



**SAE** *International*<sup>™</sup>

# *Vision*

2006 Annual Report



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*SAE Executive Vice President and Chief Operating Officer Raymond A. Morris (seated in car) and 2006 SAE President Greg Henderson discuss details at the start of the 2006 SAE "Cruise to Congress." A parade of 101 BMW Mini Coopers drove from Troy, Mich., to Detroit to open the World Congress, which was hosted by BMW.*

# Executive Message


2020. What does that number mean to you?

- Does it suggest having good visual acuity – being able to see 20/20?
- Does it refer to the year 2020 – once considered far-off and now a reality of the not-too-distant future?

At SAE International, both definitions indeed are operable. "2020" is the theme being used to chart the course of SAE International for the next 14 years and beyond.

Of course the central question under consideration is "What will the already-complex mobility industry look like in the coming decades?" It's a tough question to be sure, but one that we here at SAE International recognize needs to be asked and examined.

In 2006, the leadership at SAE International, specifically the Board of Directors with the able assistance of the Strategic Planning Committee and Staff, delved into that question and began charting a course to ensure that this Society will remain flexible, nimble and creative enough to prosper.



The underlying questions have been many and varied as well:

- What will the global population demographics be in the year 2020?
- How will professional associations look and what services will they offer?
- How will globalization affect associations?
- Where will financial support for associations come from – traditional resources or new ones?

The Strategic Planning Committee used scenario-planning techniques to determine answers to just these questions. The answers serve as a framework to envision a possible future state for SAE International, thus ensuring that SAE leads the mobility industry in our role as a Society.

While the tactics will be formed by the future, there is no doubt our time-honored strategy will be as relevant as ever: SAE will continue to connect a global network of students, engineers, practitioners and companies; will continue to attract, manage and distribute mobility-related information such as standards, technical publications and educational material; and will continue to lead in global standardization.

In keeping with the short-term activities necessary to reach the 2020 vision, in 2006 SAE's standards-development programs have reached out to organizations from across the globe to form key partnerships, ensuring that SAE will remain a vital player in the world market.

Our magazines and publications continue to use the latest technology so that all of our members can receive information in the way that best fits their needs. We've also taken the necessary steps to ensure that SAE's considerable assets in intellectual property will be protected, thereby maintaining credibility, brand image and revenue streams.

SAE's membership team is reaching out to college graduates and young engineers to show them the benefits they will enjoy as full SAE members. We do this while in no way losing focus on our already-established members. We continue to develop programs and services to benefit all.

Our conferences, meetings and symposia continue to represent the true scope of diversity, both in the people and the technology of the mobility-engineering industry.

SAE's professional development programs enjoyed the most dramatic growth in history. Demand grew for new technology, including e-seminars, Webcasts, and CD-based programs. We are at the forefront of these technology trends and we will continue to be in the future.

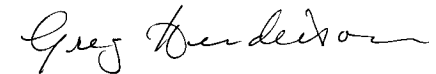
Our members lead the way when it comes to innovation and technology in the mobility industry, and we will make sure that SAE always stays ahead of that same curve.

While 2020 can have different meanings, here at SAE International, 2020 symbolizes the far-reaching vision that we have to serve the mobility industry and the world.

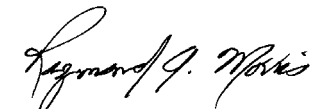
This is an exciting time for mobility engineering, and it is an exciting time to be part of SAE.

Thank you for your interest in SAE International and enjoy this Annual Report. As always, we welcome your feedback and look forward to serving you.

Sincerely,



Greg W. Henderson, P.E.  
2006 President, SAE International



Raymond A. Morris, CAE  
Executive Vice President and  
Chief Operating Officer, SAE International



# Product Lifecycle Management

- Industrial Design
- Engineering
- Analysis
- PDM
- CRM
- ERP

- Bring your ideas to life
- Design better products

ALIBABAN  
SISTEM SUTERA



# Aerospace Initiative

Transition emerged as a prominent theme for the SAE International Aerospace Initiative. The first transition took place in the office of Vice President of Aerospace, with Bob Spitzer – the first to serve in this role – wrapping up his successful three-year term. Ronald E. York, the former Chief Operating Officer of Rolls-Royce North American Technologies Inc., was elected as the new Vice President.

In its destiny to be an ever-growing player on the world stage, SAE International continued its own transition to better position the Society globally through key partnerships with other standards-developing organizations. Each alliance was forged with specific goals in mind: to create new opportunities for SAE International and to open new areas for cooperation.

Early in his term, SAE President Greg Henderson met with several major associations – including the Aerospace Industries Association, the American Institute of Aeronautics and Astronautics and the Air Transport Association of America – to discuss and cultivate global partnerships. SAE considers such partnerships to be key to future success.

The transition to a new online document management system marked another significant milestone for SAE. The new SAE Works system places SAE at the forefront of standards development technology. In addition to ensuring compliance with SAE standards policy, the system creates an extremely user-friendly environment for committee members and allows them to operate more efficiently.

Staying true to its mission of advancing mobility engineering worldwide, SAE conferences enlightened tens of thousands of professionals, including those who attended the successful 2006 General Aviation Technology Conference and a number of other important SAE Aerospace events.

Other positive transitions proved that only the sky truly is the limit when it comes to SAE within the aerospace arena:

- The Professional Aviation Maintenance Association (PAMA) fully integrated its administrative processes into SAE through the SAE Institute.
- The branding of SAE within the aerospace industry took flight with the creation of an awareness campaign that was initiated at the end of the year.

- SAE's Collegiate Design Series revised the rules of the Aero Design competition to better reflect real-world needs, also initiating a marketing effort to attract more Aerospace Engineering ABET-accredited universities.
- A developmental project was implemented with the goal of increasing SAE's global standards development activities. Part of this project was designed to increase SAE's presence at key aerospace activities as well as cultivate relationships with major aerospace and standards organizations around the world.

**PWBC Service Center Network**

**PWBC Total Customer**

### TURBOPROP

Engines

300-7,000 SHP

- PT6**  
100hp / 1,000hp  
Agriculture / Utility
- PW200**  
1,000hp / 2,000hp  
Agriculture / Utility
- PW200**  
2,000hp / 3,000hp  
Agriculture / Utility

### TURBOSHAFT

Engines

300-7,000 SHP

- PW200**  
1,000hp / 2,000hp
- PW200**  
2,000hp / 3,000hp
- PT6B/PT6C**  
1,000hp / 2,000hp
- PT6T**  
1,000hp / 2,000hp  
Military
- PW127 T/S**  
1,000hp / Military
- PW150 T/S**  
1,000hp / Military

### TURBO

Engines

1,000-20,000 LB THR

- PW100**
- PW100**
- PW100**
- PW100**
- PW100**
- PW100**







# Aerospace Standards

Expansion is nothing new to SAE International's Aerospace Standards department, and several developments ensured that the Society will play a significant role for many years to come:

First, and most importantly, SAE Aerospace Standards committees produced 528 new and revised documents. That number represents a 52 percent increase over the previous year's total.

