



2008 ANNUAL REPORT

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Thomas W. Ryan III, PhD
2008 President



David L. Schutt, PhD
Executive Vice President and Chief Operating Officer

Making a difference. These three words have special and important meaning to SAE International. Through all of the products, programs and services offered by SAE International, there remains one important objective – to increase value to our members and customers and make a positive difference in our world.

SAE International works to achieve this objective in many different ways. 2008 was no different. During the past year we:

- Refined our planning strategies to help take our organization to the year 2020 and beyond. Such long-term planning is crucial to SAE International as it serves to align our core competencies and our portfolio of products, programs and services with our mission of developing standards and providing lifelong learning opportunities.
- Initiated a new officer-nomination process for the Board of Directors. The process, facilitated by the Executive Nominating Committee, ensures that the Board has the appropriate structure and makeup to accomplish the prevailing strategic plan.
- Continued the important work of creating a journal system that will help provide our academic members and technical-paper authors the possibility of receiving recognition from the Science Citation Index as well as other journal citation publications.
- Offered professional-development programs and courses in even more convenient and cost-effective ways, including Webinars that broadcast classroom seminars live across the globe. In total, more than 4,400 people enrolled in more than 320 courses offered by SAE International.
- Reached an all-time high membership of 121,608 professionals from 111 countries, including 87 Sections. People are the strength of SAE International and, as the global business world gets smaller, our strengths continue to grow because of these talented and creative minds.
- Continued to enhance and expand our global outreach and presence through conferences, partnerships and strategic business initiatives.
- Celebrated not one but two prestigious awards won by SAE International programs that are crucial to the future of our industry. The A World In Motion® (AWIM) curriculum and the Collegiate Design Series won the coveted Public Service Award from the National Science Foundation for making significant contributions to increasing public understanding of science and engineering. Also, both AWIM and the Collegiate Design Series won the American Society of Engineering Education's Excellence in Engineering Education Collaboration Award. Both AWIM and the Collegiate Design Series are made possible through the

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“You, as mobility engineering professionals, take things and make them better; you work toward perfection. And we are here to support you.”

(Continued from page 2)

financial support of the SAE Foundation. And it is only because of generous support from professionals like you that the SAE Foundation can continue to fulfill its mission.

The economic challenges were many during the past year. SAE International's Board of Directors continued to pay close attention to the overall financial health of the organization, always seeking to maximize the use of resources entrusted to the Society by its members, customers and business partners. Despite the difficult business climate, SAE International remains financially strong. In addition, the Board constantly worked to ensure the appropriate balance of highly qualified, highly trained professional staff to support the organization in pursuit of its Vision. This year also included a planned transition in the executive leadership of the Executive Vice President & Chief Operating Officer.

As you review this Annual Report, remember that it's only a snapshot of the past year. The entire story unfolded throughout the year, each day, in mobility-engineering businesses and organizations all over the world. In fact, that story still is being written, and SAE International is proud to be a part of it.

British engineer Sir Frederick Henry Royce once said, "Strive for perfection in everything you do. Take the best that exists and make it better. When it does not exist, design it."

It's a statement that not only symbolizes the mobility-engineering profession, but is also the charge of SAE International. You, as mobility engineering professionals, take things and make them better; you work toward perfection. And we are here to support you. We want to increase value to our members as well as the value of our products, programs and services to all of our customers. We are here to give you the resources and knowledge to design those things that don't exist and make them possible.

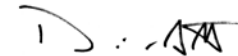
Together we are making a difference.

Thank you for your support of SAE International. We hope that you find this Annual Report useful and informative. We look forward to serving you today and in the future.

Sincerely,



Thomas W. Ryan III, PhD
2008 President
SAE International



David L. Schutt, PhD
Executive Vice President
and Chief Operating Officer
SAE International



SAE International serves as the global society for more than 121,000 engineers and related technical experts in the aerospace, automotive and commercial-vehicle industries. SAE's core competencies are standards development and lifelong learning. Through its charitable arm, the SAE Foundation, SAE supports award-winning educational programs including *A World In Motion*® and the Collegiate Design Series.

Based in Warrendale, Pa., and with members in 111 countries throughout the world, the nucleus of SAE's mission is the creation of standards. More than 14,000 mobility industry experts dedicate their time to serve on SAE committees and provide data for standards development. SAE has developed 2,600-plus globally used and recognized standards for the ground vehicle industry. SAE's aerospace standards repository includes more than 6,700 documents and is the largest such collection of consensus standards in the world.

In addition to standards, SAE provides a wide range of professional-development courses and networking opportunities, helping engineering professionals and industry meet the challenges of a global marketplace.

Annually, SAE hosts more than 25 technical conferences that feature presentations, senior-executive panel discussions and professional-development seminars.

Among its array of publications, SAE annually makes available more than 2,500 technical papers, 9,000 technical standards and 125 to 150 books that provide the most current information available on topics such as engines, safety, electronics, materials and emissions. SAE also publishes three magazines – Automotive Engineering International, Aerospace Engineering & Manufacturing, and SAE Off-Highway Engineering.

SAE's *A World In Motion* program provides students in grades K-12 the opportunity to work with industry volunteers to create hands-on projects that help spark interest in science and math. The Collegiate Design Series enables university students to apply classroom theory by designing and building vehicles ranging from hybrid cars to model aircraft. The SAE Foundation proudly supports both programs, which won the National Science Foundation's Public Service Award in 2008. In addition, the SAE Foundation funds awards and scholarships for aspiring engineers.

Perhaps the greatest professional benefits are those that accumulate over time -- that build upon each other, resulting in a more experienced, more confident and better-educated professional. This is especially true for the members of SAE International.

Membership in SAE International provides economical access to more than a century's worth of technical and research publications. Membership receives enhanced learning through SAE's three industry congresses in addition to other significant meetings. And membership in SAE provides access to professional-development services designed to help the individual throughout every stage of his or her career.

In addition to these tangible benefits, there are rewards that may take more time to develop, but are equally valuable. Consider:

- Volunteering on SAE committees develops members' leadership and project-management skills.



- Remaining active in local SAE Sections improves members' presentation skills.
- Chairing and/or organizing events polish already-strong management skills.

Membership in SAE can mean the difference between a good career and a great career; it can mean the difference between good professional skills and exceptional ones.

To build on the already-strong network of volunteers within SAE, and the skills that such service can provide, SAE developed volunteer programs that describe volunteer opportunities, recruit new volunteers and recognize those who already offer their time and talents.

Members interact with other members through Sections (local operating units) based in various geographic areas. In addition to 55 Sections in the United States, there are another 32 sections located in Canada, South America, Europe, Africa and Asia. Members gather at Section meetings to hear speakers, attend seminars and

workshops, visit local production facilities and engage in other activities that provide valuable technical knowledge.

SAE uses the Internet as a Web-based center for its more than 25,000 active volunteers. The Web-based volunteer center posts volunteer opportunities and matches members with relevant activities.

SAE also manages career fairs at its major events such as the SAE World Congress, SAE AeroTech Congress & Exhibition and the SAE Commercial Vehicle Engineering Congress & Exhibition. Through the career events, members network and interact directly with companies seeking engineers. Members also may provide their resumes to an online job database, maintained by SAE, to match members with new job opportunities.

Continual updating and enhancement of SAE's Career Center assure that resume services, postings and job opportunities are always relevant.



SAE International implemented a three-tiered strategy to best meet the needs of the aerospace industry. This strategy -- designed to enable SAE to better address the issues and challenges facing the aerospace industry both today and in the future -- centers on:

- building relationships and partnering globally;
- developing products;
- responding to customer needs.

By listening to the needs of its executive members and key customers, SAE delves more deeply into areas of industry concern and swiftly responds with meaningful programs, products and services.

