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Mobility is freedom. The ability of humankind to explore, travel, commute, move goods and food, and work the landscape is both an expression of this freedom and a key component of maintaining a better standard of living for our global community. Advancing the comfort and ease of human mobility is a most noble cause and it is SAE’s reason for being.

For nearly a century, SAE International has played a key role in advancing vehicle technology. Providing outstanding service to current and future generations of mobility professionals has become a hallmark of our organization. SAE’s successes in developing quality standards, providing open forums for sharing advanced technical information, producing cutting-edge learning tools, and preparing future mobility professionals are a testimony to the contributions and successes of thousands of mobility professionals worldwide. These efforts continue today.

The world in which we live is in a constant state of change. Historically, the year 2001 will be remembered as a time when mobility and freedom were threatened by the horrific actions of a few individuals. Yet, the resolve of our organization and the global mobility community toward meeting the challenges posed to human mobility was strengthened and is now stronger than ever. In the long run, technology will help create the solution; the spirit of innovation, another expression of human freedom, is alive and well.

After a century of creating and producing evermore exciting and capable mobility products, it would be easy to incorrectly assume that our technology is in a “mature” state. However, the modern business model is changing too. To be competitive, automotive, aerospace and commercial vehicle manufacturers and suppliers are under increasing pressure to be “fast to market,” utilize “lean manufacturing” practices, meet increasingly higher quality expectations and utilize a “systems approach” in the development of new products and components. These challenges are mirrored in the services provided by our organization, thus, calling for SAE to epitomize “Speed, Quality And Efficiency.”

As systems technology becomes more complex, the demands placed on future mobility professionals will increase too. Our future innovators are in today’s classrooms. To assure future generations of capable mobility professionals, SAE must continue pursuing excellence in math, science and engineering education with programs such as A World in Motion and the Collegiate Design Series.

By providing students with a real world educational experience, SAE has been successful in demonstrating that engineering is not only a rewarding profession, it can be fun. The key is making that connection. This is an exciting time to be part of the mobility community, a community that is growing to include exciting new technologies in a wide range of disciplines, such as software engineers, environmental specialists, electrical engineers, material experts and chemical engineers. Maintaining communication between all of these disciplines is vital to the common goal of advancing mobility. Communication requires a connection. SAE is the common connection for the global mobility community.

As we begin a new millennium and new era of staff leadership at SAE International, we can be proud of the accomplishments of the past year and of our organization’s history. We can also look forward to aggressively meeting the challenges of tomorrow, preserving and advancing our freedom through mobility.

Sincerely,

Neil A. Schilke

Max E. Rumbaugh, Jr.
RAYMOND A. MORRIS, CAE, EXECUTIVE VICE PRESIDENT

Raymond A. Morris, CAE, a 27-year veteran at SAE International, will become only the fifth chief staff officer in the 96-year history of the mobility engineering society on January 1, 2002. He will assume the title of Executive Vice President and Secretary at SAE.

He will succeed Max E. Rumbaugh, Jr., who will become the SAE EVP Emeritus after 16 years as Executive Vice President and Secretary of SAE.

SAE 2001 President Neil Schilke knows both men well, having worked with them directly for many years. “I’m extremely happy for both Max and Ray,” said Schilke. “Max leaves SAE in excellent shape; his contributions have been wide-ranging and important. Ray comes to the job with excellent knowledge of SAE and our constituencies and with important new ideas and perspectives for the future. We all have high expectations of Ray because he is a proven performer and leader; he knows how to set direction and how to engage people in working to achieve the desired objective.”

Ray joined the SAE staff in 1974 as Publications Advertising and Marketing Manager, and has held numerous positions of increasing responsibility ever since. He has traveled to more than twenty-five countries in support of SAE’s many global activities.

Max Rumbaugh has been a facilitator of change at SAE, and his leadership guided the formation of many new and expanded activities such as SAE’s professional development program, the SAE Foundation, the electronic dissemination of information in many different formats, SAE Collegiate Design Competitions, and the Performance Review Institute. He will leave behind a rich legacy of unprecedented growth at SAE from a society of 46,000 members in 80 countries to an organization with 83,000 members in 93 countries.
MEMBERSHIP NUMBERS REACH RECORD HIGH

SAE's overall membership increased 3 1/2 percent this year to a new record total of 83,755. Members outside North America topped 17,000 for the first time and now represent over 20 percent of SAE's total membership. Thanks to the dramatic growth in SAE student design competitions, student membership continued to increase, both in North America and around the world.