The Aerospace Council of the Technical Standards Board, the member leader body which manages the SAE aerospace standards program, expanded its global participation to include executives from countries such as Brazil, Canada and China.

In addition, two new Aerospace Standards committees were formed: One deals with issues related to Human Factors in Aviation Maintenance (G-18) and the other involves Radio Frequency Identification (RFID) Aerospace Applications. The latter committee produced its first document in November -- only five months after it was as formed at the request of industry.

Additional notable achievements include:

- Formation of key partnerships – including those with the European Organisation for Civil Aviation Equipment (EUROCAE) and ASD-STAN – to elevate SAE's international presence as a global aerospace standards developer. Such alliances enable the Society to harmonize activities with the organizations and provide key services where they are needed. The partnerships also enhance communication among the different committees developing aerospace standards.
- SAE Aerospace Standards and its representatives exhibited at, sponsored and attended a variety of air shows, conferences and meetings.
- A series of SAE press releases were distributed, announcing new aerospace standards to both trade and consumer publications.

Finally, and importantly, within SAE, the Aerospace Standards program has established a liaison relationship with the SAE Air and Sea Group that is responsible for developing and administering SAE's conferences.

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KOREA  
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ARKANS

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## Asia/Pacific Business

As word spread about SAE International's many other achievements, the Society's Asia/Pacific Business Development Office experienced a fruitful year as well.

The new Automotive Supplier Excellence Program was launched in China. The program assists companies by enhancing product innovation and design capabilities, reducing costs, improving quality and facilitating product development by identifying specific organizational practices, processes and procedures that can be improved.

This program is one of several that constitutes SAE's Corporate Technologies portfolio. Suppliers may engage in Standards Application Assistance, Targeted Technical Assistance and other programs, all of which call upon SAE International resources to help solve the problems of both U.S.-based companies with plants in China as well as Chinese companies.

Throughout China and Korea, SAE continued to invest heavily in individual learning through professional development seminars and special learning events, such as customized symposia. These activities enable technical personnel and company management to network and gain knowledge. SAE held its first-ever Embedded Systems Symposium in Korea in September, and a series of seminars were held in Beijing and Shanghai, China, as well.

In addition, the Society worked closely with domestic and multinational organizations at the corporate level for standards use and compliance and registrar activities. Much of this work is being done through a partnership with the Performance Review Institute, an affiliate of SAE.

Through its existing and emerging programs – along with its seminars and symposia throughout Korea and China – SAE International is laying the foundation to have a strong presence in these growing areas of mobility engineering for decades ahead.

BMW Active Steering.



Inno





# Automotive Initiative

Building upon the considerable foundation of SAE International's automotive legacy, Jacqueline A. Dedo, President, Automotive Group, The Timken Company, was named SAE's second Automotive Vice President (assuming the position that was previously filled by Richard Schaum, who will be SAE's President throughout 2007). Dedo will be responsible for providing leadership and continuity for SAE International's Automotive Initiative and for integrating the needs of automotive vehicles across SAE International's events, standards and educational programs.

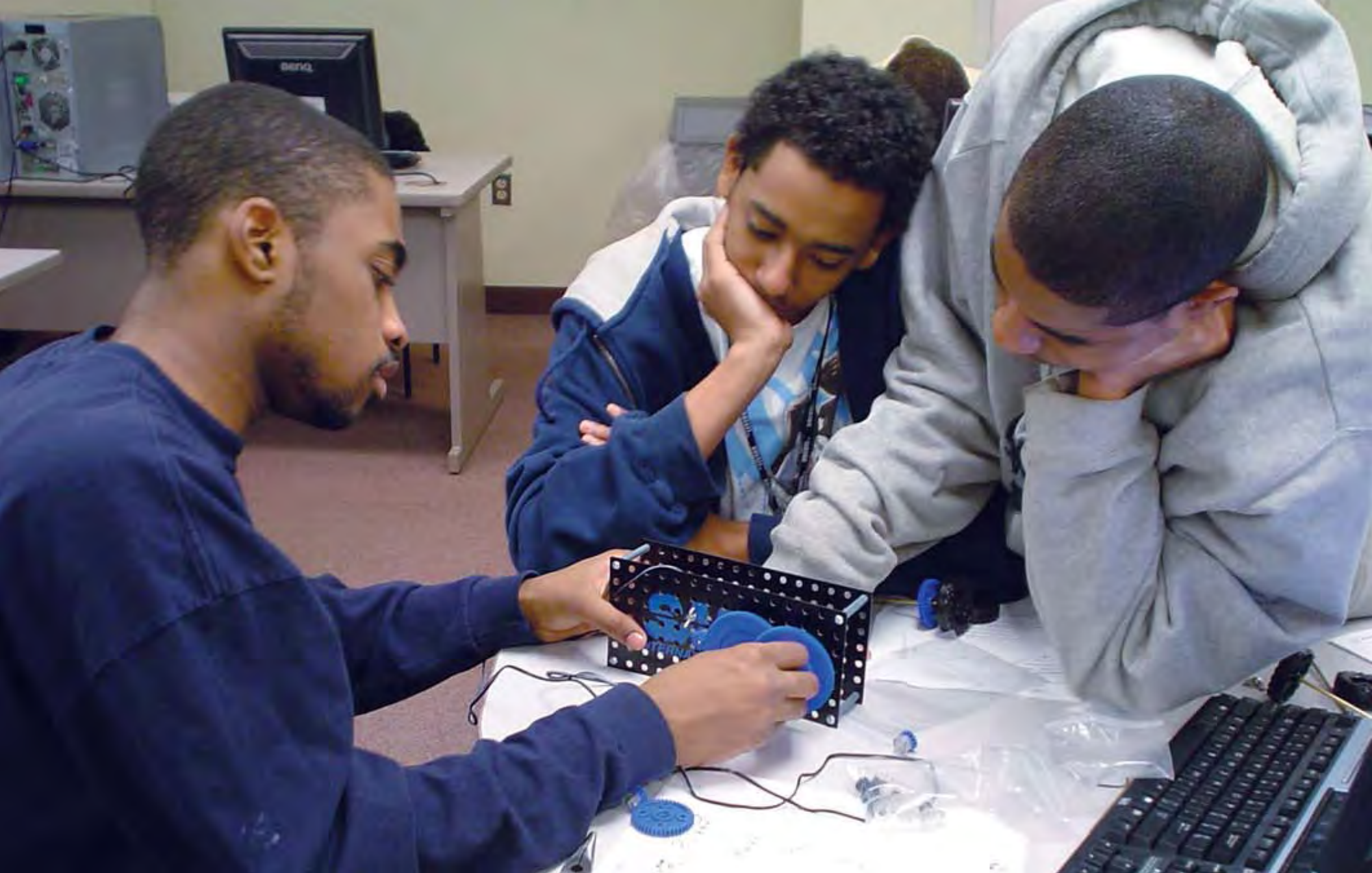
Throughout the year, SAE capitalized on the automotive industry's globalization by placing greater emphasis on engaging the new American manufacturers – BMW, Honda, Hyundai, Nissan and Toyota – while maintaining its valuable relationship with domestic automakers DaimlerChrysler, Ford and General Motors.