SAE International maintains long-standing industry alliances and partnerships, and furthers dialogues with other standards-producing organizations in Europe as well as throughout other areas of the world. As an example, SAE and the American Institute of Aeronautics and Astronautics (AIAA) reached agreement regarding

conference cooperation; and SAE is continuing dialogue with other organizations which potentially may result in collaborative agreements. Such "reaching out" starts the industry on a path toward global harmonization for the future.

Regarding focus and leadership, SAE Aerospace Vice President Dr. Ronald E. York marked his third and final year in the position. After an extensive selection process, SAE chose Charla Wise to take over this post. Wise, just as York did previously, brings executive experience to the position, along with key industry affiliations through her position with a leading Prime.

SAE International maintained a strong presence at key aerospace events throughout 2008, including the Paris Air Show, the AIAA Awards Gala, the EAA AirVenture, the Wright Memorial Dinner, the Federal Aviation Administration's (FAA) 50th anniversary celebration and the FAA Safety Conference. Taking part in these worldwide events amplified SAE's voice in global industry discussions and demonstrated SAE's desire to cooperate on the world stage.

As the landscape of the automotive industry evolved, SAE provided a dynamic, comprehensive and ever-changing body of solutions.

The products, programs and services offered by SAE International enabled both engineers and the industry to holistically face challenges, independent of geographic location.

True to its stated mission crafted more than 100 years ago, SAE International provides neutral forums to encourage dialogue among mobility-engineering professionals – the types of dialogues that stimulate innovative thinking and lead to real solutions. SAE's conferences and meetings focus on subjects from hybrids and electric technology to emissions and energy conservation to powertrain advancements.

Key components of these events include technical presentations, executive forums and panel discussions, all of which present topics relevant to the needs of the automotive industry.



In addition to presenting a neutral forum for the discussion of ideas and solutions, members benefit from the events' technical information and educational opportunities. SAE International works closely with several organizations to offer professional development courses for original equipment manufacturers and suppliers throughout the year. Again, this is a global effort with courses offered in Europe, Asia and North America.

Significantly, SAE International held its first major event in China (Shanghai), the SAE 2008 International Powertrains, Fuels and Lubricants Congress. The event, showcasing 200 technical papers and attracting 400 participants (including Chinese automotive executives and government officials) brought emerging environmental and energy issues to the international spotlight. Additional activities in China included an expanded presence at the China International Auto Parts Expo in Beijing.

With a significant presence in Shanghai (the automotive hub of China) already in place, SAE International branched out to establish an office in the rapidly developing automotive region of Ningbo. Gaining support from local engineers and operations in the area, SAE International now offers training opportunities to help Ningbo's suppliers achieve technical excellence.

Through its successful Corporate Technologies program, SAE International received attention from Chinese industry leaders and completed projects for the country's largest original equipment manufacturers and government agencies. By providing technical and training programs to these customers, SAE International shares its expertise in engineering, management and technology. Experts from the Automotive Resources Institute (ARI) provided consultant services to enhance the companies' performance.

SAE International presence in Korea also grew, teaming with the Auto Parts Innovation Center to hold a technical event in Ulsan, a city referred to as "Auto Valley." The meeting explored energy issues such as fuel-cell vehicle commercialization and advances in hydrogen technology. At the Korean Auto Parts and Accessories show in Seoul, SAE International hosted an event on its Corporate Technologies program to engage the supplier base in Korea's most populous province, Gyeonggi-do.

In North America, SAE International's Automotive Headquarters in Troy, Michigan, serves as a central location within the United States for many educational programs. In addition, SAE delivers relevant, issues-driven programs at automotive centers in the Southeastern U.S. corridor via its partnership with the Clemson University International Center for Automotive Research.



SAE International is a global organization serving worldwide industries, not the least of which is the commercial-vehicle industry.

These manufacturers understand the nuances in dealing with business cultures around the world, and many operate design centers and manufacturing plants in the fastest-growing areas throughout the globe.

Regardless of where these businesses originated, there is a need for skilled, trained professionals. The “work force pipeline,” as it is commonly referred to at SAE International, needs to be continually filled with the best and brightest mobility engineering talent.

While always an important part of SAE International’s mission, that quest took on a new and heightened meaning in 2008. SAE International put forth a comprehensive portfolio of products, programs and services designed to train those graduates just entering the work force; re-train those already in the work force with the newest and latest information available, and retain the talented professionals who work in the commercial-vehicle industry.

The process begins in the school-age years through the work of SAE’s *A World In Motion*® curriculum, designed to introduce science, math and technology principles to elementary, middle and high school students. It continues through college with SAE’s Collegiate Design Series. Once in the work force, SAE offers professionals continuing-education products on an individual basis and as programs designed for organizational use. All services are rooted in topics most relevant to the commercial-vehicle industry. They are designed to help provide strategies and solutions to the business and engineering challenges that transcend national borders.

At SAE’s flagship commercial-vehicle event, the SAE Commercial Vehicle Engineering Congress and Exhibition, a diverse group of attendees from 33 nations took in insightful panel discussions with top industry executives, attended relevant technical sessions, and saw the newest and most innovative technology showcased by companies from around the world during the event’s exhibit.

PRODUCTS

To the aerospace engineer, the sky provides limitless opportunities. By harnessing the knowledge of a vast resource of engineering experts, SAE International turned promising opportunities into victories for the aerospace industry in 2008.

Maintaining the world's largest collection of consensus aerospace standards – more than 6,700 – SAE International explored new areas of technology to develop standards that reached beyond conventional aviation.

Staying abreast of industry advancements, the Aerospace Standards program embraced radio-frequency identification – a method of tracking parts in the manufacturing process and scanning parts for periodic maintenance or replacement. SAE International also investigated the use of counterfeit parts in aircraft and worked on standards to eliminate unapproved parts and rid the industry of low-quality components.

AEROSPACE STANDARDS



To help reduce environmental impact of aerospace travel, SAE International published a standard in response to REACH, a European regulation that monitors the entire chemical composition of a component. SAE International's engagement in this area enabled the aerospace industry to make serious advancements in the environmental-compliance field.

Air-traffic control entered SAE International's radar screen in 2008 when a standards-development role was forged in the immensely important area of next-generation air-traffic management systems such as NextGen and SESAR. SAE International is in discussion with its standards-developing partners and other potential collaborators regarding this issue.

To further bolster the use of globally relevant standards, SAE International held an Aerospace Standards Workshop in Beijing, China, with support from Chinese partners CAPE and the China Aviation Research Institute for

Standardization. The workshop exposed more than 100 Chinese engineers and industry leaders to the aerospace standards program. Overall, international participation on aerospace standards committees grew by more than 10 percent in 2008.

Further increasing awareness of its aerospace standards program, SAE International had a presence at the Department of Defense Standardization Conference and the Federal Aviation Administration Safety Conference, along with two air shows in Berlin, Germany, and Farnborough, U.K.

To ensure its standards meet the needs of the industry, SAE International engaged industry representatives in a discussion to identify how aerospace standards can be improved. Ideas for new products and services surfaced from the open dialogue that developed from committee leadership workshops, member-mentoring programs and surveys.

In a world of perpetual movement, SAE International sets the standards that help people reach their destinations safely, efficiently and economically. Working with the expertise of engineers, designers, manufacturers and government agencies worldwide, SAE International develops voluntary standards that shape the future of the ground-vehicle industry.

Significant steps were taken toward developing cleaner, more efficient cars in 2008. Research paved the way for hydrogen fuel-cell vehicles to achieve the same range targets as gasoline-fueled vehicles, all the while using less energy. Under the guidance of SAE International's Cooperative Research Program, representatives from 25 original equipment manufacturers and suppliers came together to assess the environmental effect of new air-conditioning refrigerants with backing from the U.S. Environmental Protection Agency.

At the request of the U.S. Department of Homeland Security, SAE International addressed a critical automotive-safety issue, investigating the effectiveness of emergency-vehicle lighting. The science behind the lights used on police cars,



fire trucks and ambulances was explored to help save emergency responders' lives on the road. Research findings from this project were published and distributed to government agencies. The report included recommendations on light color and intensity for day and night use.