ELECTRONIC SYSTEMS CONTROL ENGINEERING ACADEMY LAUNCHED

The Professional Development Business Unit launched its third in the series of Engineering Academies in Ypsilanti, Michigan in September with its Electronic Systems Control Engineering Academy.

The Academy is designed for newly hired engineers who need to quickly develop a particular skill in order to become more productive on the job.

ACE IS HIGH CARD IN AEROSPACE HAND

Combining four SAE aerospace meetings, hosted by major aerospace manufacturer The Boeing Co. and co-sponsored by SAE Aerospace and Aerospace N orth America, the Aerospace Congress and Exhibition (ACE) set a new standard for effective SAE meetings.


FIVE SAE MEETINGS POSTPONED IN WAKE OF SEPTEMBER 11 TRAGEDIES

SAE meeting committees for the Fall Fuels & Lubricants Meeting, the Southern Automotive Manufacturing Conference, the International Body Engineering Conference, the Digital Car Conference and the Environmental Sustainability Conference & Exhibition postponed their meetings due to attendee and exhibitor travel restrictions after the tragedies of September 11.

The Digital Car Conference rescheduled its meeting to coincide with the SAE 2002 World Congress March 4 - 7 and will occupy Michigan Hall at Cobo Center, Detroit, Michigan. The Southern Automotive Manufacturing Conference was postponed to April 8 - 10, 2002 in Greenville, South Carolina. The International Body Engineering Conference Advisory Committee encouraged authors to present their papers at IBEC 2002 in Paris, France and the Fall Fuels & Lubricants authors were encouraged to present their papers at the Spring meeting in Reno, Nevada. The Environmental Sustainability Conference & Exhibition postponed its meeting until April 8-10, 2002 and will be held in Graz, Austria.
FIRST FUEL CELL TECHNOLOGY SUMMIT DRAWS OVER 120 ATTENDEES

The Fuel Cell Transportation Technology Summit was held June 11 in San Jose, California. Presented by Automotive Engineering International magazine and sponsored by the SAE Strategic Alliance, the summit provided an in-depth look at crucial fuel cell technology, and also gave participants a close-up look at various alternative fuel cell vehicles from different manufacturers.

DOE AWARDS FUEL CELL STANDARDS GRANT TO SAE

The U. S. Department of Energy awarded SAE approximately $700,000 over the next two years to facilitate the development of codes and standards for fuel cell vehicles. SAE has already started drafting standards through the efforts of seven working groups that comprise the SAE Fuel Cell Standards Committee, according to committee chair Ron Sims.

SAE SELECTS UNIVERSITY OF ILLINOIS FOR ALTERNATIVE REFRIGERANT RESEARCH PROJECT

SAE, through its SAE Strategic Alliance and the SAE Interior Climate Control Standards Committee, selected the Air Conditioning and Refrigeration Center at the University of Illinois at Urbana-Champaign to conduct a series of automotive air conditioning system performance tests.

The $600,000 research project is being funded by 23 companies and organizations, including global automotive manufacturers and suppliers of air conditioning systems, Environment Canada, the U. S. Environmental Protection Agency (EPA) and the U. S. Army.

The research will assist the engineering community in making a decision on a refrigerant that provides comparable performance for automotive systems with less energy consumption than current HFC-134a systems.

SAE/CATARC COOPERATE IN SIX SIGMA/LEAN ENTERPRISE TRAINING

As a result of a Memorandum of Understanding signed between SAE and the China Automotive Technology and Research Corporation (CATARC), 24 engineers from China and technical staff of CATARC successfully completed an intensive, five-day training program in May in Tianjin, China. This train-the-trainer program, titled Six Sigma Lean Enterprise Process Improvement, provided training and educational materials to guide the implementation of Six Sigma quality and lean manufacturing tools and methods.

PHILIPPINE OFFICIALS RECEIVE REPORT ON TRANSPORTATION TECHNOLOGY

SAE representatives hand delivered a report to the Philippine government titled Philippine Automotive Technology Workshop Recommendations. The report makes 27 policy and technical recommendations, formulated by the workshop experts, for improvement in the following key transportation areas: National Transportation Strategies and Policies; Automotive Components Strategy and Development; Regulations, Standards Harmonization, and Safety; Fuels and Energy; Environment and Mobility; and Human Resource Development (Training).
SAE CONTRACTS WITH FAA FOR GENERAL AVIATION

The SAE General Aviation Technology Conference & Exhibition has contracted with the Federal Aviation Administration to co-locate its 2002 General Aviation Aircraft Forecast Meeting and the FAA Designated Engineering Representative Symposium for the Central Region in Wichita, Kansas, April 16 - 18, 2002.