The SAE 2006 World Congress continued to serve as an international gathering place for the automotive engineering community with increased participation from global companies. With the addition of Brazil and Taiwan pavilions, the show floor featured the greatest number of international pavilions in the event's history – 12. About 20 percent of World Congress attendees came from outside the United States, with Asia outpacing Europe for the first time. Asia was also the fastest-growing in terms of company participation.

Other automotive highlights include:

- Top representatives from SAE and the China Automotive Technology and Research Center signed an agreement at World Congress to improve automotive engineering expertise in China.
- SAE gained support from automotive industry leaders to better position the organization in moving forward. Senior executives from original equipment manufacturers and top-tier supplier companies played a larger role in many SAE events, including the World Congress, the North American International Powertrain Conference and Convergence.

- The concept of horsepower propelled SAE full speed ahead this year; news features surrounding this technology solidified SAE's reputation as the industry standard in this arena. In addition to growing in acceptance with domestic manufacturers, the J1349 Certified Power Standard received national and international recognition in the media, including a spot on The History Channel program "Modern Marvels."
- Educational programs flourished, with the expansion of SAE Professional Development programs at the Society's Automotive Headquarters in Troy, Mich., resulting in record-breaking attendance numbers and the opportunity to introduce seminars to the growing automotive sectors in the southern region of the U.S.





## A World In Motion®

To attract young minds to the engineering field, the seed must be planted early. Enter SAE International's A World In Motion® (AWIM®) program, which has been captivating the imaginations of young people for 16 years. The AWIM curriculum joins together teachers, students in grades 4-10 and volunteer practicing engineers and scientists in an exploration of physical science.

A World In Motion continued to grow steadily. More than 1,100 teachers and 850 volunteers were trained; more than 4,000 kits were shipped; and more than 120,000 students participated, along with thousands of teachers and industry volunteers.

AWIM was honored with an InnoVision Award in the category of "Community Service." The InnoVision Technology Awards program, founded in 1999 by Deloitte & Touche, recognizes and honors businesses, individuals and organizations that have demonstrated significant advancements in the areas of innovation and technological progress. Awards are presented in five categories: Technology Development, Technology Application, Small Enterprise, Innovation in Education, and Community Service. The Community Service Award recognized AWIM for establishing and supporting innovative, technology-based projects and programs that improve the quality of life for a community.







# Collegiate Design Series

From improving the quality of life to improving the quality of education for university-level students...

SAE International's Collegiate Design Series enabled participants to hone their engineering design, production and project management skills via the program's competitions. In these competitions, students not only benefit from designing and testing a real vehicle, but they also get the chance to interact with practicing engineers from potential employers.

The roster of competitions includes Formula SAE, Aero Design, Clean Snowmobile Challenge, Supermileage and Baja SAE. Their popularity continues to grow globally. Formula SAE events were held in Australia, Brazil, England, Italy, Germany and Japan; Aero Design was held in Brazil; and Baja SAE events were held in Brazil, Korea, Mexico and South Africa.

Highlights from the 2006 season:

- The inaugural Formula SAE West Competition was held at the California Speedway with more than 70 competing teams.
- Formula SAE East was held for the first time at Ford's Michigan Proving Grounds in Romeo. Registration for the event sold out in 43 minutes.
- The Formula Hybrid competition was established in cooperation with Thayer School of Engineering at Dartmouth College and IEEE, and a demonstration event was held in May.
- The first FSAE Brazil event was held in October.
- The Aero Design competition rules were revised to reflect real-world needs.
- The Clean Snowmobile Challenge introduced two new classes: Electric Engines and Diesel Engines.





## Commercial Vehicle Initiative

Since its 2004 debut, SAE International's Commercial Vehicle Engineering Congress & Exhibition has solidified its place in the industry through the relevant and special offerings it provides. Top leaders from both on- and off-highway industries are able to discuss important issues through the popular CEO panels, and the event continues to draw involvement from leadership at all levels through committee and task force participation. In 2006, SAE India was prominent at the Commercial Vehicle Congress, where leaders from India's commercial-vehicle industry spoke at the focus panel and joined more than 460 other OEM participants from the truck and off-highway sector.

Throughout the year, SAE's Commercial Vehicle Initiative continued to focus on the challenges that face the industry, both now and in the future. Issues such as fuel efficiency, vehicle reliability and safety have been, and will be, paramount to the industry for years to come. Programs and services were developed to help customers meet the mandated requirements that lie ahead, and these are being offered in a variety of formats, including Professional Development seminars, interactive Web broadcasts, Web podcasts, symposia, executive briefings, and meetings and conferences.

The Baja SAE off-road competition continued to serve as a valuable learning experience for its collegiate participants. SAE regards such programs as an important part of its Commercial Vehicle Initiative and has invited the winning Baja SAE teams to the Commercial Vehicle Congress the past three years. More than 200 teams from around the world competed in the U.S. Baja SAE events.





# Ground Vehicle Standards

SAE International's Ground Vehicle Standards program enjoyed many significant accomplishments. The following specific examples illustrate the program's scope and depth.

SAE's J1349 Certified Power Standard is fast becoming the industry-accepted standard for measuring and certifying an engine's horsepower. At the close of the year, approximately 40 engines from all three of the U.S. domestic manufacturers had been certified through the standard. J1349 also garnered much attention from the national media; it was featured in numerous national newspapers, magazines and trade publications, and on The History Channel television program "Modern Marvels."

In the electronics arena, SAE, JSAE (Japanese Society of Automotive Engineers) and ZVEI – the German Electrical and Electronic Manufacturers' Association – developed a new qualification standard for semiconductors. The Robustness Validation standard aids in discovering the physical limits of semiconductors used in automotive applications and forms the basis of risk analysis. Experts believe this standard will increase automotive electronic systems' quality levels and reliability; the result could be reduced warranty costs.

In an attempt to reduce the global-warming impact from motor vehicle air-conditioning

systems, SAE spearheaded research on a global scale to analyze and test new refrigerants for mobile air-conditioning systems that are more efficient and less harmful to the environment. The new Cooperative Research Programs (CRP) started and include:

- *Risk Assessment (CRP150-1)*: Chemical and toxicology specialists will assess different chemicals as potential refrigerants.
- *Chemical Compatibility (CRP150-2)*: Laboratory evaluations will be conducted to see how new refrigerants react with common materials.
- *System Impact (CRP150-3)*: This program will work to understand the effects of new refrigerants on vehicle systems.
- *Service/Leakage (CRP150-4)*: Mobile air-conditioning experts will address longer term service and maintenance issues of utilizing the new refrigerants in the new systems.
- *Vehicle Durability (CRP150-5)*: Represented OEMs will supply vehicles to be tested in a variety of climatic regions with new refrigerants.

