

financial message

To all SAE International Members:

We are pleased to present the SAE's fiscal year 2000 financial reports 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 the Notes to Financial Statements. The SAE Foundation and the Service Technicians Society are unincorporated affiliates of SAE and, accordingly, are included in the accompanying financials. The actual accounts of SAE and the Foundation are maintained separately and the respective funds are not co-mingled.

The Statements of Financial Position reflect total assets of \$72.5 million at the end of the fiscal year. The increase in total assets was \$3.2 million or an increase of 4.6% over 1999. We believe you will find the Statements of Financial Position show SAE to be in excellent financial condition and well positioned to continue 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 2000, the Statements of Activities and Changes in Net Assets reflect SAE operating revenues of \$63.0 million. The net from operations was \$2.6 million, of which \$2 million was contributed to the SAE Foundation and SAE Foundation Canada endowment in support of its many fine programs in engineering education. SAE's cost-savings efforts in continuous process improvement, centralized procurement and Kaizen activities were responsible for producing the outstanding results that enabled the contribution to the Foundation.

In non-operating activities, SAE spent \$2 million on development activities to fund new programs; these additional costs were supported by income and realized gains from the General Investment Fund. Investment activities income and realized gains of \$3.4 million was offset by unrealized market losses of \$2.4 million for a reportable favorable net of \$1.0 million in investment activities. Also, the final sales tax settlement with the State of California resulted in an additional \$284,000 in non-operating expenses which were recorded in 2000.

The change in net assets for the year of \$1.3 million, when added to net assets at the beginning of the year of \$53.8 million, result in \$55.1 million net assets at year-end.

In addition to the Audit Report information, which follows, we were pleased once again to have received a favorable management letter from our independent auditors commenting on SAE's excellent internal accounting controls and accurate financial reporting.

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 SAE's financial operations, please feel free to contact either of us or Stan Theobald, Director of Finance and Administration at SAE World Headquarters (theobald@sae.org).

Respectfully submitted,



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INDEPENDENT AUDITOR'S REPORT

Society of Automotive Engineers, Inc.:

We have audited the accompanying statement of financial position of the Society of Automotive Engineers, Inc. as of September 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society of Automotive Engineers, Inc. as of September 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Stelmack Jeffers & Dobransky, LLP

Stelmack Jeffers & Dobransky, LLP
Pittsburgh, PA
November 6, 2000

SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Statements of Financial Position

September 30, 2000 and 1999
(000's omitted)

	<u>2000</u>	<u>1999</u>		<u>2000</u>	<u>1999</u>
<u>ASSETS</u>			<u>LIABILITIES AND NET ASSETS</u>		
Current Assets			Current Liabilities		
Cash and Short-Term Investments	\$ 6,927	\$ 5,547	Current Portion of Long-Term Debt.....	\$ 262	\$ 245
Current Portion of Long-Term Investments	1,765	2,427	Accounts Payable	3,717	3,666
Accounts Receivable - Less Allowance for			Accrued Expenses	2,368	2,111
Doubtful Accounts of \$160 and \$161	3,838	4,314	Deferred Revenue:		
Pledges Receivable	616	491	Conferences and Publications	7,880	6,159
Inventories and Supplies	306	316	Dues and Fees	<u>2,770</u>	<u>2,623</u>
Prepaid Expenses	1,537	1,404	Total Current Liabilities	<u>16,997</u>	<u>14,804</u>
Accrued Interest and Other Receivables	<u>1,492</u>	<u>1,341</u>			
Total Current Assets	<u>16,481</u>	<u>15,840</u>	Long-Term Debt - Amounts Due After One Year		
Long-Term Investments - Market Value	<u>40,297</u>	<u>36,598</u>	Note Payable.....	281	542
			Charitable Gift Annuity	<u>162</u>	<u>191</u>
Other Assets			Total Long-Term Debt.....	<u>443</u>	<u>733</u>
Pledges Receivable - Amounts Due			Total Liabilities	<u>17,440</u>	<u>15,537</u>
After One Year	500	380			
Conference Costs - Net of Accumulated			Net Assets		
Amortization of \$3,273 and \$2,515	2,015	2,773	Unrestricted	49,553	48,573
Deferred Pension Costs	<u>1,800</u>	<u>1,791</u>	Temporarily Restricted	3,963	3,645
Total Other Assets	<u>4,315</u>	<u>4,944</u>	Permanently Restricted	<u>1,563</u>	<u>1,563</u>
Fixed Assets			Total Net Assets	<u>55,079</u>	<u>53,781</u>
Land and Buildings	10,219	10,015			
Furniture and Equipment	<u>16,009</u>	<u>14,431</u>			
Total Cost	26,228	24,446			
Less Accumulated Depreciation	<u>14,802</u>	<u>12,510</u>			
Net Fixed Assets	<u>11,426</u>	<u>11,936</u>			
TOTAL ASSETS	<u>\$72,519</u>	<u>\$ 69,318</u>	TOTAL LIABILITIES AND NET ASSETS	<u>\$72,519</u>	<u>\$ 69,318</u>