The FAA General Aviation Aircraft Forecast is the largest, most comprehensive meeting addressing less costly certification processes resulting in systems and aircraft that are safer and more cost-efficient to produce.

The SAE General Aviation Technology Conference is a biennial event featuring comprehensive technical program content, pertinent industry tours, key social and networking opportunities, and an exhibition of major suppliers to the industry.

SAE 42-VOLT ADVISORY COMMITTEE FORMED

The SAE Motor Vehicle Council voted unanimously to form the 42-Volt Advisory Committee to investigate regulatory and consumer safety issues as well as technical issues and compliance systems. Standards will be harmonized, benefiting industry with a process enhancing technology deployment rather than delaying time to market. Fred Miesterfeld of DaimlerChrysler chairs the committee.

AUTOMOTIVE QUALITY AND PROCESS SYSTEMS GROUP ESTABLISHED

In order to manage and harmonize process issues related to technical standards development, the SAE Motor Vehicle Council has established an Automotive Quality and Process Systems Group. The group will investigate quality, reliability and maintainability issues in the automotive industry and their role in the SAE Road Vehicles standards development.

SAE WASHINGTON OFFICE MOVES

SAE's Washington, DC branch office has relocated to a newer and larger space close to a number of automotive and aerospace industry offices, as well as important government agencies. SAE is co-leasing the space as part of an agreement with the American Institute of Chemical Engineers (AIChE). The office, in the Franklin Building, is two blocks from the White House near the Washington offices of Ford Motor Company, General Motors Corporation, DaimlerChrysler Corporation and the Alliance of Automobile Manufacturers as well as the Aerospace Industry Association and the Air Transport Association.

SAE MOVES OFF-HIGHWAY MEETING

The SAE International Off-Highway Congress moved from its scheduled location in Indianapolis, Indiana to be co-located with the CONEXPO-CON/AGG show in Las Vegas, March 19 - 23, 2002. The change was made in response to requests from SAE members and customers to help SAE provide better service to the individual sectors of the off-highway engineering community.
**SAE LAUNCHES NEWS MONITORING SERVICE ON THE WEB**

SAE has moved its news monitoring service, Auto HEADLINE NEWS®, to the Web. Auto HEADLINE NEWS® serves the industry as a central source for technology-related content from newspapers, trade magazines, and online services. The browser-driven platform has been combined with a navigation and search system to enhance sorting and retrieval of content.

**PRI HAS RECORD SETTING YEAR**

For over a decade, the Performance Review Institute (PRI), an affiliate of SAE, has worked to establish a National Aerospace and Defense Contractors Accreditation Program (NADCAP) with sufficient value to attract a significant number of Primes (aerospace, airframe or engine manufacturers) to participate. The year 2001 saw the culmination of that effort. Five Primes either joined NADCAP for the first time or significantly increased their corporate support. Cessna and Raytheon Aircraft were the first two airframers to mandate NADCAP to their special process suppliers. Northrop Grumman similarly mandated NADCAP to its suppliers while Lockheed Martin advised that it would now accept NADCAP certification in lieu of a Lockheed Martin audit. The year concluded on a high note as United Technology Corporation (UTC), led by Pratt W hitney, issued a corporate-wide mandate for NADCAP certification. The UTC mandate covers the special process suppliers for Hamilton-Sundstrand, Sikorsky, and Pratt W hitney. These mandates, implemented over a 2 - 3 year period, set the stage for unprecedented growth for 2002 - 2004.

PRI Registrar re-engineered its processes and procedures to significantly reduce the contract-to-certificate cycle time. Internal vision, supplemented by external expertise, used Kaizen events to dramatically reduce the non-value added activities that were originally designed into the program. PRI Registrar added eight new auditors into its stable to provide greater flexibility as well as regional coverage to minimize travel expenses.

PRI conducted over 1,500 audits in the year 2001, and expects to conduct over 1,900 in 2002. This is an 11% increase over the 1,350 audits conducted in 2000.