The research is expected to save the automotive industry extra costs as companies will share the expense of evaluating new alternative refrigerants for use in air-conditioning systems.



http://www.offhighway.com - MARCH 2007 - SAE Off-Highway Engineering

**Off-Highway Engineering** Contents View Share Search

## Tough testing for tomorrow's demands

The off-highway industry is moving toward a new era of legislative and environmental pressures, making test centers increasingly important.

**A** major challenge facing the off-highway industry is the increasing pressure from legislators and environmental groups to reduce emissions and improve fuel efficiency. This has led to a new era of legislative and environmental pressures, making test centers increasingly important.

**Test performance**

Test performance is a key factor in the development of new off-highway equipment. Test centers provide a controlled environment for testing equipment under various conditions, allowing engineers to identify and address potential issues before the equipment is put into the field.

**Off-Highway Engineering**

Off-Highway Engineering is a leading publication in the industry, providing news, analysis, and technical information for off-highway equipment manufacturers and users.

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# Magazines

Extra costs can result from a variety of activities, including excessive paper waste. To help reduce this type of cost – and to move forward in its progression toward electronic publishing – SAE International introduced digital editions of *Automotive Engineering International*, *Aerospace Engineering* and *SAE Off-Highway Engineering* in 2006. This member-only benefit provides a new, efficient means of reaching SAE's global membership base.

The magazines continued to strengthen their online presence with the development of an enhanced Web site, moving toward a shift in the way information is presented to readers. Real-time publishing capabilities will permit daily Web updates, resulting in more exclusive online content.

SAE magazines enjoyed a number of other milestones this year:

- The addition of technology newsletters allowed readers to receive content related to their specific fields of interest. This customized form of publishing creates new channels for advertisers to target clients.
- The first issue of *Commercial Vehicle Engineering*, a supplement to both *Automotive Engineering International* and *SAE Off-Highway Engineering*, was published in conjunction with the SAE Commercial Vehicle Engineering Conference and Exhibition and sets the stage for future commercial vehicle magazine offerings.
- *Update* – the members' primary source of news relating to SAE International – was redesigned, making it more informative, more appealing and easier to read. An effort was also made to include additional content relating to SAE's affiliates and sections.
- In a first-of-its-kind partnership, the magazines teamed with SAE Professional Development to offer a series of Webcasts, including an extremely successful offering that drew on SAE's expertise in diesel engines.



*U.S. Secretary of Energy Samuel Bodman addresses the crowd in the AVL Technology Theater during the SAE 2006 World Congress.*





## Meetings

When it comes to SAE International, you can't mention the word "expertise" without referencing the Society's impressive range of meetings, which reached 50,000 people in the automotive, aerospace and commercial vehicle industries worldwide. Such expertise paved the way for SAE to form partnerships with international organizations, helping to advance SAE's presence in the global market. The Society heightened its visibility in Asia and Europe through valuable relationships with AIN Global in Korea, the Institution of Mechanical Engineers in the United Kingdom and the Society of Automotive Engineers of Japan.

SAE Brasil, SAE India and SAE UK continued to prosper as affiliates of SAE through increased exposure at 2006 meetings. An example of this occurred at the SAE 2006 World Congress, which highlighted SAE Brasil's best paper. Plans progressed to hold an SAE Brasil panel session at a future World Congress.

SAE also served as full administrator of the world's premier automotive electronics conference, Convergence. The event drew more than 8,000 executives and technical professionals and more than 175 exhibitors. Additional "firsts" included the administration of both the Department of Defense Standardization Conference and the PAMA 35<sup>th</sup> Annual Aviation Maintenance Symposium.

Members connected with SAE online to improve and increase the technical content at meetings. Online programs were streamlined to simplify the process of submitting and reviewing papers. Training tools were made available on the SAE Web site to help participants get the highest possible value out of their experience.





# Membership

Value: it goes hand-in-hand with membership in SAE International. Thanks to this value, membership expectations were surpassed as SAE International exceeded its regular and new member goals, reaching more than 47,000 professional members and more than 11,000 new members. Global affiliates continued to hold a valuable stake in the growth of the organization, accounting for more than 17,800 members of SAE's 90,000-plus membership base.

The value of membership was exemplified in numerous benefits and achievements throughout the year:

- To position itself for further growth, SAE provided all members with exclusive access to a variety of benefits, including digital magazines, lifelong learning opportunities and the Worldwide Supplier Directory.
- SAE implemented a section revitalization program for its 96 international sections and groups that included leadership seminars, a revamped officer newsletter and a prime selection of speakers for meetings.
- Plans progressed to provide the technology for local sections to connect with members across the globe.
- SAE linked members with employers in the mobility industry at the SAE 2006 World Congress Career Center, resulting in a record 220 job postings and 300 resume postings. Its growing success led to the launch of a second Career Center at Convergence.





# Professional Development

SAE International Professional Development shattered revenue and attendance records, marking the most dramatic growth in the program's history.

An expanded selection of learning experiences reached more than 6,000 participants across the globe in both classroom and electronic formats. This growth was spurred by the addition of 17 course titles to the Professional Development catalog and the introduction of a public seminar site in Greenville, South Carolina. With this new site, SAE aims to better serve the growing automotive and aerospace sectors in the southern region of the United States.

As seminar audiences broadened in scope, increased emphasis was placed on the quality of the learning experience. Sizable investments were made on equipping instructors with effective training tools and techniques, including a seminar development guidebook. The first instructor development session was held at the 2006 SAE World Congress and will be held annually to support this effort.

New technology trends were the big news this year, as SAE embraced tele-webcasts and e-seminars to better meet the lifelong learning needs of the busy mobility engineering community. Professional Development teamed with SAE's magazines in a partnership to deliver a series of four Webcasts, which attracted 2,000 individuals.

Demand continued to grow for e-seminars, a collection of nine titles based on popular SAE seminars that are distributed on CD-ROM. E-seminar sales tripled in 2006, reaching more than 600 learners. More than 100 of those sales were in countries outside the United States.

Professional Development continued to reach out to the next generation of engineers by providing seminars in conjunction with the Formula SAE and Formula SAE West events. One particular course was videotaped for an e-seminar that will be made available to all Formula SAE students as a valuable resource for future design teams.



SP-1004

**Air Bags and Occupant Restraints**

SP-1004

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**Air Bags and Occupant Restraints**

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**Air Bags and Occupant Restraints**

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**Biomechanics 2006**

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**Biomechanics 2006**

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**Side Impact, Rear Impact and Roll-over 2006**

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**Side Impact, Rear Impact and Roll-over 2006**

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**Side Impact, Rear Impact and Roll-over 2006**

SP-1009

**Safety and Human Factors and Structure**

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**Safety and Human Factors and Structure**

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**Safety and Human Factors and Structure**

MEDICAL



# Publications

Ask SAE International members about a valuable Society resource, and you'll likely hear about SAE's broad range of technical publications.