A milestone was reached in 2008 when the 100th engine received SAE International's horsepower certification. The LS9 engine in General Motors' 2009 Chevrolet Corvette ZR1 was certified at 638 horsepower at 6,500 revolutions per minute. Through its engine-certification program, SAE International provides manufacturer-run tests that are witnessed and verified by an SAE-qualified observer, giving the industry a fair and accurate way to measure and report horsepower numbers, so consumers can be assured of directly comparable data.

To further guarantee a uniform approach, SAE International took the step of sharing the benefits of its program with attendees at the Powertrain, Fuels and Lubricants Conference in Shanghai and the China International Auto Parts Expo in Beijing. A relationship with ZVEI, the electronics association of Germany, also led to SAE International's presence at Electronica 2008 in Munich. In addition, SAE International strengthened its ties with the Society of Automotive Engineers of Japan, resulting in collaboration on standards development so common positions could be presented to the International Organization for Standardization. By partnering with international associations, SAE International ensures its standards and technical expertise are applicable to the design and manufacture of ground vehicles around the world.

PRODUCTS

MAGAZINES



SAE International's magazines delivered more technical content more rapidly in 2008 by debuting Web sites that receive daily updates and feature exclusive online coverage.

Web sites were redesigned for each of SAE International's three magazines – Automotive Engineering International, Aerospace Engineering & Manufacturing and SAE Off-Highway Engineering. In addition, online-only magazines – Truck and Bus Engineering and SAE Vehicle Engineering – were launched.

The redesigned Web sites boast a streamlined look as well as improved navigation functions, making it easier for readers to get the latest information on aerospace, automotive and off-highway engineering technologies. As a result of this progress, traffic to the magazine Web sites increased significantly, with 1.64 million page views in the first nine months of 2008.

The enhanced Web focus enabled the print editions to run highlights of the online content, while showcasing print-only feature and investigative pieces. The print edition of Aerospace Engineering also was revamped, featuring a fresh look and

a new name, Aerospace Engineering & Manufacturing. By increasing its manufacturing coverage, the magazine aims to keep the aerospace product-development community aware of new technology, engineering and manufacturing advancements.

Reaching out to those seeking focused information in a specific field, Technology eNewsletters continued to grow in popularity among readers and advertisers in 2008. In addition to four already-successful offerings, the following eNewsletter titles were introduced in 2008: SAE Technology, Aerospace Manufacturing, Diesel Technology, Off-Highway Technology and Truck & Bus Technology.

In addition to delivering in-depth technical content, SAE International's print and electronic publications provide a wide-reaching opportunity for the aerospace, automotive and off-highway vehicle industries to advertise and promote their products. Striving to expand more on this prospect, SAE International's magazines offered editorial expertise to assist with a series of advertiser-driven Webcasts, opening new ways to reach customers at the customers' convenience.

PRODUCTS

PUBLICATIONS



A cutting-edge content-management system generated by SAE International will change the way customers access and use SAE information. A proof-of-concept was developed in 2008 to demonstrate the features, capabilities and advantages of the new system.

This vision of customers building customized products using SAE content reflects a rapidly changing industry in which publishing is driven by the individual. The result is a desire for relevant information that can be assembled easily and delivered instantly.

To improve access to the SAE library, technical papers spanning decades of mobility-engineering research are going digital. Papers published from 1980 to present are now digital documents. The goal is to digitize all

SAE papers reaching back to the Society's earliest years, unlocking a wealth of information for today's mobility-engineering community.

While SAE International redefines its approach to publishing, traditional, authored publications are receiving fresh focus and will be part of the content-management system. These books advance SAE's role in lifelong learning, providing engineers valuable technical information for application outside the classroom. New titles introduced in 2008 included: "Road Vehicle Dynamics," "Analysis Techniques for Racecar Data Acquisition," "Brake Technology Handbook," "Particulate Emissions from Motor Vehicles," "Forensic Biomechanics: Using Medical Records to Study Injury Mechanisms," and "Tire Forensic Investigation: Analyzing Tire Failure."

PROGRAMS

A WORLD IN MOTION®

When classroom learning combines with hands-on, real-world examples, a student's lifelong interest in a given subject can be formed.

SAE International understands this and believes that the building blocks for such learning are the "STEM" principles – science, technology, engineering and math. Since 1990, SAE's *A World In Motion*® (AWIM) curriculum has introduced these principles to more than 4 million students in North America, with funding from the SAE Foundation.

In 2008, that learning took a giant leap forward by reaching outside North America. Through a partnership with Honeywell, the Honeywell/SAE Student Automotive Design Challenge was launched for middle school students in the Czech Republic, France, India, Mexico, Switzerland as well as the United States. The students shared their AWIM experiences via an online forum.



Language barriers began disappearing as AWIM Challenge kits were produced for the first time in French. And, to reflect the evolving state of mobility engineering, AWIM introduced the Fuel Cell Challenge in 2008. The new challenge demonstrates fuel-cell science, force, friction, energy transformation and other important elements of this cutting-edge technology.

As a way to reach even more students and make a difference in more lives, AWIM began developing curriculum and challenges for grades K-3; also, SAE continued its partnership with the National Society of Black Engineers by expanding its Summer Engineering Experience for Kids – an engineering academy for inner-city students – to three locations in Washington, D.C., as well as Columbus, Ohio.

In recognition of AWIM's efforts to make a difference in the lives of the engineers of tomorrow, the program was presented the coveted Public Service Award by the National Science Foundation. AWIM was recognized for outstanding dedication to the education and career development of student and professional engineers; leadership in developing standards for technology and safety in the transportation industry; and contributions to the advancement of mathematics, science and engineering education. AWIM also received the American Society of Engineering Education's Excellence in Engineering Education Collaboration Award for demonstrating outstanding collaboration with colleges, universities and K-12 programs to impact engineering education and heighten the interest of young people in engineering.

For every piece of new and innovative technology, there is a beginning – a point at which an idea is hatched and the development process begins. Sometimes that point is in a testing facility or a laboratory; sometimes it's in an office or a conference room; and sometimes it's on a snow-covered test track in northern Michigan with dozens of college student engineers on hand.

The quest for cleaner-burning and quieter vehicles always has been the goal for those who compete in SAE's Clean Snowmobile Challenge™, but the technology that comes from those machines is starting to make its way around the globe.

Two-stroke scooters in Indonesia are being retrofitted with devices that dramatically reduce the amount of pollutants released into the air – this technology is based on principles first used at the Clean Snowmobile Challenge.



The National Science Foundation funded zero-emission snowmobiles to test air-quality samples in Arctic Greenland, again, based on the technology and goals established at the Clean Snowmobile Challenge.

But snowmobiles aren't the only "green machines" in SAE's Collegiate Design Series (CDS). The Formula Hybrid® competition emphasizes drivetrain innovation and fuel efficiency in a high-performance application, and SAE's Supermileage® competition produces test-track results of more than 2,000 mpg for the single-person, four-cycle-engine powered vehicles.

These "green events," coupled with the other CDS events – Aero Design®, Baja SAE® and Formula SAE® – provide valuable, hands-on, real-world experience for college and university students from around the world, better preparing them to enter the professional work force. The innovative ideas that get their start at these events can help shape

the technology that ultimately saves fuel and reduces emissions, making a difference for the world as a whole.

Participation in these events reached new heights in 2008, as 754 collegiate teams and more than 7,000 students took part in CDS competitions.

CDS was recognized with the coveted Public Service Award from the National Science Foundation. The award recognizes individuals and organizations that have contributed significantly to increasing public understanding of science and engineering. CDS also won the American Society of Engineering Education's Excellence in Engineering Education Collaboration Award for demonstrating outstanding collaboration with colleges, universities and K-12 programs to impact engineering education and heighten the interest of young people in engineering.