**ROMANIAN AND RUSSIAN SECTIONS HOLD OFFICER’S LEADERSHIP SEMINARS**

The first regional Section Officer’s Leadership Seminars were held in Brasov, Romania and Moscow, Russia. Both events were preceded by a one-day technical seminar focused on Global Trends in Automotive Technology. Romanian and Russian officers had the opportunity to learn more about SAE’s global programs and activities, how to plan strategically, and what guidelines, procedures, and policies they must know to run their groups and serve local members efficiently and effectively.
A WORLD IN MOTION WINS 2001 AWARD OF EXCELLENCE

SAE’s A World in Motion program won the Award of Excellence in the 2001 Associations Advance America (AAA) Awards, a national competition sponsored by the American Society of Association Executives (ASAE). The prestigious AAA Awards recognize associations and suppliers that propel America forward with innovative programs in education, skills, training, standards-setting, business and social innovation, knowledge creation, citizenship and community service.

A World in Motion is supported through the SAE Foundation and was developed to improve math and science literacy, promote a passion for solving problems, and ensure a qualified and diversified pool of candidates for North American industries. Over 15,000 schools have received A World in Motion kits, and 1.5 million students and more than 15,000 volunteer engineers have participated in the A World in Motion programs.

RO SCHILKE TRAVELS THE GLOBE IN SUPPORT OF A WORLD IN MOTION

Ro Schilke, Director of Technology and Student Services for the Ferndale School District in Ferndale, Michigan and wife of SAE 2001 President, has traveled extensively on behalf of SAE’s A World in Motion program. Ro has taught the program to students in Germany, Australia, England, China, Mexico, and Brazil.

In addition, Ro was instrumental in presenting A World in Motion to administrators from the Department of Defense Education Activity (DoDEA); Los Angeles Unified School District; and the public schools of Chicago, Illinois; Columbia, South Carolina; the District of Columbia; and Russia.

Students in Brazil showing off their Jet Car Toy.

Ro Schilke looks on as students in Brazil test the Jet Car Toys they built using the A World in Motion program.
**AMERICA’S PROMISE RECOGNIZES A WORLD IN MOTION**

Marc Racicot, Chairman of America’s Promise, which mobilizes people from every sector of American life to build the character and competence of youth, presented SAE with America’s Promise Little Red Wagon in mid-May.

SAE President Neil A. Schilke and G. Richard Wagoner, Jr., Chairman of the The A World in Motion Executive Committee and Chairman and CEO of General Motors Corporation, received the award from Racicot on the steps of the Capitol Building in Washington, D.C.

Retired General Colin L. Powell, current U.S. Secretary of State, founded America’s Promise in 1997. SAE renewed its commitment to America’s Promise with a pledge to join in fulfilling the Five Promises of the organization.

**SAE INTRODUCES NEW 3-D H-POINT MACHINE, HPM-II**

A new prototype of the 3-D H-Point machine was displayed at the SAE Strategic Alliance (SSA) Technology Pavilion during the SAE 2001 World Congress, March 5 - 8.

The new tool will measure posture and support characteristics provided by different seat types. Application across all vehicle programs is intended for 2005 - 2006.

**SSA SPONSORS DRIVER DISTRACTION PANEL**

SAE’s Strategic Alliance (SSA) sponsored “Automotive Telematics & User Interface,” a panel discussion on the causes and cures of driver distraction at the SAE 2001 World Congress in Detroit in March.

Many drivers enjoy the convenience of cell phones, e-mail pagers, and navigational programs, but without proper training, these technologies can pose safety hazards.
NEW SAE BOOK FEATURES AUTOMOTIVE INDUSTRY FUTURE

The Future of the Automotive Industry-Challenges and Concepts for the 21st Century was published by SAE in 2001. The book is an updated translation of the earlier German edition, which established itself as a valuable reference for automotive executives of car and truck manufacturers, suppliers, and automotive service providers.

The volume examines crucial issues facing the automotive industry such as emerging markets, globalization, technological innovation, environmental demands and e-business.

SAE SPONSORS FIRST ENVIRONMENTAL EXCELLENCE IN TRANSPORTATION AWARDS

Eight automotive organizations received the first Environmental Excellence in Transportation Awards presented by SAE at the SAE Government/Industry Meeting in Washington, DC in mid-May.

Recycling innovations played a key role in awards for Delphi Automotive Systems Corp. and DaimlerChrysler Corporation. Mercedes-Benz won an award for life-cycle engineering and Ford Motor Company won for their improved design of automotive paint booth air-flow management. DaimlerChrysler Corporation also won an award for paint material innovations that demonstrate reduced environmental impact.