See Auditor's Report and Notes to Financial Statements

SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Statements of Activities and Changes in Net Assets For the Year Ended September 30, 2000 With Comparative Totals For the Year Ended September 30, 1999 (000's omitted)

	2000				1999
	Temporarily Unrestricted	Permanently Restricted	Restricted	Total	Total
OPERATING ACTIVITIES					
Revenue					
Meetings and Conferences	\$ 16,479	\$ -	\$ -	\$ 16,479	\$ 16,722
Magazines and Publications	26,127	-	-	26,127	23,514
Membership	4,764	-	-	4,764	4,832
Technical Standards	3,292	-	-	3,292	3,966
Other Products and Services	1,281	113	-	1,394	1,138
Contributions	609	1,968	-	2,577	1,692
Contributed Services	8,405	-	-	8,405	12,442
Net Assets Released					
from Restrictions	1,996	(1,996)	-	-	-
Total Revenue	62,953	85	-	63,038	64,306
Expenses					
Meetings and Conferences	11,791	-	-	11,791	13,991
Magazines and Publications	15,075	-	-	15,075	15,768
Membership	3,034	-	-	3,034	3,011
Technical Standards	4,829	-	-	4,829	5,551
Other Products and Services	3,418	-	-	3,418	2,389
Administrative Services	11,591	-	-	11,591	9,525
SAE Foundation	2,284	-	-	2,284	1,927
Contributed Services	8,405	-	-	8,405	12,442
Total Expenses	60,427	-	-	60,427	64,604
Net Change from Operations	2,526	85	-	2,611	(298)
NONOPERATING ACTIVITIES					
Development Activities	(2,038)	-	-	(2,038)	(2,148)
Investment Activities - Net					
of Expenses of \$209 and \$206	776	233	-	1,009	3,971
PRI Loan Recovery	-	-	-	-	578
California Sales Tax	(284)	-	-	(284)	(400)
Net Change from Nonoperations	(1,546)	233	-	(1,313)	2,001
CHANGE IN NET ASSETS	980	318	-	1,298	1,703
NET ASSETS - BEGINNING OF YEAR	48,573	3,645	1,563	53,781	52,408
TRANSFERS OUT	-	-	-	-	(330)
NET ASSETS - END OF YEAR	\$ 49,553	\$ 3,963	\$ 1,563	\$ 55,079	\$ 53,781

See Auditor's Report and Notes to Financial Statements

SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Statements of Cash Flows

For the Years Ended September 30, 2000 and 1999
(000's omitted)