Alan Mulally, President and Chief Executive Officer, Ford Motor Company, discusses the Skimmer Challenge with *A World in Motion* students at the SAE 2008 Foundation Banquet. Mulally received the SAE Foundation Manufacturing Leadership Award at the event.

The enabling force behind the many educational programs and services offered by SAE International is funding.

For more than 20 years, the SAE Foundation has provided the funds to sustain and grow these and other important programs throughout SAE International. After four years of fundraising, 2008 saw the culmination of the SAE Foundation's Inspiring A New Generation campaign, surpassing its goal of \$25 million. During the SAE Foundation Annual Banquet, Campaign Chairman and former General Motors Chairman and CEO Rick Wagoner announced that a total of \$26.5 million was raised.

Bolstered by a mix of corporate and private donations, the campaign enables the SAE Foundation to effectively pursue its mission of supporting and nurturing students' enthusiasm for science and technology education.

Making a difference in people's lives can take many forms. It can mean providing much-needed math and science education to students in their most impressionable years;

it also can mean providing college students with the types of learning competitions that push their creative minds and talents, all while building the concept of teamwork. And it can mean providing scholarships to help students begin their journeys as mobility-engineering professionals.

Recognizing outstanding work and encouraging education through scholarships is an important part of the SAE Foundation. In 2008, the SAE Foundation funded 57 award programs that honored more than 250 award recipients. Also, the SAE Foundation funded 51 scholarships for graduate and undergraduate students.

In 2008, SAE International and the SAE Foundation won the coveted Public Service Award from the National Science Foundation for its *A World In Motion*® curriculum and Collegiate Design Series competitions. The award recognizes individuals and organizations that have contributed significantly to increasing public understanding of science and engineering.



As an affiliate of SAE International, the SAE Institute provides a range of solutions for clients in the aerospace, automotive and commercial-vehicle industries. These clients include private companies, government agencies and individuals seeking to become more efficient by developing consensus on standards and safety, professional work force certification, and management and operations support.

To enhance the quality and safety of aviation maintenance, the SAE Institute launched its first certification program for aviation maintenance technicians in 2008. While the Federal Aviation Administration (FAA) certifies top inspectors in the aviation field, this program targets aviation maintenance technicians who can gain added credibility by receiving certification from SAE International. Participation in the program validates technical knowledge and skills, building upon FAA minimum standards of safety.

The SAE Institute developed the aviation certification program through collaboration with the Professional

Aviation Maintenance Association (PAMA). A valued member of the SAE Institute, PAMA furthers the professionalism and recognition of aviation maintenance technicians by providing them technical programs and training opportunities.

If people are the focus of PAMA, then the parts those people repair and replace are the focus of the Americas Sector of the International Aerospace Quality Group (IAQG). This group conducts audits to ensure that aerospace parts meet global standards of quality.

The SAE Institute continues to oversee the operation of the Off-Road Vehicle Identification Number (PIN/WMC) System. This system manages vehicle identification numbers (VIN) for off-highway recreational machines, aiding the government in keeping track of machines' compliance with emissions regulations. VINs also are assigned to machines for increased security purposes.

SERVICES

To foster the innovative thinking necessary to develop the next generation of game-changing technologies, SAE International provided a platform for engineering professionals to connect and exchange information at an expansive selection of meetings.

In 2008, SAE International held 28 meetings, drawing 50,000 participants from 60 countries. Attendees viewed displays of technology on show floors, were inspired by lectures from industry experts, and were further enriched by research presented in 2,450 technical papers.

Volunteer efforts play a critical role in bringing together the elements that make up a successful meeting. In 2008, 15,000 volunteers donated their time to organize technical sessions, give presentations, and write and review papers. To better facilitate learning, SAE International implemented MyTechZone, an online tool accessible through the SAE Web site that virtually connects volunteers and serves as a resource for managing volunteer activities.

MEETINGS



Another technological advancement in 2008 was the evolution of the virtual meeting. A proof-of-concept was developed for an online portal that allows professionals to attend conferences virtually, enhancing attendees' overall experience and providing another option for those who are unable to attend an event.

Reflecting advancements in the industry, SAE International meetings placed particular focus on fuel and emissions technologies. How to run cleaner and more efficient vehicles heavily influenced the research and discussion at the SAE 2008 World Congress. Specialty meetings also dedicated to the topic included a sold-out SAE Hybrid Vehicle Technologies Symposium and the SAE International Powertrains, Fuels and Lubricants Congress, which marked the first major SAE International event to be held in China. A new event, SAE Biofuels: Specifications and Performance Symposium, responded to the industry's interest in this timely issue.

SAE International's meetings offered true benefits in 2008 by presenting information on the issues that mattered:

- As the world's largest powertrain and safety engineering event, the SAE 2008 World Congress attracted a record seven original equipment manufacturer exhibitors and more than 20,000 attendees from 49 countries. Career opportunities drove attendees to a well-trafficked job

fair featuring 41 employers looking to hire engineering professionals. Connections proved worthwhile at the Congress, where nearly one in five attendees came from the ranks of corporate executives and engineering management. Industry leadership displayed at the new Executive Business Theater featured panel discussions on business-related matters affecting the automotive industry.

- With attendees representing 33 countries, the SAE 2008 Commercial Vehicle Congress presented a global view of its industry by offering a panel on Global Product Development and presenting papers by young engineers from Ashok Leyland, an automobile manufacturer in Chennai, India.
- To broaden its knowledge base, SAE International offered meetings through partnerships with associations, including the Convergence Transportation Electronics Association, the Institute of Mechanical Engineers and the Japan Society of Automotive Engineers. In 2008, valuable new relationships were formed with the Time-Triggered Architecture Group and the Institute of Electrical and Electronics Engineers. Partnerships like these help leverage SAE International's role in delivering the latest information impacting the mobility-engineering industry.



As the mobility-engineering industry becomes more technologically advanced, so do the professionals SAE International serves. This continually evolving scenario calls for lifelong learning solutions that are timely, efficient and hallmarked in quality.

To meet this demand, SAE International offers its members multiple learning methods that appeal to a variety of individual needs. The latest addition to the professional-development catalog is called "Fast Tracks," which are online courses built to deliver information on a specific technology in one hour. Another kind of online learning – the Webinar – also launched in 2008, broadcasts classroom seminars live to participants across the globe.

Both Fast Tracks and Webinars are accessible to members worldwide, giving professionals everywhere the opportunity to take advantage of SAE International's extensive learning portfolio. In 2008, seminars conducted outside the United States reached into Canada, Jordan, Korea, Malaysia, Mexico and Spain.

While significant progress was made related to electronic learning in 2008, SAE International continued to develop its popular collection of traditional classroom seminars. Courses were held at the organization's Automotive Headquarters in Troy, Michigan; at partner sites in Greenville, South Carolina, and Birmingham, Alabama, as well as at the SAE World Congress and SAE Commercial Vehicle Engineering Congress. Enrollment included 4,439 learners in 321 courses.

In addition to attracting learners to the classroom, SAE International brought learning opportunities to the workplace, increasing its in-house training engagements by 30 percent.

As a take-off into the aerospace industry, a series of courses was held for five aviation companies in Wichita, Kansas. This marked the first time that instructors taught courses dedicated to aerospace technology. Inroads also are being explored into the commercial-vehicle industry with courses being developed specifically for professionals in that field.