The U. S. Department of Energy received an award for sponsoring the College Vehicle Competition and General Motors Corporation won for its oil life monitor. The Canadian Vehicle Manufacturers Association earned an award for it’s Auto Maker’s Choice Clean Fuel Specification and Endorsement Program.

PHASE I OF ROLLOVER PROTECTIVE STRUCTURES (ROPS) COLLABORATION COMPLETED

Phase I of the J1040 Rollover Protective Structures collaboration was completed in June. The MANTA Corporation completed Phase I work, which centered around an industry-focused feasibility study on current ROPS practices.

MANTA outlined Phase I’s progress and offered recommendations on Phase II, which called for an Industry Best Practice User Guide, a web-based Data Repository and training course. Industry partners of the initial phase include Bobcat, Caterpillar, CNH Global, Deere, Ditchwitch, Tigercat, Phillippi-Hagenbuch, Komatsu, Liebherr Mining Equipment, Volvo Construction Group, J. C. Bamford Excavators and JLG Industries.

SAE IMPLEMENTS 42-VOLT SYSTEMS IN WORLD CONGRESS SESSION

The SAE Strategic Alliance (SSA) and the Service Technicians Society (STS) offered a 42-volt executive panel during the SAE 2001 World Congress. This two-part session included automotive industry experts discussing the opportunities and challenges associated with the transition from 14- to 42-volt systems.


SAE ANNOUNCES DIGITAL LIBRARY

SAE has developed the SAE Digital Library, an easy-to-use management system to obtain full-text SAE technical documents via the web.

Housed on SAE’s internal server system, the Digital Library uses an advanced Folio search engine, navigation features and an online help system. Each subscription to the Library includes document management and storage, bibliographic database with abstracts, 24-hour access to full text documents in PDF format, integrated SAE website access, Adobe Acrobat viewer upgrades, daily technical support, and quality control.

SAE AEROSPACE STANDARD AS9100A PUBLISHED

SAE has released its aerospace standard AS9100, Revision A, still referred to as AS9100. The quality system requirements specified in this standard are complementary to the contractual and applicable law and regulatory requirements for the aerospace industry.

SAE MEMBERS GET SPECIAL TOUR OF BONNEVILLE SALT FLATS

Twenty-seven SAE members took a special tour of the Bonneville Salt Flats at the beginning of Speed Week in August. The tour was arranged by SAE’s Sections Business Unit and included a tour of the facilities, and attendance at time trials and on-site activities as well as technical presentations on the Thrust SCC, the world’s fastest car, and the 1997 American and British World Land Speed Record attempts.

SAE’S PUBLIC RELATIONS COMMITTEE CONDUCTS SURVEY ON ENGINEER JOB SATISFACTION

A new survey commissioned by the Public Relations Committee of SAE reveals that nine in ten automotive engineers are satisfied with their current jobs. It consisted of responses provided by 150 automotive engineers, randomly selected throughout the U.S. When asked if they would change their careers if given a chance to start over, 90 percent stated that they would choose automotive engineering as their profession again.

SAE SIGNS INTENT TO COOPERATE DOCUMENTS WITH TAIWAN, CHINA

In Taiwan, SAE signed an Intent to Cooperate document with the Industrial Development Bureau of the Ministry of Economic Affairs. Elements of this document included an agreement to collaborate on meetings and professional development programs, Taiwanese engineers participate in SAE’s technical committees via electronic media, and Taiwanese companies will participate in the SAE 2002 World Congress.

Neil Schilke and the SAE delegation stand outside the Yulon Asia Technical Center (a joint venture with Nissan) in Taiwan during a Far East presidential trip.
An Intent to Cooperate document was also signed with the leaders of the Guangzhou Automotive Industry Association, an important industrial and foreign trade center in South China.

A typical Chinese welcome awaited Neil and Ro Schilke on the first visit by an SAE delegation to Guangzhou, an important industrial and foreign trade center in South China.

STRONG ATTENDANCE AT TRANSPORTATION CONGRESS

The Automotive and Transportation Technology Congress and Exhibition took place October 1-3 in Barcelona, Spain. Messe Düsseldorf of Germany and SAE partnered with ATT, Europe’s leading forum for advanced technology for the automotive industry, to showcase technical developments in the industry and offered a full range of technical papers pertaining to almost every aspect of ground vehicle engineering.