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,298	\$ 1,703
Adjustments to Reconcile Change in Net Assets		
To Net Cash Used by Operating Activities:		
Depreciation and Amortization	3,447	2,991
Net (Gain)/Loss on Sale of Fixed Assets	21	31
Net (Gains) on Investments	(2,238)	(2,471)
Changes in Assets (Increase)/Decrease		
Accounts Receivable	476	(814)
Accrued Interest and Other Receivables	(151)	(135)
Prepaid Expenses	(133)	820
Inventories and Supplies	10	139
Pledges Receivable	(245)	270
Deferred Pension Costs	(9)	(50)
Changes in Liabilities (Decrease)/Increase		
Accounts Payable	51	753
Accrued Expenses	228	163
Deferred Revenue	<u>1,868</u>	<u>(190)</u>
Net Cash From (Used In) Operating Activities	<u>4,623</u>	<u>3,210</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,256)	(1,783)
Proceeds from Sale of Fixed Assets	56	6
Purchase of Investments	(23,630)	(17,068)
Proceeds from Sale of Investments	22,831	20,228
Transfers Out	-	<u>(330)</u>
Net Cash From (Used In) Investing Activities	<u>(2,999)</u>	<u>1,053</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Debt Reductions	<u>(244)</u>	<u>(754)</u>
NET INCREASE IN CASH BALANCES	1,380	3,509
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,547</u>	<u>2,038</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,927</u>	<u>\$ 5,547</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ 55	\$ 100
Income Taxes Paid	\$ -	\$ -

See Auditor's Report and Notes to Financial Statements

SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Notes To Financial Statements

For the Years Ended September 30, 2000 and 1999

1. GENERAL

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

SAE Foundation – Canada is organized as a separate entity within the SAE Foundation under the laws of Canada, but has not been consolidated in the accompanying financial statements because its assets and activities in its first year are immaterial.

SAE is affiliated with Performance Review Institute, Inc. (PRI), a Pennsylvania corporation organized by SAE in April 1990 to compile and review performance standards, to promote and administer quality assurance, accreditation and certification programs for the benefit of the general public, industry and government. PRI also contributes funds, property and services to non-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 Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Comparative Financial Information - The Statements of Activities and Changes in Net Assets include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SAE's financial statements for the year ended September 30, 1999, 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. The permanently restricted net assets include certain Awards and Recognition Funds and Scholarship Funds permanently restricted by the Board of Directors in keeping within the intent of SFAS No. 117, as the original documentation is not available. Generally, the donors of these assets permit SAE to use all or part of the income earned on related investments for general or specific purposes.

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

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, SAE considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the years ended September 30, 2000 and 1999, SAE had no noncash investing or financing activities for cash flow purposes.

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

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

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

Fixed Assets - Fixed assets are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to forty years. Depreciation expense, totaling \$2,689,000 in 2000 and \$1,922,000 in 1999, 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 September 30, 2000 and 1999, there were no federal income taxes provided as business activities unrelated to exempt purposes resulted in no taxable income in those years. In addition, SAE qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

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

Concentration of Credit Risk - Financial instruments which potentially subject the organization to concentrations of credit risk consist principally of marketable debt and equity securities and trade receivables. The organization's temporary cash investments are greater than the \$100,000 insured by the FDIC but are maintained by creditworthy, high quality financial institutions. The organization holds bonds and notes issued by the United States government and financially strong corporations. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade receivables is limited because SAE deals with a large number of customers in a wide geographic area. As of September 30, 2000, SAE had no significant concentrations of credit risk.

3. INVESTMENTS

At September 30, 2000 and 1999, investments were as listed below:

	2000		1999	
	Cost (\$ 000)	Market (\$ 000)	Cost (\$ 000)	Market (\$ 000)
U.S. Gov't and U.S. Gov't				
Agency Bonds	\$ 3,465	\$ 3,420	\$ 3,552	\$ 3,510
Corporate Bonds	14,456	14,453	12,899	12,967
Corporate Stocks	21,071	22,611	17,125	20,963
Money Market Funds	1,014	1,014	1,056	1,056
Certificates of Deposit	27	27	27	27
Insurance Contracts	537	537	499	499
Real Estate Funds	0	0	25	3
Total Investments	\$ 40,570	\$ 42,062	\$ 35,183	\$ 39,025

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended September 30, 2000 and 1999:

	2000			1999		
	Unrestricted (\$ 000)	Temporarily Restricted (\$ 000)	Total (\$ 000)	Unrestricted (\$ 000)	Temporarily Restricted (\$ 000)	Total (\$ 000)
OPERATING ACTIVITIES:						
Interest and Dividend Income	\$ 101	\$ 0	\$ 101	\$ 161	\$ -	\$ 161
NON OPERATING ACTIVITIES:						
Interest and Dividend Income	\$ 1,202	\$ 97	\$ 1,299	\$ 1,489	\$ 97	\$ 1,586
Realized Gains	2,135	136	2,271	4,027	122	4,149
Unrealized Gains (Losses)	(2,352)	-	(2,352)	(1,558)	-	(1,558)
Total Investment Return from						
Non Operating Activities	\$ 985	\$ 233	\$ 1,218	\$ 3,958	\$ 219	\$ 4,177

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.

SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Notes To Financial Statements

For the Years Ended September 30, 2000 and 1999

4. PLEDGES RECEIVABLE (PROMISES TO GIVE)

Pledges of contributions (or promises to give) have been classified as unconditional. Unconditional promises to give at September 30, 2000 and 1999 are as follows:

	2000	1999
	(\$ 000)	(\$ 000)
Receivable in less than one year	\$ 654	\$ 515
Receivable in one to five years	586	425
Total unconditional promises to give	1,240	940
Less discounts to net present value	124	69
Net unconditional promises to give	<u>\$ 1,116</u>	<u>\$ 871</u>

Management has deemed these unconditional promises to give to be fully collectible, and thus, no allowance for uncollectible promises receivable has been recorded.

5. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

SAE has a noncontributory defined benefit pension plan covering substantially all employees of SAE and PRI. Pension expense amounted to \$666,000 and \$606,000 for the fiscal years ended September 30, 2000 and 1999, respectively. The benefits are based on years of service and the employee's final average compensation, as defined, during the last five years of employment. SAE's funding policy is to fund amounts on an actuarial basis, which complies with ERISA.

Net pension costs charged to expense for fiscal years 2000 and 1999 included the following components:

	2000	1999
	(\$ 000)	(\$ 000)
Service cost - benefits earned during the period	\$ 1,353	\$ 1,234
Interest cost on projected benefit obligation	1,366	1,254
Expected return on plan assets	(1,964)	(1,806)
Net amortization and deferral	(89)	(76)
Net pension expense	<u>\$ 666</u>	<u>\$ 606</u>

The following table sets forth the funded status of the pension plan as of July 1, 2000 and 1999:

	2000	1999
	(\$ 000)	(\$ 000)
Actuarial Present Value of Benefit Obligation:		
Vested	\$ 15,891	\$ 13,774
Non vested	1,271	1,001
Accumulated benefit obligation	<u>\$ 17,162</u>	<u>\$ 14,775</u>
Projected benefit obligation	(\$ 19,102)	(\$ 19,778)
Plan assets at fair value	<u>22,634</u>	<u>24,162</u>
Plan assets in excess of projected benefit obligation	3,532	4,384
Unrecognized net (gain) loss	(1,220)	(2,007)
Unrecognized net asset at July 1, 2000 and 1999 being amortized over remaining 8 years	(512)	(586)
Deferred pension costs	<u>\$ 1,800</u>	<u>\$ 1,791</u>

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 8.0% in 2000 and 7.0% in 1999. The expected long-term rate of return on assets was 8.0%. The plan assets consist primarily of corporate and government bonds, guaranteed investment contracts, listed common stock and certificates of deposit.

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 contribution was \$542,000 and \$496,000 for the years ended September 30, 2000 and 1999, respectively. Employees are immediately vested in all contributions but withdrawals are subject to plan withdrawal and distribution rules.

Beneficiary Association

SAE has established the SAE Employees and Retired Employees Beneficiary Association, which is exempt from federal income tax under Section 501(c)(9) of the Internal Revenue Code. The Beneficiary Association provides a means of accumulation and distribution of certain welfare plan benefits including benefits after retirement. The contributions to the Beneficiary Association are determined by reference to insurance premiums and estimated costs determined by SAE's independent outside actuary. SAE's contributions were \$127,000 for both the years ending September 30, 2000 and 1999.