OFFICERS



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Richard O. Schaum

*General Manager,
3rd Horizon Assoc., LLC
Executive Vice President,
Product Development,
DaimlerChrysler Corp (retired)*



2009 President Elect

James E. Smith

*Professor & Director,
Center for Industry &
Research Applications (CIRA),
West Virginia University*



Vice President Aerospace

Ronald York

*Consultant, Strategic
Planning*



Vice President Automotive

Jacqueline A. Dedo

*Vice President, Strategy
& Business Development,
Dana Holding Corp*



*Vice President
Commercial Vehicle*

Richard E. Kleine

*Vice President,
Off Highway Business,
Cummins Inc.*



Treasurer

Terence J. Rhoades

*President,
Mechanical Simulation
Corporation*



Assistant Treasurer

Carol A. Story

*Retired, Navistar
International Corp*



Secretary

David L. Schutt

*Executive Vice President
& Chief Operating Officer*

DIRECTORS

2006-2007-2008

David J. Andrea

*Vice President, Industry Analysis
& Economics, Original Equipment
Suppliers Association*

Iftekhar Ibrahim

*Vehicle Chief Engineer,
New Business Development,
GM China Investment Co Ltd.*

Robert L. Ireland

*Managing Director,
Flight Training Service Center,
United Airlines*

Andrew Jeffers

*Senior Project Engineer,
GM Powertrain*

Ronald R. Smisek

*President,
RRS Technical Services LLC*

Bharat S. Vedak

*Senior Vice President JDIMET,
Deere & Company*

2007-2008-2009

Gregory W. Davis

*Professor, Mechanical Engineering,
Kettering University*

Mazen Hammoud

*Manager Powertrain Calibration,
Ford Motor Co.*

Douglas Patton

*Senior Vice President of Engineering,
DENSO International America, Inc.*

Nicholas K. Petek

*Engineering Supervisor,
Bendix Commercial Vehicle
Systems LLC*

Ahmed A. Soliman

*Professor, Mechanical Engineering,
University of North Carolina-Charlotte*

Leonard Tedesco

*Consultant,
Oakshott Engineering*

2008-2009-2010

Aravind S. Bharadwaj

*Chief Executive Officer,
Automotive Infotronics Pvt. Ltd.*

Cuneyt L. Oge

*Director,
Pittiglio Rabin Todd & McGrath*

Mark L. Pedrazzi

*Director, Mechanical Engineering,
BAE Systems*

Brian R. Richardson

*Principal,
Alternative Solutions LLC*

Victor E. Saucedo

*Senior Manager,
Lockheed Martin Aeronautics Co.*

David B. Stout

*Principal,
David B. Stout Associates LCC*



FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

FINANCIALS

SAE INTERNATIONAL

THE FINANCIAL MESSAGE

To all SAE International Members:

We are pleased to present the SAE 2008 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 economic downturn and conditions within the industries SAE serves had a negative impact on SAE during 2008 and are clearly reflected in the 2008 financial results. As discussed later, SAE implemented cost reduction initiatives during 2008 and will continue this throughout 2009 in order to ensure the financial well being of SAE.

The Statements of Financial Position reflect total assets of \$61.1 million at the end of 2008. The decrease in total assets was \$21.4 million, or a decrease of 25.9% over 2007. The decrease was due to losses in both operating and non-operating activities. Despite this decline in assets, we believe you will find the Statements of Financial Position show SAE continues to be financially well positioned to continue to provide strong member service activities in the future.

In 2008, the Statement of Activities and Changes in Net Assets reflect SAE operating revenues of \$62.8 million and a net loss from operations of \$2.9 million. Both operating revenue and net margin fell short of SAE Financial Management Policy targets. Cost reduction initiatives, which included a workforce reduction, were implemented during 2008 and will continue throughout 2009 to ensure SAE is well positioned for the future.

In non-operating activities, SAE invested \$2.8 million in development activities to fund new programs. Typically these program costs are supported by returns from the General Investment Fund. However, investment activities finished with a net decline of \$15.8 million, due primarily to decreases in the market value of our long-term investments. In addition, a non-cash pension adjustment resulted in a decrease to net assets of \$15.3 million. The investment in development activities, when combined with long-term investment declines and the pension adjustment, resulted in a total non-operating loss of \$34.0 million.

Net assets decreased \$36.9 million during 2008 as a result of the operating losses and non-operating losses noted above. The decrease in net assets for the year of \$36.9 million, when combined with net assets at the beginning of the year of \$62.6 million, resulted in \$25.7 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.

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

FINANCIALS

SAE INTERNATIONAL

INDEPENDENT AUDITOR'S REPORT



ALPERN ROSENTHAL
INSPIRING OPPORTUNITIES
Heinz 57 Center
339 Sixth Avenue, 8th Floor
Pittsburgh, PA 15222

**To the Board of Directors
SAE International**
Warrendale, Pennsylvania

We have audited the accompanying statement of financial position of SAE International (SAE) as of December 31, 2008, and the related statements of activities and changes in net assets, 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 financial statements of SAE as of December 31, 2007, were audited by other auditors whose report dated February 8, 2008, expressed an unqualified opinion on those 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 2008 financial statements referred to above present fairly, in all material respects, the financial position of SAE International as of December 31, 2008, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental statements of activities and changes in net assets is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of SAE's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alpern Rosenthal

March 18, 2009

SAE INTERNATIONAL

STATEMENTS OF FINANCIAL POSITION

December 31	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 563,187	\$ 1,254,663
Current portion of long-term investments - Note 2	1,271,867	6,577,414
Accounts receivable - net	3,002,859	2,848,864
Pledges receivable - current portion - Note 3	2,043,666	2,431,086
Inventories and supplies	325,930	300,478
Prepaid expenses	2,510,274	3,373,723
Accrued interest and other receivables	4,186,408	4,319,136
Total Current Assets	13,904,191	21,105,364
Investments - Note 2	34,982,648	48,768,703
Pledges Receivable - Long Term - Note 3	2,722,062	4,200,097
Property and Equipment - Note 4	9,512,338	8,401,436
Total Assets	\$ 61,121,239	\$ 82,475,600

	2008	2007
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 6,829,709	\$ 5,840,871
Accrued expenses	2,461,852	2,059,570
Deferred revenue		
Conferences and publications	3,932,781	6,260,305
Dues and fees	1,981,895	2,071,346
Total deferred revenue	5,914,676	8,331,651
Total Current Liabilities	15,206,237	16,232,092
Accrued Pension Costs - Note 5	20,100,044	3,499,555
Charitable Gift Annuity	148,067	166,727
Total Liabilities	35,454,348	19,898,374
Net Assets - Note 6		
Unrestricted	13,129,405	47,346,400
Temporarily restricted	11,028,732	13,722,072
Permanently restricted	1,508,754	1,508,754
Total Net Assets	25,666,891	62,577,226
Total Liabilities and Net Assets	\$ 61,121,239	\$ 82,475,600

The accompanying notes are an integral part of these financial statements.

FINANCIALS

SAE INTERNATIONAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2008 (With Comparative Totals for 2007)					
	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
OPERATING ACTIVITIES					
Revenues and Public Support					
Meetings and conferences	\$ 16,081,700	\$ -	\$ -	\$ 16,081,700	\$ 14,691,189
Magazines and publications	28,513,175	-	-	28,513,175	28,606,300
Membership	4,044,095	-	-	4,044,095	4,160,680
Technical standards	4,645,895	-	-	4,645,895	4,680,302
Other products and services	3,959,581	36,283	-	3,995,864	3,276,780
Contributions	414,690	397,233	-	811,923	979,774
Pledges	-	404,337	-	404,337	2,732,799
Contributed services	4,287,315	-	-	4,287,315	5,633,876
Net assets released from restrictions	2,742,071	(2,742,071)	-	-	-
Total Revenues and Public Support	64,688,522	(1,904,218)	-	62,784,304	64,761,700
Expenses - Note 7					
Meetings and conferences	17,496,058	-	-	17,496,058	15,868,360
Magazines and publications	10,423,133	-	-	10,423,133	10,716,276
Membership	2,395,546	-	-	2,395,546	2,352,197
Technical standards	6,560,160	-	-	6,560,160	5,848,455
Other products and services	9,592,362	-	-	9,592,362	8,989,656
Administrative services	11,138,921	-	-	11,138,921	10,511,617
SAE Foundation	3,838,641	-	-	3,838,641	3,242,873
Contributed services	4,287,315	-	-	4,287,315	5,633,876
Total Expenses	65,732,136	-	-	65,732,136	63,163,310
Increase (Decrease) in Net Assets from Operations	(1,043,614)	(1,904,218)	-	(2,947,832)	1,598,390
NONOPERATING ACTIVITIES					
New business development activities	(2,823,405)	-	-	(2,823,405)	(2,173,032)
Investment activities - Note 2	(15,003,065)	(850,415)	-	(15,853,480)	3,491,764
Pension adjustment - Note 5	(15,285,618)	-	-	(15,285,618)	(5,099,708)
Transfer to Foundations	(61,293)	61,293	-	-	-
Total Nonoperating Activities	(33,173,381)	(789,122)	-	(33,962,503)	(3,780,976)
Decrease in Net Assets	(34,216,995)	(2,693,340)	-	(36,910,335)	(2,182,586)
Net Assets - Beginning of year	47,346,400	13,722,072	1,508,754	62,577,226	64,759,819
Net Assets - End of year	\$ 13,129,405	\$ 11,028,732	\$ 1,508,754	\$ 25,666,891	\$ 62,577,233