SERVICE TECHNICIANS SOCIETY (STS) HAS A BUSY YEAR

• STS membership reaches into 30 countries in Europe, Asia, North and South America, Africa and Australia. In its first five years, STS international membership is approaching 200.

• To further expand international representation, STS welcomed its first international Board of Governors member.

Phil F. Trigiani, CEO, Uview Ultraviolet Systems Inc. joined the STS Board in March.

• The STS website underwent many upgrades and enhancements that gave visitors and members improved features and access. The success was evident by the 77% increase in website visitors.

STS INTRODUCES THE FUTURE TIP

STS announced the formation of a program dedicated to linking service and engineering professionals. Named the Future Technology Input Program (Future TIP), its purpose is to identify, document, develop and respond to critical issues related to future technology/trends in the mobility sector and to provide the opportunity for interaction between service and engineering professionals.

The first Future TIP was distributed in the January issue of Service Tech magazine and focused on Automotive Electronic Diagnostics.

MANY INNOVATIONS, SOLID IMPACT NUMBERS AT 2001 WORLD CONGRESS

More than 43,000 attendees jammed Cobo Center at the SAE 2001 World Congress in March. Twenty-three of 25 registration categories posted figures exceeding or equal to last year’s record registration. Non-North American attendance reached a new high of 20 percent. Also, OEM attendance was up 3 percent from the previous year.

A record number of 1300 exhibitors, including 200 first-time exhibitors and more than 300 from outside North America, filled Cobo Center. The SAE World Congress Virtual Exhibit, newly introduced in February 2001, was another bright spot, logging 520,000 hits in its first month.
Another first-time feature of the World Congress was a special “Sneak Preview” on Sunday which gave a select audience of automotive manufacturers and news media an early look at some of the hottest new technologies to hit the automotive market. Also for the first time, OEM employees who were not SAE members received free admission to the exhibition and could attend the technical sessions at a discounted price. SAE also set up four Technology Preview Salons for exhibitors who had new technologies but wanted to restrict viewing to special prospects.

DESIGN COMPETITIONS HAVE STUDENTS COMPETING WORLDWIDE

For more than 25 years, SAE has set the standard for exceptional design competitions where engineering students obtain real world experience in the design, manufacture and testing of student-built vehicles. These competitions have enhanced the educational experience of engineering students around the world.

This year more than 3,000 engineering students joined the ranks of another 25,000 alumni who have graduated with collegiate design experience during the last 25 years.

In 2001, teams from around the world journeyed to the “New World” to compete in the North American design competitions. Students from Australia, Brazil, Egypt, Japan, Poland, South Korea, and the United Kingdom competed with their design projects.

SAE’s “formula for success” was to add another Formula SAE® competition to the 2001 schedule. Formula SAE® Australasia joined the ranks of the very successful Formula SAE® in Detroit, Michigan and Formula Student in the United Kingdom.

Fourteen Australian teams and four international teams from the United States, Germany and the United Kingdom convened at the Holden Proving Ground in Lang Lang, Victoria, Australia from December 6 - 9 for the Formula SAE® Australasia competition. Rochester Institute of Technology’s trip to halfway across the world was well worth it as they raced to first place in the open class.

In May, Formula SAE® held its largest competition to date with 108 teams from the United States, Canada, Mexico, South Korea, Japan, Puerto Rico and the United Kingdom competing at the Pontiac Silverdome in Pontiac, Michigan. Cornell University added a sixth FSAE victory to their stats.
Eleven teams from the United States and Canada participated in the 2nd Clean Snowmobile Challenge™ in Jackson Hole, Wyoming, March 27 - 31. The University of Waterloo won first place with the “cleanest” sled by reducing CO, NOX and unburned hydrocarbons by 60 percent during the emissions test. Wyoming Governor James Geringer participated in the kick-off and met with teams on opening day at Flagg Ranch Resort.

SAE 2001 President Neil Schilke, a Cornell University graduate, celebrates with the student team from Cornell.

Students from Kanagawa Institute of Technology of Japan show off their Formula SAE® entry.

AUTOMOTIVE ENGINEERING INTERNATIONAL CONTINUES GLOBAL EXPANSION

With the assistance of Dr. I. P. Ksenevitch, SAE launched a Russian language magazine based on content contained in Automotive Engineering International.

SAE has also reached an agreement with Tecnipublicaciones in Madrid, Spain to publish a Spanish language version of Automotive Engineering International. The magazine Automotive Engineering International en Español will be published six times a year.

