Andino

**SAE** *International*<sup>™</sup>

**Raymond A. Morris, CAE**  
*Executive Vice President, COO & Secretary*  
SAE International

**Reed Smith**  
*Legal Counsel*

**Cohen & Grigsby, P.C.**  
*Legal Counsel*

**Smith Barney Inc.**  
*Investment Counsel*

**Stelmack Dobransky & Eannace, LLC**  
*Auditors*

**Principal Financial Group**  
*Actuaries – SAE Pension and Beneficiary Association*

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