The accompanying notes are an integral part of these financial statements.

SAE INTERNATIONAL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total
OPERATING ACTIVITIES				
Revenues and Public Support				
Meetings and conferences	\$ 14,691,189	\$ -	\$ -	\$ 14,691,189
Magazines and publications	28,606,300	-	-	28,606,300
Membership	4,160,680	-	-	4,160,680
Technical standards	4,680,302	-	-	4,680,302
Other products and services	3,242,470	34,310	-	3,276,780
Contributions	475,094	504,680	-	979,774
Pledges	-	2,732,799	-	2,732,799
Contributed services	5,633,876	-	-	5,633,876
Net assets released from restrictions	<u>2,152,589</u>	<u>(2,152,589)</u>	<u>-</u>	<u>-</u>
Total Revenues and Public Support	<u>63,642,500</u>	<u>1,119,200</u>	<u>-</u>	<u>64,761,700</u>
Expenses - Note 7				
Meetings and conferences	15,868,360	-	-	15,868,360
Magazines and publications	10,716,276	-	-	10,716,276
Membership	2,352,197	-	-	2,352,197
Technical standards	5,848,455	-	-	5,848,455
Other products and services	8,989,656	-	-	8,989,656
Administrative services	10,511,617	-	-	10,511,617
SAE Foundation	3,242,873	-	-	3,242,873
Contributed services	<u>5,633,876</u>	<u>-</u>	<u>-</u>	<u>5,633,876</u>
Total Expenses	<u>63,163,310</u>	<u>-</u>	<u>-</u>	<u>63,163,310</u>
Increase in Net Assets from Operations	<u>479,190</u>	<u>1,119,200</u>	<u>-</u>	<u>1,598,390</u>
NONOPERATING ACTIVITIES				
New business development activities	(2,173,032)	-	-	(2,173,032)
Investment activities - Note 2	3,023,613	468,151	-	3,491,764
Pension adjustment - Note 5	(5,099,708)	-	-	(5,099,708)
Transfer to Foundations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Activities	<u>(4,249,127)</u>	<u>468,151</u>	<u>-</u>	<u>(3,780,976)</u>
Increase (Decrease) in Net Assets	<u>(3,769,937)</u>	<u>1,587,351</u>	<u>-</u>	<u>(2,182,586)</u>
Net Assets - Beginning of year	<u>51,116,337</u>	<u>12,134,721</u>	<u>1,508,754</u>	<u>64,759,812</u>
Net Assets - End of year	<u>\$ 47,346,400</u>	<u>\$ 13,722,072</u>	<u>\$ 1,508,754</u>	<u>\$ 62,577,226</u>

The accompanying notes are an integral part of these financial statements.

FINANCIALS

SAE INTERNATIONAL

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2008	2007
Cash Provided by (Used for) Operating Activities		
Increase (decrease) in net assets	\$ (36,910,335)	\$ (2,182,586)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,767,473	1,793,351
Net (appreciation) depreciation in fair value of investments	17,004,884	(2,391,954)
Net (gain) loss on sale of equipment	164,655	(8,255)
Changes in		
Accounts receivable	(153,995)	(458,111)
Pledges receivable	1,865,455	(304,847)
Inventories and supplies	(25,452)	(92,318)
Accrued interest and other receivables	132,728	(1,040,203)
Prepaid expenses	863,449	(906,887)
Accounts payable	988,838	519,518
Accrued expenses	402,282	267,171
Accrued pension costs	16,600,489	4,814,934
Deferred revenue	(2,416,975)	978,916
Charitable gift annuity	(18,660)	(26,772)
	264,836	961,957
Net Cash Provided by Operating Activities		
Cash Provided by (Used for) Investing Activities		
Purchase of equipment	(3,043,030)	(1,635,357)
Purchase of investments	(23,357,954)	(27,156,147)
Proceeds from sale of investments	25,444,672	26,460,772
	(956,312)	(2,330,732)
Net Cash Used for Investing Activities		
Decrease in Cash and Cash Equivalents	(691,476)	(1,368,775)
Cash and Cash Equivalents - Beginning of year	1,254,663	2,623,438
Cash and Cash Equivalents - End of year	\$ 563,187	\$ 1,254,663

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies**A. Nature of Organization**

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. 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. SAE is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

SAE Foundation (the Foundation) is an unincorporated division of SAE and, accordingly, is included in the accompanying financial statements. The 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, mission and goals. The Foundation operates under the direction of a Board of Trustees, which ultimately reports to the Board of Directors of SAE. Administrative support is provided by the Executive Vice President of SAE.

The following affiliated organizations do not meet the criteria requiring consolidation with SAE. As such, the activities of each are not 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. 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 not-for-profit 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 IRC.

Note 1 - Summary of Significant Accounting Policies (Continued)**A. Nature of Organization (Continued)**

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 IRC.

B. Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. SAE follows the requirements of Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*, in recording support and preparing its financial statements.

The accompanying financial statements 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 current portion of long-term investments and are reflected as an accounts payable liability in the accompanying financial statements.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

SAE INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

D. 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.

SAE's cash balances were allocated to numerous banking institutions operating in western Pennsylvania. From time to time, the balance may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

E. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Any balance that is still outstanding after management has used reasonable collection efforts is written off through a charge to the valuation allowance and a credit to trade accounts receivable. The allowance for uncollectible accounts was approximately \$275,000 at December 31, 2008 and \$168,000 at December 31, 2007.

F. Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management has established an allowance for uncollectible pledges based on its evaluation of the individual pledge.

G. Investments

Investments are presented at fair value as measured by quoted market prices. Those investments received as gifts or donations are recorded at their fair value on the date received. Investment activity includes unrealized and realized gains and losses on investments (net appreciation), interest and dividends.

SAE's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Investments (continued)

SAE records returns on its liquidity investment fund in operating activities. These returns are included in the accompanying statements of activities as part of other products and services. All other investment activity is reflected as a component of nonoperating activities.

H. Inventories

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

I. Property and equipment

Property and equipment acquired is recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures exceeding \$1,000 for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any resulting gains or losses are included in income (expense) for the year.

J. Revenue Recognition

Revenue is recognized when earned. Revenues received in advance of the year to which they relate, such as membership dues, subscription fees, and attendance fees, are deferred and recognized over the periods to which the income relates. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

K. In-kind Donations

Donated materials and services meeting the requirements of generally accepted accounting principles are reflected as contributions at their estimated values at date of receipt.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

L. Implementation of New Standard

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The requirements of SFAS 157 were effective for SAE's year ended December 31, 2008. SFAS 157 did not have a material impact on SAE's financial statements.