SAE’s affiliate, SAE Brasil, publishes a Portuguese language magazine based on content from both Automotive Engineering International and Aerospace Engineering. Engenharia Automotiva e Aeroespacial is published six times a year.
The 2001 SAE Board of Directors

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Neil A. Schilke
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Karl Goering
Vice President, Application and System Engineering
Robert Bosch Corporation

2001 Assistant Treasurer

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Vice-President, Advanced Products & Systems
Garrett Engine Boosting Systems
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Ford Motor Company (retired)

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THE FINANCIAL MESSAGE

To all SAE International Members:

We are pleased to present the SAE’s fiscal year 2001 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 $63.2 million at the end of the fiscal year. The decrease in total assets was $9.3 million or a decrease of 12.8% over 2000, largely due to long-term investment activities. We believe you will find the Statements of Financial Position show SAE remains well positioned to continue strong member service activities in the future.

In 2001, the Statements of Activities and Changes in Net Assets reflect SAE operating revenues of $59.4 million. The net loss from operations was $703,000. While operating revenues were $6 million short of budget expectations, expense reductions offset much of the revenue shortfall without any significant impact on services to our members. This was a total SAE staff effort which was greatly appreciated.

In non-operating activities, SAE invested $2.4 million on development activities to fund new programs. Development activities are generally funded by income and realized gains from the General Investment Fund. In 2001, however, investment activities finished with a loss of $4.1 million, due primarily to a temporary decline in the market value of long-term investments. The investment in development activities, when combined with long-term investment losses, result in a total non-operating loss of $6.5 million.

Net assets decreased $7.2 million during 2001, due primarily to the non-operating loss of $6.5 million noted above. The decrease in net assets for the year of $7.2 million, when combined with net assets at the beginning of the year of $55.1 million, result in $47.9 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, Executive Director at SAE World Headquarters (theobald@sae.org).

Respectfully submitted,

Karl Goering
Treasurer
goering@email.sae.org

Gregory W. Henderson
Assistant Treasurer
goering@email.sae.org

November 9, 2001

Stelmack Dobransky & Eannace, LLP
# SOCIETY OF AUTOMOTIVE ENGINEERS, INC.  
## Statements of Financial Position  
### September 30, 2001 and 2000  
(000's omitted)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Short-Term Investments</td>
<td>$4,666</td>
<td>$6,927</td>
</tr>
<tr>
<td>Current Portion of Long-Term Investments</td>
<td>2,437</td>
<td>1,765</td>
</tr>
<tr>
<td>Accounts Receivable - Less Allowance for Doubtful Accounts of $116 and $160</td>
<td>3,609</td>
<td>3,838</td>
</tr>
<tr>
<td>Pledges Receivable</td>
<td>543</td>
<td>616</td>
</tr>
<tr>
<td>Inventories and Supplies</td>
<td>597</td>
<td>306</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>2,506</td>
<td>1,537</td>
</tr>
<tr>
<td>Accrued Interest and Other Receivables</td>
<td>1,430</td>
<td>1,492</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>15,788</td>
<td>16,481</td>
</tr>
<tr>
<td><strong>Long-Term Investments</strong> - Market Value</td>
<td>33,737</td>
<td>40,297</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges Receivable - Amounts Due After One Year</td>
<td>346</td>
<td>500</td>
</tr>
<tr>
<td>Conference Costs - Net of Accumulated Amortization of $4,030 and $3,273</td>
<td>1,258</td>
<td>2,015</td>
</tr>
<tr>
<td>Deferred Pension Costs</td>
<td>1,019</td>
<td>1,800</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td>2,623</td>
<td>4,315</td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and Buildings</td>
<td>10,379</td>
<td>10,219</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>17,396</td>
<td>16,099</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>27,775</td>
<td>26,228</td>
</tr>
<tr>
<td>Less Accumulated Depreciation</td>
<td>16,660</td>
<td>14,802</td>
</tr>
<tr>
<td><strong>Net Fixed Assets</strong></td>
<td>11,115</td>
<td>11,426</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$63,263</td>
<td>$72,519</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Portion of Long-Term Debt</td>
<td>$280</td>
<td>$262</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>5,317</td>
<td>3,717</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>1,126</td>
<td>2,368</td>
</tr>
<tr>
<td>Deferred Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conferences and Publications</td>
<td>5,969</td>
<td>7,880</td>
</tr>
<tr>
<td>Dues and Fees</td>
<td>2,486</td>
<td>2,770</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>15,178</td>
<td>16,997</td>
</tr>
<tr>
<td><strong>Long-Term Debt</strong> - Amounts Due After One Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note Payable</td>
<td>-</td>
<td>281</td>
</tr>
<tr>
<td>Charitable Gift Annuity</td>
<td>185</td>
<td>162</td>
</tr>
<tr>
<td><strong>Total Long-Term Debt</strong></td>
<td>185</td>
<td>443</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>15,363</td>
<td>17,440</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net Assets</strong></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>42,205</td>
<td>49,553</td>
</tr>
<tr>
<td>Temporarily Restricted</td>
<td>4,132</td>
<td>3,963</td>
</tr>
<tr>
<td>Permanently Restricted</td>
<td>1,563</td>
<td>1,563</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>47,900</td>
<td>55,079</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td>$63,263</td>
<td>$72,519</td>
</tr>
</tbody>
</table>