SAE continued its role in electronic publishing by fully implementing a digital rights management system by the Publications Board. The system protects SAE's intellectual property as the demand for electronic document delivery increases.

SAE International expanded its collection of authored books with the following titles:

- *Diesel Emissions and Their Control* by W. Addy Majewski and Magdi K. Khair
- *Accelerated Testing: A Practitioner's Guide to Accelerated and Reliability Testing* by Bryan Dodson and Harry L. Schwab
- *Introduction to Engine Valvetrains* by Yushu Wang
- *Technologies for Near-Zero-Emission Gasoline-Powered Vehicles* by Fuquan (Frank) Zhao
- *Lost Fighters: A History of U.S. Jet Fighter Programs That Didn't Make It* by Bill Holder

*Engineers and Scoundrels: The Dawn of the Automobile in America* by Beverly Rae Kimes was honored by the Society of Automotive Historians with the Nicholas-Joseph Cugnot Award for best book of the year. This marked the third award received by the book since it was published during SAE's 100<sup>th</sup> anniversary in 2005. The Society of Automotive Historians also presented SAE with the James J. Bradley Distinguished Service Award for its efforts in preserving motor vehicle resource materials.



*Robert A. Lutz, Vice Chairman, Global Product Development, General Motors Corp., observes as students demonstrate their A World In Motion project at the SAE Foundation Banquet. Lutz was presented the Manufacturing Leadership Award during the event.*





# SAE Foundation

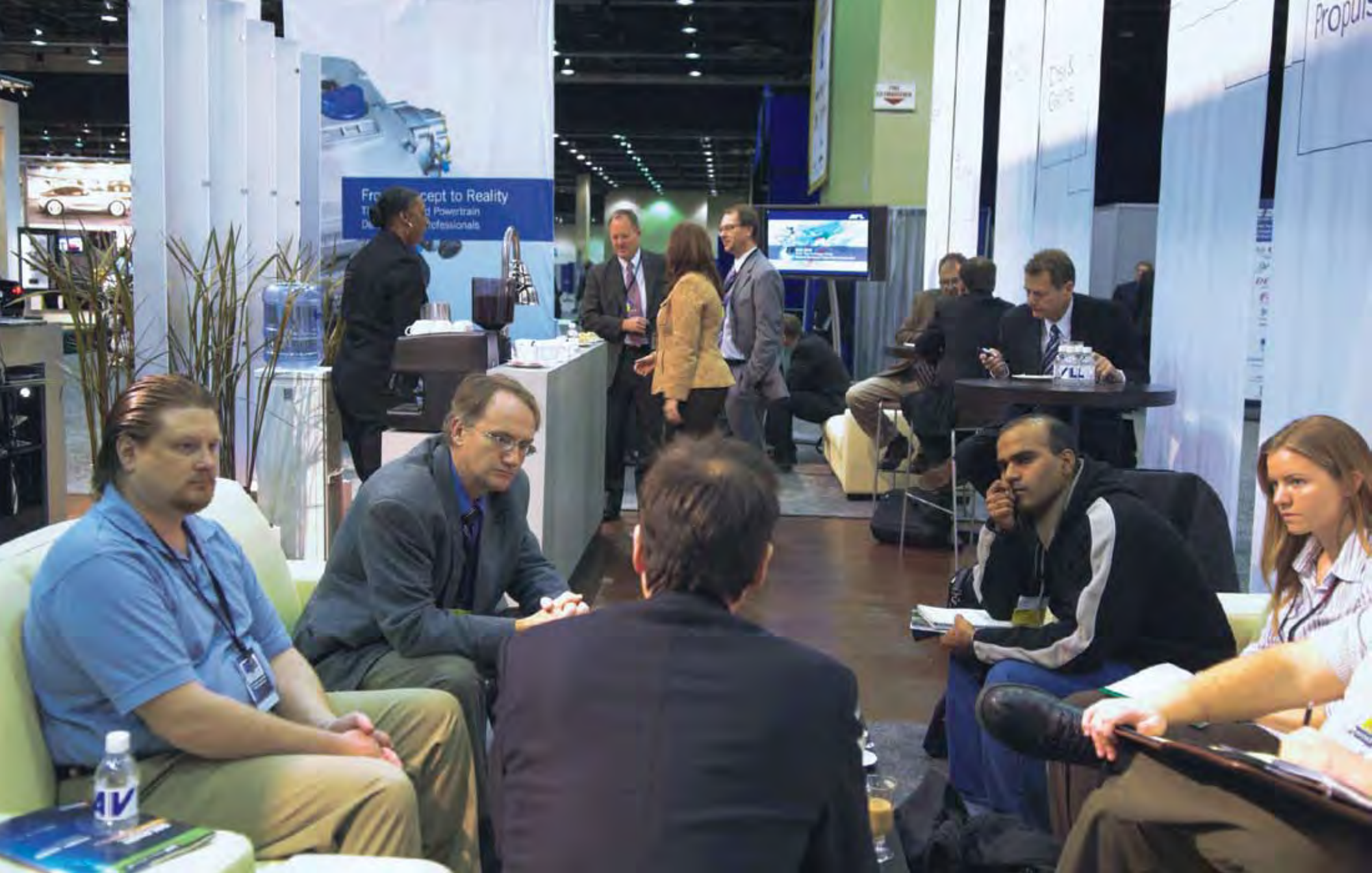
The SAE Foundation funds educational experiences for the next generation of mobility scientists and engineers through special programs, awards and scholarships. A World In Motion and SAE International's Collegiate Design Series offer hands-on challenges to students from elementary school through college.

*Inspiring A New Generation*, the centennial campaign for the SAE Foundation, continued in 2006 toward its goal of raising \$25 million through corporate and individual donations. Begun in 2004 to celebrate SAE's centennial anniversary in 2005, the *Inspiring A New Generation campaign* will help provide the resources necessary to support innovative outreach programs like A World In Motion and the Collegiate Design Series.

Organizations donating \$1 million or more in 2006 include Caterpillar, DaimlerChrysler, Ford Motor Company, General Motors and Toyota.

Other SAE Foundation highlights:

- More than 700 people gathered at the SAE Foundation Banquet to honor and recognize excellence in the mobility industry. At the event, Robert A. Lutz, Vice Chairman, Global Product Development, General Motors Corp., received the Manufacturing Leadership Award, an honor given annually to an individual who has made meaningful contributions to the automobile, truck or automotive industry in the manufacturing area.
- The SAE Foundation funded more than 54 award programs that honored more than 200 award recipients, recognizing accomplishment within and contributions to the mobility industry. Foundation money also funded 66 scholarships to graduate and undergraduate students.



From Concept to Reality  
The Powertrain Professionals

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# SAE Institute

The SAE Institute, an affiliate of SAE International that began full operation in 2005, had a pivotal year: Its established programs took root while new ones were introduced. Both will help set the foundation for growth in the coming decades.