6. CONFERENCE COSTS

AMCE Conference

In November 1994, SAE purchased the AMCE Conference (formerly the IPC Conference) from the Engineering Society of Detroit ("ESD") for \$4,000,000. SAE is amortizing the cost of acquiring the AMCE Conference over eight years; amortization expense for the years ended September 30, 2000 and 1999 amounted to \$500,000 each year.

IBEC Conference

In June 2000, as part of the IBEC acquisition (See Note 18), SAE is amortizing the remaining cost of the conference over five years; amortization expense for the year ended September 30, 2000 amounted to \$257,000.

7. LONG-TERM DEBT

As of September 30, 2000 and 1999, long-term debt was comprised of the following amounts due to sellers under IBEC's Purchase Agreement that was assumed by SAE in 2000 (See Note 18):

	2000	1999
	(\$ 000)	(\$ 000)
Asset portion of the balance due; payable in equal annual installments of \$150,000 through December 2001	\$ 300	\$ 450
Consulting services rendered and covenant not to compete portions of balance due; payable in equal annual installments of \$150,000 through December 2001	300	450
Total Long-Term Debt	600	900
Less imputed interest @ 6.99% (applicable Federal interest rate as of July, 1997)	57	113
Net Long-Term Debt	<u>\$ 543</u>	<u>\$ 787</u>

Maturities of long-term debt are follows:

Year Ended September 30,	Amount (\$ 000)
2001	\$ 262
2002	281
Thereafter	0
	<u>\$ 543</u>

8. SPLIT-INTEREST AGREEMENT

During 1998, the SAE Foundation received a \$300,000 charitable gift annuity, which calls for annual annuity payments totaling \$23,700 for the term of the donor's natural life. The present value of estimated future payments to the donor, which totals \$185,000 using a discount rate of 6.25% and applicable mortality tables is included in the accompanying Statements of Financial Position.

9. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Net assets restricted by donors as of September 30, 2000 and 1999 provide support for the following purposes:

	2000		1999	
	Temporarily Restricted (\$ 000)	Permanently Restricted (\$ 000)	Temporarily Restricted (\$ 000)	Permanently Restricted (\$ 000)
Futures Fund	\$ 3,625	\$ 463	\$ 3,427	\$ 463
Awards and Recognition Fund	335	996	214	996
Engineering Activity Support	3	104	4	104
Totals	<u>\$ 3,963</u>	<u>\$ 1,563</u>	<u>\$ 3,645</u>	<u>\$ 1,563</u>

10. OPERATING LEASES

SAE has noncancelable operating leases, primarily for off-site office space, that expire at various dates through September 30, 2003. 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 \$306,000 for the year ended September 30, 2000.

Future minimum lease payments under operating leases, which have remaining terms in excess of one year as of September 30, 2000, are:

Year Ended September 30,	Amount (\$ 000)
2001	\$ 316
2002	307
2003	307
	<u>\$ 930</u>

See Auditor's Report and Notes to Financial Statements

SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Notes To Financial Statements

For the Years Ended September 30, 2000 and 1999

11. SAE FOUNDATION

The SAE Foundation is organized as part of the Society of Automotive Engineers, Inc. The SAE Foundation was created to facilitate financial contributions from members and others to provide an additional source of income, beyond those sources normally available to SAE, for activities in support of SAE's Purpose, Missions, and Goals. The Foundation has also adopted a Financial Management Policy so that the Foundation can maintain fiscal stability and viability, be self-sustaining and have the financial competency to meet its obligation to provide the required funding for programs as well as to pay for its fund raising and administrative costs. The Foundation operates under the direction of a Board of Trustees, with administrative support provided by the SAE Executive Vice President, and reports directly to the SAE Board of Directors. The Foundation conducted fund raising activities that cost \$353,000 for the year ended September 30, 2000. During 2000, SAE contributed \$2,000,000 of its current year operations to the SAE Foundation.