M. Recent Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Interpretation was originally effective for not-for-profit entities for fiscal years beginning after December 15, 2006. FASB Staff Position No. FIN 48-3 permits not-for-profit entities to defer the effective date of FIN 48 to its annual financial statements for fiscal years beginning after December 15, 2008. SAE has elected to defer the application of FIN 48 for the year ended December 31, 2008 and is evaluating the impact of the provisions of FIN 48 on SAE's financial statements.

N. Reclassifications

Certain reclassifications have been made to the 2007 financial statements in order to conform with the 2008 presentation.

Note 2 - Investments

The fair value of investments is measured using Level I inputs, quoted prices in active markets for identical assets, and consists of the following at December 31:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 621,719	\$ 621,719	\$ 5,465,989	\$ 5,465,989
Certificates of deposit	29,000	29,000	509,000	507,142
Mortgage and asset backed securities	2,263,659	2,205,012	424,319	403,170
Corporate bonds	7,975,863	7,307,977	8,724,419	9,149,177
International bonds	359,641	385,970	359,641	491,203
Government and GSE bonds	125,625	125,079	3,348,250	3,363,241
Common stocks	10,153,307	7,768,245	14,194,327	16,483,566
Exchange traded and closed-end funds	<u>22,163,269</u>	<u>17,811,513</u>	<u>15,412,967</u>	<u>19,482,629</u>
Total investments	<u>\$43,692,083</u>	<u>\$36,254,515</u>	<u>\$48,438,912</u>	<u>\$55,346,117</u>

The following schedule summarizes the investment return and its classification in the statements of activities at December 31:

2008	Unrestricted	Temporarily Restricted	Total
Operating activities			
Interest and dividend income	\$ <u>171,439</u>	\$ <u>-</u>	\$ <u>171,439</u>
Nonoperating activities			
Interest and dividend income	\$ 1,197,423	\$ 218,732	\$ 1,416,155
Realized losses	(2,587,616)	(317,222)	(2,904,838)
Unrealized losses	(<u>13,413,220</u>)	(<u>686,826</u>)	(<u>14,100,046</u>)
Subtotal investment return	(14,803,413)	(785,316)	(15,588,729)
Less investment expenses	(<u>199,652</u>)	(<u>65,099</u>)	(<u>264,751</u>)
Total investment return from nonoperating activities	<u>(\$15,003,065)</u>	<u>(\$ 850,415)</u>	<u>(\$15,883,480)</u>

SAE INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

Note 2 - Investments (Continued)

<u>2007</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating activities			
Interest and dividend income	\$ <u>278,138</u>	\$ -	\$ <u>278,138</u>
Nonoperating activities			
Interest and dividend income	\$ 1,180,496	\$ 108,919	\$ 1,289,415
Realized gains	2,256,551	359,232	2,615,783
Unrealized losses	(223,735)	-	(223,735)
Subtotal investment return	3,213,312	468,151	3,681,463
Less investment expenses	(189,699)	-	(189,699)
Total investment return from nonoperating activities	\$ <u>3,023,613</u>	\$ <u>468,151</u>	\$ <u>3,491,764</u>

Note 3 - Pledges Receivable

Pledges receivable consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Unrestricted pledges	\$ 353,750	\$ 514,130
Temporarily restricted pledges	<u>4,643,986</u>	<u>6,641,282</u>
Gross receivables	4,997,736	7,155,412
Less: Unamortized discount	71,519	357,256
Less: Allowance for doubtful accounts	<u>160,489</u>	<u>166,973</u>
Net pledges receivable	\$ <u>4,765,728</u>	\$ <u>6,631,183</u>
Amounts due in		
Less than one year	\$ 2,043,666	\$ 2,431,086
One to five years	<u>2,722,062</u>	<u>4,200,097</u>
	\$ <u>4,765,728</u>	\$ <u>6,631,183</u>

Note 3 - Pledges Receivable (Continued)

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of approximately 1.7% at December 31, 2008.

Conditional pledges receivable consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Conditioned upon		
Matching funds	\$ 353,050	\$ 354,650
Annual review and approval	<u>50,000</u>	<u>100,000</u>
	\$ <u>403,050</u>	\$ <u>454,650</u>

Note 4 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Land	\$ 1,588,337	\$ 1,480,288
Building improvements	12,713,753	12,245,962
Furniture and equipment	<u>20,546,489</u>	<u>18,928,591</u>
	34,848,579	32,654,841
Less: Accumulated depreciation	<u>25,336,241</u>	<u>24,253,405</u>
	\$ <u>9,512,338</u>	\$ <u>8,401,436</u>

Note 5 - Employee Benefit Plans

Defined Benefit Pension Plan

SAE maintains a noncontributory defined benefit pension plan covering certain employees of SAE and PRI. SAE's policy is to fund the pension costs as determined by actuarial valuation. SAE is then reimbursed by PRI for PRI's portion of the net periodic pension expense.

Effective January 1, 2008, SAE froze its defined benefit pension plan. Employees hired prior to January 1, 2008 will continue to earn benefits under the plan. Employees hired on or after January 1, 2008 will not be eligible to participate in the plan.

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Employee Benefit Plans (Continued)

The following table sets forth the funded status and obligations of the plan at December 31:

	<u>2008</u>	<u>2007</u>
Projected benefit obligation	(\$45,452,084)	(\$41,121,561)
Fair value of pension plan assets	<u>25,352,040</u>	<u>37,622,006</u>
Funded status at end of year	(\$ <u>20,100,044</u>)	(\$ <u>3,499,555</u>)

The funded status of the plan was measured as of December 31.

The following are the weighted-average assumptions used to determine benefit obligations at December 31:

	<u>2008</u>	<u>2007</u>
Discount rate	6%	6%
Rate of increase in compensation levels	4%	4%

Other required disclosures consisted of the following:

	<u>2008</u>	<u>2007</u>
Net periodic pension costs	\$ <u>1,643,589</u>	\$ <u>1,715,226</u>
Benefits paid	\$ <u>1,193,056</u>	\$ <u>1,020,000</u>
Contributions	\$ <u>-</u>	\$ <u>2,000,000</u>

Components of pension adjustment recognized in nonoperating activities in the statements of activities consisted of the following:

	<u>2008</u>	<u>2007</u>
Net gain (loss)	(\$15,343,297)	\$ 2,429,950
Amortization of net loss	57,679	264,185
Effects of applying SFAS 158	<u>-</u>	<u>(7,793,843)</u>
	(\$ <u>15,285,618</u>)	(\$ <u>5,099,708</u>)

Note 5 - Employee Benefit Plans (Continued)

The following are the weighted-average assumptions used to determine net periodic pension cost for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Discount rate	6%	6%
Expected long-term rate of return on assets	8%	8%

SAE's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The accumulated benefit obligation for the plan was \$37,227,648 at December 31, 2008 and \$33,528,089 at December 31, 2007.

The plan's asset allocations by asset category are as follows:

	<u>2008</u>	<u>2007</u>
Equities	59%	69%
Bonds	32%	24%
Other	9%	7%

SAE's investment strategy for its plans is to allocate approximately 70% of contributions to equity investments and 30% to fixed investments.

There is no minimum contribution required in 2009; however SAE contributed \$1,700,000 to the plan in March 2009.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

<u>Year Ending December 31</u>	<u>Amount</u>
2009	\$ 1,375,000
2010	\$ 1,449,000
2011	\$ 1,661,000
2012	\$ 1,864,000
2013	\$ 1,982,000
2014 - 2018	\$13,053,000

SAE INTERNATIONAL

NOTES TO THE FINANCIAL STATEMENTS

Note 5 - Employee Benefit Plans (Continued)

Group Tax Deferred Annuity Plan

SAE has a group tax deferred annuity plan under Section 403(b) of the Internal Revenue Code which covers substantially all employees. SAE matches up to 100% of employees' voluntary contributions up to 6% of their annual salary based on the individual employee's years of service. SAE's contribution to the plan was \$709,000 for December 31, 2008 and \$670,000 for December 31, 2007.