Four clearly defined lines of business are now available through the SAE Institute – standards consortia, management, certification and industry solutions.

In addition to providing a core base of services, these lines of business are also very adaptable and flexible to handle the particular needs presented by each client. By letting customers define what they want, the SAE Institute can then create the best path to a solution.

The SAE Institute's client base includes:

- American Society of Body Engineers (ASBE)  
– The ASBE and SAE Institute boards agreed to integrate services in the future.
- Professional Aviation Maintenance Association (PAMA) – All of PAMA's administrative functions were successfully integrated into the SAE Institute's framework. From its annual conference to membership marketing promotions, the benefits and efficiencies of the partnership with SAE International are being fully recognized.

- Americas Sector of the International Aerospace Quality Group (IAQG) – IAQG develops industry standards and compliance systems for aerospace quality systems.
- Off-Highway Standards Consortium – The Consortium provides necessary resources for the off-highway industry to continue its role as a viable player in developing and approving ISO standards.
- Off-Road Vehicle Identification Number (WMC/PIN) System – The WMC/PIN (World Manufacturer Code/Product Identification Number) System serves as a database for managing identification numbers for off-road recreational vehicles.

# 2006 SAE Board of Directors



2006 SAE President

**Greg W. Henderson, P.E.**

Director, Weight Management and Control

Lockheed Martin Aeronautics Co



2007 SAE President

2006 SAE Vice President Automotive Sector

**Richard O. Schaum**

General Manager, 3rd Horizon Associates LLC  
Executive Vice President, Product Development  
DaimlerChrysler Corporation (retired)



2005 SAE President

**J. E. "Ted" Robertson, P.E.**

Executive Vice President  
Magna International of America Inc



2006 SAE Vice President Aerospace

**Ronald E. York, Ph.D.**

Executive Emeritus  
Rolls-Royce Defense North America



2006 SAE Vice President Commercial Vehicles

**Mark R. Pflederer**

Vice President and Chief Technology Officer  
Caterpillar Inc.



2006 Treasurer

**Terence J. Rhoades**

President  
Mechanical Simulation Corporation



2006 Assistant Treasurer

**Carol A. Story**

Purchasing Manager  
International Truck and Engine Corporation



2006 Secretary

**Raymond A. Morris, CAE**

Executive Vice President &  
Chief Operating Officer  
SAE International

Directors One-Year Term  
(2006)

**Daniel R. Kapellen**  
*Product Line Manager*  
Woodward

**Alan H. Nye**  
*Professor*  
Rochester Institute of Technology

**Eduardo Paredes**  
*Director Commercial*  
Gleason SA de CV

**Robert J. Pheiffer**  
*Manager, Advanced Safety & Regulations,*  
*Global Compliance*  
Ford Motor Company

**Ronald G. Rath**  
*Managing Director*  
Marx Consulting Group, LLC

**Arnold W. Siegel, P.E.**  
*Retired*  
UCLA

Directors Two-Year Term  
(2006-2007)

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

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

**Linda Duschl**  
*Senior Manager*  
Boeing Company

**Thomas W. Ryan III**  
*Institute Engineer, Engine & Vehicle Research*  
Southwest Research Institute

**Gerald Shoemaker**  
*Assistant Project Engineer*  
Cessna Aircraft Company

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

Directors Three-Year Term  
(2006-2007-2008)

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

**Iftekhar Ibrahim**  
*Chief Engineer*  
General Motors

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

**Andrew Jeffers**  
*Senior Project Engineer*  
GM Powertrain

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

**Bharat S. Vedak**  
*Senior Vice President JDIMET*  
Deere & Company

## THE FINANCIAL MESSAGE

To All SAE International Members:

We are pleased to present the SAE 2006 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 \$79.4 million at the end of 2006. The increase in total assets was \$9.31 million, or an increase of 13.3% over 2005. 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 2006, the Statement of Activities and Changes in Net Assets reflect SAE operating revenues of \$61.67 million. Net margin from operations was \$2.92 million in calendar year 2006. Both operating revenue and net margin exceeded SAE Financial Management Policy targets.

In non-operating activities, SAE invested \$1.55 million in development activities to fund new programs; these program costs were supported by returns from the General Investment Fund. In 2006, investment activities finished with a net gain of \$5.9 million, due primarily to increases in the market value of our long-term investments. The investment in development activities, when combined with long-term investment gains and an adjustment for pension expense, resulted in a total non-operating gain of \$4.8 million.

Net assets increased \$7.7 million during 2006 as a result of the operating and non-operating gains noted above. The increase in net assets for the year of \$7.7 million, when combined with net assets at the beginning of the year of \$57.0 million, resulted in \$64.8 million net assets at year-end.

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

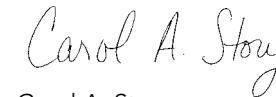
As a reminder, please recall that SAE is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Ultimate responsibility for the financial statements and other information in the annual report rests with the SAE Board of Directors. The Board, through its Finance Committee and Financial Audit 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](mailto:dpless@sae.org)).

Respectfully submitted,



Terence J. Rhoades  
Treasurer



Carol A. Story  
Assistant Treasurer

## **SAE INTERNATIONAL:**

We have audited the accompanying statement of financial position of SAE International as of December 31, 2006, 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 2005 financial statements and, in our report dated February 7, 2006, 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, 2006, 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 9, 2007

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2006 AND 2005  
(000'S OMITTED)

	2006	2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and short-term investments .....	\$ 2,623	\$ 1,690
Current portion of long-term investments .....	2,094	3,025
Accounts receivable - less allowance for doubtful accounts of \$187 and \$292 .....	2,391	2,083
Pledges receivable .....	1,851	1,265
Inventories and supplies .....	208	567
Prepaid expenses .....	2,467	2,222
Accrued interest and other receivables .....	3,279	2,937
Total current assets .....	14,913	13,789
<b>LONG-TERM INVESTMENTS</b> - market value .....	50,165	43,118
<b>OTHER ASSETS</b>		
Pledges receivable - amounts due after one year .....	4,476	4,930
Prepaid pension costs .....	1,315	0
Other assets .....	5,791	4,930
<b>FIXED ASSETS</b>		
Land and buildings .....	13,064	11,908
Furniture and equipment .....	18,413	17,917
Total cost .....	31,477	29,825
Less accumulated depreciation .....	22,926	21,555
Net fixed assets .....	8,551	8,270
<b>TOTAL ASSETS</b> .....	<b>\$79,420</b>	<b>\$70,107</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 5,321	\$ 4,398
Accrued expenses .....	1,792	1,322
Deferred revenue:		
Conferences and publications .....	5,020	4,507
Dues and fees .....	2,333	2,525
Total current liabilities .....	14,466	12,752
<b>LONG-TERM LIABILITIES</b>		
Accrued pension costs .....	0	111
Charitable gift annuity .....	194	227
Total long-term liabilities .....	194	338
<b>TOTAL LIABILITIES</b> .....	14,660	13,090
<b>NET ASSETS</b>		
Unrestricted .....	51,117	44,087
Temporarily restricted .....	12,135	11,422
Permanently restricted .....	1,508	1,508
Total net assets .....	64,760	57,017
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<b>\$79,420</b>	<b>\$70,107</b>