12. SERVICE TECHNICIANS SOCIETY

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

13. 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 \$8,405,000 and \$12,442,000 for the years ended September 30, 2000 and 1999, respectively, and is included in the accompanying Statements of Activities as revenue and expense.

14. RELATED PARTY TRANSACTIONS

PRI

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

SAE had loaned \$1,950,000 to PRI. In 1999, the loan was restructured, whereby PRI paid \$1,000,000 off the principal portion of the loan. The remaining portion of the loan, \$750,000 was to be paid in quarterly installments of \$70,648, including interest at 7.75% through December 2000. In 1999, the loan was fully repaid with all principal repayments being recorded as loan recovery in the accompanying Statements of Activities, since the loan had been fully reserved on SAE's Statement of Financial Position.

PRI leases office space from SAE under an operating lease that expires December 31, 1999 and will be extended month to month, thereafter, unless thirty days notice of cancellation of modification is provided by either party to the other.

As of September 30, 2000 and 1999, SAE's financial statements reflect the following balances and transactions with PRI:

	2000 (\$ 000)	1999 (\$ 000)
Accounts receivable	\$ 78	\$ 59
Interest income	-	21
Service fees revenue	200	121
Rental income	150	153

SAE Foundation - Canada

SAE Foundation - Canada 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. As of September 30, 2000 there was a \$93,000 liability and a \$100,000 development expense in the accompanying financial statements.

15. TRANSFERS OUT

During 1999 the Stapp Association decided to function as an operational foundation and take sole fiduciary responsibility of the Stapp Foundation funds previously maintained by the SAE Foundation. Accordingly, the SAE Foundation transferred the Stapp Foundation fund balance to the Stapp Association on April 22, 1999.

16. CALIFORNIA SALES TAX

SAE has been audited by the State of California regarding sales tax liability for the years 1992-1999. California's assessment totaled \$684,000 including interest of \$227,000. SAE has paid all of the taxes due and has accrued \$140,000 for interest they still owe.

17. 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.

18. INTERNATIONAL BODY ENGINEERING CONFERENCE (IBEC) ACQUISITION

Effective July 17, 1997, SAE and ESD agreed to jointly purchase the International Body Engineering Conference from IBEC, Non-Profit, a Michigan nonprofit corporation and the Automotive Technology Group, Inc. SAE and ESD formed the International Body Engineering Conference, Inc., a Michigan nonprofit corporation, of which they each had 50% control to administer and coordinate future IBEC Conferences starting with the 1998 Conference. The total purchase price was \$1,500,000, of which \$300,000 was paid at the signing of the agreement. Payment of the remaining \$1,200,000 began on December 15, 1998 and two of the four annual payments of \$300,000 were paid from the new nonprofit corporation.

In November, 1999, ESD exercised its 18-month notification right to terminate its interest in the joint venture with SAE. Effective June 30, 2000, ESD agreed to transfer its 50% ownership to SAE. Upon becoming the 100% owner of IBEC, SAE decided to dissolve the corporation and consolidate IBEC's assets and liabilities into the accompanying financial statements. SAE has accounted for the acquisition under the pooling of interest method and the prior period financial statements have been restated to include IBEC's 1999 amounts.

The following information presents certain Statement of Activities data of the separate companies for 1999, the year preceding the acquisition:

	SAE (\$ 000)	IBEC (\$ 000)	TOTAL (\$ 000)
Revenue	\$ 63,931	\$ 375	\$ 64,306
Expenses	<u>63,919</u>	<u>685</u>	<u>64,604</u>
Net Change from Operations	12	(310)	(298)
Net Change from Non Operations	<u>2,001</u>	<u>-</u>	<u>2,001</u>
 Change in Net Assets	 <u>\$ 2,013</u>	 <u>(\$ 310)</u>	 <u>\$ 1,703</u>

See Auditor's Report and Notes to Financial Statements