Beneficiary Association

SAE also has a 501(c)(9) beneficiary association which provides certain welfare plan benefits including benefits after retirement. Contributions are based on insurance premiums and estimated costs determined by the plan actuary. SAE's contribution to the beneficiary association was \$32,000 for December 31, 2008 and \$29,000 for December 31, 2007.

Supplemental Executive Retirement Plan

SAE has a 457(b) Supplemental Executive Retirement Plan which allows members of the executive team to defer a percentage of compensation until retirement. SAE contributions to this plan approximated \$13,000 during 2008.

Note 6 - Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2008</u>	<u>2007</u>
Program support funds	\$ 8,012,179	\$ 9,781,980
Award funds	2,239,500	3,061,319
Scholarship funds	777,053	861,472
Engineering activity support	<u>-</u>	<u>17,301</u>
Total	<u>\$11,028,732</u>	<u>\$13,722,072</u>

Note 6 - Net Assets (Continued)

Permanently restricted net assets are available for the following purposes as of December 31:

	<u>2008</u>	<u>2007</u>
Award funds	\$ 1,012,804	\$ 1,012,804
Scholarship funds	391,832	391,832
Engineering activity support	<u>104,118</u>	<u>104,118</u>
Total	<u>\$ 1,508,754</u>	<u>\$ 1,508,754</u>

Note 7 - Expenses

Expenses by functional classifications were as follows:

	<u>2008</u>	<u>2007</u>
Program service	\$53,572,766	\$51,589,642
General and administrative	11,880,511	11,302,758
Fundraising	<u>278,866</u>	<u>270,910</u>
Total expenses	<u>\$65,732,143</u>	<u>\$63,163,310</u>

Note 8 - Operating Leases

SAE leases off-site office space through noncancelable operating leases that expire at various dates through April 2010. Rental expenses aggregated approximately \$1,653,000 for 2008 and \$1,395,000 for 2007.

Future minimum lease payments as of December 31, 2008 are approximately \$655,000 for 2009 and \$10,000 for 2010.

Note 9 - In-kind Contributions

In-kind contributions consist of donated services and expertise related to developing, reviewing, revising, and updating technical standards for the ground vehicle and aerospace industries. The value of these services was approximately \$4,287,000 at December 31, 2008 and \$5,634,000 at December 31, 2007.

NOTES TO THE FINANCIAL STATEMENTS

Note 9 - In-kind Contributions (Continued)

In addition, a substantial number of SAE International members have made significant contributions of their time to the Foundation's various programs. The value of this contributed time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition under SFAS No. 116.

Note 10 - Self Insurance

SAE self-insures the medical and prescription drug benefits provided to all of its current and retired employees and their families. This plan is administered by a third party that processes, adjudicates and pays claims on behalf of SAE. SAE maintains stop-loss coverage based on a \$110,000 deductible per participant and an annual aggregate deductible of approximately \$2,600,000 to limit its liability for large specific and aggregate losses. SAE has recorded a liability for estimated future costs of incurred claims of approximately \$460,000 at December 31, 2008 and \$74,000 at December 31, 2007. The liability is included in accrued expenses in the statement of financial position.

SAE accrues for its self-insured unemployment compensation based on actual claims outstanding at year end. At December 31, 2008, SAE had accrued approximately \$200,000 in claims related to a reduction in workforce. SAE recognized unemployment compensation expense of approximately \$268,000 for the year ended December 31, 2008. At December 31, 2007, SAE had accrued approximately \$10,000 in claims, and incurred claims of approximately \$1,000.

Note 11 - Related Party TransactionsPRI

PRI leases office space from SAE currently on a month-to-month basis. Annual rental income received from PRI approximated \$185,000 for the years ended December 31, 2008 and 2007.

Employees of PRI are eligible to participate in the defined benefit pension plan sponsored by SAE. In return, PRI reimburses SAE for pension costs associated with its employees. Pension expense reimbursed to SAE approximated \$232,000 for the year ended December 31, 2008 and \$301,000 for the year ended December 31, 2007.

SAE has 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. Costs associated with this agreement approximated \$356,000 for the year ended December 31, 2008 and \$19,000 for the year ended December 31, 2007.

Note 11 - Related Party Transactions (Continued)PRI (continued)

SAE also maintains a contracted services agreement with PRI whereby SAE provides PRI with basic administrative services such as information technology and financial services for a set fee. Annual revenue recognized by SAE related to this contract approximated \$148,000 for the years ended December 31, 2008 and 2007.

SAE Institute

On December 20, 2007, SAE entered into a five-year line-of-credit (LOC) agreement with SAE Institute, whereby 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. The balance due from SAE Institute approximated \$858,000 at December 31, 2008 and \$464,000 at December 31, 2007. The liability is included in the accompanying statements of financial position as part of accrued interest and other receivables.

During 2008, SAE decided to transfer the operation of the International Aerospace Quality Group project, the basis of which is development, management and maintenance of the Online Aerospace Supplier Information System (OASIS) database, to SAE Institute. However, at December 31, 2008, SAE still had in its possession cash associated with the project in the amount of \$920,502, and as such, a liability to SAE Institute in an equal amount has been recorded and is included in accrued expenses at December 31, 2008.

SAE Foundation Canada

SAE had receivables due from SAE Foundation Canada of approximately \$428,000 at December 31, 2008 and \$318,000 at of December 31, 2007.

Note 12 - Subsequent Event

In March 2009, SAE obtained a \$10,000,000 term loan from SunTrust Bank. The loan will bear interest at a fixed rate of 3.6% and mature five years from issuance.

SAE INTERNATIONAL

SUPPLEMENTAL INFORMATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
(EXCLUDING SAE FOUNDATION DIVISION AND CONTRIBUTED SERVICES)

For the Years Ended December 31	2008	2007
OPERATING ACTIVITIES		
Revenues and Public Support		
Meetings and conferences	\$ 16,081,700	\$ 14,691,189
Magazines and publications	28,513,175	28,606,300
Membership	4,044,091	4,160,680
Technical standards	4,645,895	4,680,302
Other products and services	<u>3,984,581</u>	<u>3,267,470</u>
Total Revenues and Public Support	<u>57,269,442</u>	<u>55,405,941</u>
Expenses		
Meetings and conferences	17,496,065	15,868,360
Magazines and publications	10,423,133	10,716,276
Membership	2,395,546	2,352,197
Technical standards	6,560,160	5,848,455
Other products and services	9,592,362	8,989,656
Administrative services	<u>11,138,921</u>	<u>10,511,617</u>
Total Expenses	<u>57,606,187</u>	<u>54,286,561</u>
Increase (Decrease) in Net Assets from Operations	<u>(336,745)</u>	<u>1,119,380</u>
NONOPERATING ACTIVITIES		
Development activities	(2,823,405)	(2,173,032)
Investment activities	(12,901,081)	2,697,030
Pension adjustment	(15,285,618)	(5,099,708)
Transfer to Foundations	<u>(61,293)</u>	<u>(1,000,000)</u>
Total Nonoperating Activities	<u>(31,071,397)</u>	<u>(5,575,710)</u>
Decrease in Net Assets	<u>(31,408,142)</u>	<u>(4,456,330)</u>
Net Assets - Unrestricted - Beginning of year	<u>43,055,418</u>	<u>47,511,748</u>
Net Assets - Unrestricted - End of Year	<u>\$ 11,647,276</u>	<u>\$ 43,055,418</u>

See independent auditors' report.

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Malaysia: Kuala Lumpur
Mexico: Mexico City
Romania: Bucharest, Brasov
Russia: Moscow, St. Petersburg
Taiwan: Taipei
Ukraine: Kiev

David L. Schutt, PhD

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