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



STATEMENTS OF ACTIVITIES AND  
CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2006  
WITH COMPARATIVE TOTALS FOR THE  
YEAR ENDED DECEMBER 31, 2005  
(000'S OMITTED)

	2006			2005	
	Unrestricted	Temporarily Restricted	Permanently Restricted Total	Total	Total
<b>OPERATING ACTIVITIES</b>					
Revenue					
Meetings and conferences .....	\$15,631	\$ -	\$ -	\$15,631	\$12,271
Magazines and publications .....	27,702	-	-	27,702	26,973
Membership .....	4,300	-	-	4,300	4,363
Technical standards .....	3,532	-	-	3,532	3,907
Other products and services .....	1,804	115	-	1,919	1,973
Contributions .....	312	1,777	-	2,089	976
Pledges .....	-	2,153	-	2,153	2,037
Contributed services .....	4,346	-	-	4,346	3,129
Net assets released from restrictions .....	3,743	(3,743)	-	-	-
Total revenue .....	61,370	302	-	61,672	55,629
Expenses					
Meetings and conferences .....	13,385	-	-	13,385	10,355
Magazines and publications .....	8,273	-	-	8,273	9,350
Membership .....	1,912	-	-	1,912	1,703
Technical standards .....	4,248	-	-	4,248	4,024
Other products and services .....	10,019	-	-	10,019	9,730
Administrative services .....	12,957	-	-	12,957	12,773
SAE Foundation .....	3,613	-	-	3,613	3,512
Contributed services .....	4,346	-	-	4,346	3,129
Total expenses .....	58,753	-	-	58,753	54,576
Net change from operations .....	2,617	302	-	2,919	1,053
<b>NONOPERATING ACTIVITIES</b>					
Development activities .....	(1,550)	-	-	(1,550)	(786)
Investment activities - net of expenses of \$138 and \$135 .....	5,500	411	-	5,911	2,551
Pension adjustment .....	463	-	-	463	(463)
Net change from nonoperations...	4,413	411	-	4,824	1,302
<b>CHANGE IN NET ASSETS</b> .....	7,030	713	-	7,743	2,355
<b>NET ASSETS - BEGINNING OF YEAR</b> .....	44,087	11,422	1,508	57,017	54,662
<b>NET ASSETS - END OF YEAR</b> .....	\$51,117	\$12,135	\$1,508	\$64,760	\$57,017

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
(000'S OMITTED)

	2006	2005
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Change in net assets .....	\$ 7,743	\$ 2,355
Adjustments to reconcile change in net assets		
To net cash used by operating activities:		
Depreciation and amortization .....	1,872	1,970
Net (gain)/loss on investments .....	(4,827)	(1,551)
Net (gain)/loss on sale of fixed assets .....	7	23
Changes in assets (increase)/decrease		
Accounts receivable .....	(308)	721
Pledges receivable .....	(132)	(812)
Inventories and supplies .....	359	205
Prepaid expenses .....	(245)	(47)
Accrued interest and other receivables .....	(342)	(691)
Prepaid pension costs .....	(1,315)	0
Changes in liabilities (decrease)/increase		
Accounts payable .....	923	1,308
Accrued expenses .....	470	(155)
Deferred revenue .....	321	(374)
Accrued pension costs .....	(111)	(1,127)
Charitable gift annuity .....	(33)	(50)
Net cash from (used in) operating activities .....	<u>4,382</u>	<u>1,775</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Purchase of fixed assets .....	(2,221)	(2,242)
Proceeds from sale of fixed assets .....	61	21
Purchase of investments .....	(11,654)	(25,450)
Proceeds from sale of investments .....	<u>10,365</u>	<u>24,925</u>
Net cash from (used in) investing activities .....	<u>(3,449)</u>	<u>(2,746)</u>
<b>NET INCREASE/(DECREASE) IN CASH BALANCES</b> .....	933	(971)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b> .....	<u>1,690</u>	<u>2,661</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b> .....	<u>\$ 2,623</u>	<u>\$ 1,690</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid .....	\$ 0	\$ 0
Income taxes paid .....	\$ 0	\$ 0

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2006 AND 2005

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 SAE Institute will apply with the Internal Revenue Service for income tax exemption 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, 2005 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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.

**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, 2006 and 2005, 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** - 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 \$1,872,000 and \$1,970,000 for the years ended December 31, 2006 and 2005, respectively, is allocated to the various activities based on usage.

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

**Income Tax Status** - SAE is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the SAE's tax-exempt purpose such as advertising revenue is subject to taxation as unrelated business income. At December 31, 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005, investments were as listed below:

	2006		2005	
	Cost \$(000)	Market \$(000)	Cost \$(000)	Market \$(000)
U.S. Gov't and U.S. Gov't				
Agency bonds	\$ 5,056	\$ 5,016	\$ 1,413	\$ 1,342
Corporate bonds	9,154	9,689	9,533	9,820
Corporate stocks	28,965	35,611	28,116	31,362
Money market funds	486	486	351	351
Certificates of deposit	1,469	1,457	3,293	3,268
<b>Total investments</b>	<b>\$ 45,130</b>	<b>\$52,259</b>	<b>\$42,706</b>	<b>\$ 46,143</b>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2006 and 2005:

2006	Temporarily		
	Unrestricted \$(000)	Restricted \$(000)	Total \$(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)
Over-allocation	96	(96)	-
Total investment return from non operating activities	\$ 5,500	\$ 411	\$ 5,911
<b>2005</b>			
<b>OPERATING ACTIVITIES:</b>			
Interest and dividend income	\$ 196	\$ -	\$ 196
<b>NON OPERATING ACTIVITIES:</b>			
Interest and dividend income	\$ 975	\$ 159	\$ 1,134
Realized gains	1,676	508	2,184
Unrealized gains (losses)	(632)	-	(632)
Subtotal investment return	2,019	667	2,686
Less investment expenses	(135)	-	(135)
Over-allocation	281	(281)	-
Total investment return from non operating activities	\$ 2,165	\$ 386	\$ 2,551

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2006 AND 2005

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, 2006 and 2005 are as follows:

	2006 \$(000)	2005 \$(000)
Receivable in less than one year .....	\$ 1,851	\$ 1,265
Receivable in one to five years .....	5,166	5,534
Greater than five years .....	0	0
Total unconditional promises to give .....	7,017	6,799
Less discounts to net present value .....	516	429
Less allowance for uncollectible pledges receivable .....	174	175
Net unconditional promises to give .....	\$ 6,327	\$ 6,195

Pledges receivable due in more than one year are discounted at 4.9%.

Conditional pledges receivable at December 31, 2006 amounted to \$507,000 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 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.

Obligations and funded status:

Net periodic pension costs charged to expense for years ended December 31, 2006 and 2005 included the following components:

	2006 \$(000)	2005 \$(000)
Service cost - benefits earned during the period .....	\$ 1,627	\$ 1,453
Interest cost on projected benefit obligation .....	2,079	1,993
Expected return on plan assets .....	(2,245)	(1,836)
Net amortization and deferral .....	175	100
Net periodic pension expense .....	\$ 1,636	\$ 1,710

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

	2006 \$(000)	2005 \$(000)
SAE .....	\$ 1,325	\$ 1,414
PRI .....	291	278
Detroit Section .....	20	18
Total .....	\$ 1,636	\$ 1,710

Due to the change in the minimum liability requirements, SAE's pension expense was reduced by \$463,000 in 2006 and incurred an additional pension expense of \$463,000 in 2005. Both of these are shown under the Nonoperating Activities of the accompanying Statements of Activities.

5. EMPLOYEE BENEFIT PLANS (Continued)

The following table sets forth the funded status and obligations of the pension plan as of September 30, 2006 and 2005:

	2006 \$(000)	2005 \$(000)
Accumulated benefit obligation .....	\$ 31,119	\$ 28,495
Projected benefit obligation .....	\$(38,469)	\$(35,205)
Plan assets at fair value .....	32,045	28,383
Plan assets (deficit) in excess of projected benefit obligation (funded status) .....	(6,424)	(6,822)
Unrecognized actuarial net (gain) loss .....	7,794	7,302
Unrecognized net asset at July 1, 2006 being amortized over remaining one (1) year .....	(55)	(128)
Additional minimum liability .....	-	(463)
Prepaid (accrued) pension costs .....	\$ 1,315	\$ (111)
Employer contributions .....	\$ 2,600	\$ 3,300
Benefit payments .....	\$ 951	\$ 942

The weighted average assumptions used in determining the net periodic pension costs are as follows:

	2006	2005
Discount rate .....	6.00%	6.75%
Long-term rate of return .....	8.00%	8.00%
Average compensation increase .....	4.75%	4.75%

The weighted average assumptions used to determine the benefit obligations

	2006	2005
Discount rate .....	6.00%	6.00%
Average compensation increase .....	4.75%	4.75%

To develop the expected long-term rate of return on assets assumptions, 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, 2006 and 2005, by asset category are as follows:

	2006	2005
Equity securities .....	64.4%	67.4%
Fixed income .....	26.8%	31.9%
Cash and equivalents .....	8.8%	0.7%
Total .....	100.0%	100.0%

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 \$1,350,000 to the plan in 2007.

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

	Pension Benefits \$(000)
2007 .....	\$ 1,128
2008 .....	1,346
2009 .....	1,436
2010 .....	1,521
2011 .....	1,632
Years 2012-2016 .....	10,604
Total .....	\$ 17,667

On September 29, 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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)*. SFAS No. 158 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. SAE will be required to adopt the recognition and disclosure provisions of SFAS No. 158 for the fiscal year ending December 31, 2007, and the measurement date provision for the fiscal year ending December 31, 2008. SAE does not anticipate adopting the provisions of SFAS No. 158 prior to those periods.

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 \$629,000 and \$587,000 for the years ended December 31, 2006 and 2005, 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 contribution was \$23,000 for both the years ending December 31, 2006 and 2005.

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 \$108,000 using a discount rate of 4.9% 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 \$125,000 using a discount rate of 4.9% and applicable mortality tables is included in the accompanying Statements of Financial Position.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2006 AND 2005

7. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Net assets restricted by donors as of December 31, 2006 and 2005 provide support for the following purposes:

	-----2006-----		-----2005-----	
	Temporarily Restricted \$(000)	Permanently Restricted \$(000)	Temporarily Restricted \$(000)	Permanently Restricted \$(000)
Program support funds .....	\$ 8,443	\$ -	\$ 8,004	\$ -
Awards funds .....	2,871	1,013	2,734	1,013
Scholarship funds .....	806	391	672	391
Engineering activity support .....	15	104	12	104
Totals .....	<u>\$12,135</u>	<u>\$ 1,508</u>	<u>\$11,422</u>	<u>\$ 1,508</u>

8. OPERATING LEASES

SAE has noncancelable operating leases, primarily for off-site office space and copiers, that expire at various dates through September 30, 2008. 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 \$1,106,000 and \$1,006,000 for the years ended December 31, 2006 and 2005, respectively.

Future minimum lease payments under operating leases, which have remaining terms in excess of one year as of December 31, 2006, are:

Year Ended December 31,	Amount \$(000)
2007 .....	\$ 908
2008 .....	908
2009 .....	908
2010 .....	114
	<u>\$2,838</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 fund raising and administrative costs.

The Foundation operates under the direction of a Board of Trustees, with administrative support provided by the SAE Executive Vice President, and reports directly to the SAE Board of Directors. The Foundation conducted fund raising activities that cost \$493,000 and \$613,000 for the years ended December 31, 2006 and 2005, respectively.

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 \$4,346,000 and \$3,129,000 for the years ended December 31, 2006 and 2005, 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, 2007 unless thirty days notice of cancellation or modification is provided by either party to the other.

As of December 31, 2006 and 2005, SAE's financial statements reflect the following balances and transactions with PRI:

	2006 \$(000)	2005 \$(000)
Accounts receivable .....	\$ 58	\$ 81
Service fees revenue .....	150	138
Rental income .....	185	185
Pension expense reimbursement .....	291	278

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 financial statements there are receivables due from SAE Foundation Canada of \$103,000 and \$111,000 as of December 31, 2006 and 2005, 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.

Included in the accompanying financial statements, there are receivables due from the SAE Institute of \$158,000 and \$57,000 as of December 31, 2006 and 2005, respectively.

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.

# SAE International™

## Staff Leadership Team

### Raymond A. Morris, CAE

Executive Vice President &  
Chief Operating Officer

### Antenor R. Willems

Executive Director

### David L. Amati, Ph.D.

Director – Global Automotive Business &  
Automotive Headquarters

### Robert H. Chalker

Director – Sales & Marketing

### 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 Sections/Groups

### Outside North America

Belarus: Minsk

Columbia: Andino

Ecuador: Venezuela

Egypt: Cairo

Isarel: Tel-Aviv

Italy: Naples

Malaysia: Kuala Lumpur

Mexico: Mexico City

Romania: Bucharest, Brasov

Russia: Moscow St. Petersburg

Taiwan: Taipei

Ukraine: Kiev





**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*

**Calamos Asset Management**

*Investment Counsel*

**Bowling Portfolio Management**

*Investment Counsel*

**Delaware Capital**

*Investment Counsel*

**Stelmack Dobransky & Eannace, LLC**

*Auditors*

**Mercer Human Resource Consulting**

*Actuaries – SAE Pension and Beneficiary  
Association Programs and Compensation  
Consultants*

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