See Independent 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, 2001
With Comparative Totals For the Year Ended September 30, 2000

(000's omitted)

<table>
<thead>
<tr>
<th>OPERATING ACTIVITIES</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meetings and Conferences</td>
<td>$16,430</td>
<td>$16,479</td>
</tr>
<tr>
<td>Magazines and Publications</td>
<td>24,719</td>
<td>26,127</td>
</tr>
<tr>
<td>Membership</td>
<td>4,902</td>
<td>4,764</td>
</tr>
<tr>
<td>Technical Standards</td>
<td>4,275</td>
<td>3,292</td>
</tr>
<tr>
<td>Other Products and Services</td>
<td>804</td>
<td>1,394</td>
</tr>
<tr>
<td>Contributions</td>
<td>212</td>
<td>2,577</td>
</tr>
<tr>
<td>Contributed Services</td>
<td>6,285</td>
<td>8,405</td>
</tr>
<tr>
<td><strong>Net Assets Released</strong></td>
<td>1,953</td>
<td>3,292</td>
</tr>
<tr>
<td>from Restrictions</td>
<td>1,953</td>
<td>3,292</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>59,580</td>
<td>63,038</td>
</tr>
</tbody>
</table>

**Expenses**

| Meetings and Conferences | 14,183 | 11,791 |
| Magazines and Publications | 14,430 | 15,075 |
| Membership               | 3,034 | 3,034 |
| Technical Standards      | 5,283 | 4,829 |
| Other Products and Services | 3,298 | 3,418 |
| Administrative Services  | 11,267 | 11,591 |
| SAE Foundation           | 2,332 | 2,284 |
| Contributed Services      | 6,285 | 8,405 |

**Total Expenses**

60,112 60,427

**Net Change from Operations**

(532) (703) 2,611

### NONOPERATING ACTIVITIES

| Development Activities | (2,408) | (2,038) |
| Investment Activities - Net of Expenses of $154 and $209 | (4,408) | 1,009 |
| California Sales Tax | - | (284) |

**Net Change from Nonoperations**

(6,816) 340 (6,476) (1,313)

### CHANGE IN NET ASSETS

(7,348) 169 (7,179) 1,298

**NET ASSETS - BEGINNING OF YEAR**

49,553 3,963 1,563 55,079 53,781

**NET ASSETS - END OF YEAR**

$42,205 $4,132 $1,563 $47,900 $55,079

See Independent Auditor's Report and Notes to Financial Statements
SOCIETY OF AUTOMOTIVE ENGINEERS, INC.

Statements of Cash Flows
For the Years Ended September 30, 2001 and 2000
(000’s omitted)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$ (7,179)</td>
<td>$ 1,298</td>
</tr>
<tr>
<td>Adjustments to Reconcile Change in Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Net Cash Used by Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>3,142</td>
<td>3,447</td>
</tr>
<tr>
<td>Net (Gain)/Loss on Sale of Fixed Assets</td>
<td>16</td>
<td>21</td>
</tr>
<tr>
<td>Net (Gain)/Loss on Investments</td>
<td>5,322</td>
<td>(81)</td>
</tr>
<tr>
<td>Changes in Assets (Increase)/Decrease</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>229</td>
<td>476</td>
</tr>
<tr>
<td>Accrued Interest and Other Receivables</td>
<td>62</td>
<td>(151)</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>(969)</td>
<td>(133)</td>
</tr>
<tr>
<td>Inventories and Supplies</td>
<td>(291)</td>
<td>10</td>
</tr>
<tr>
<td>Pledges Receivable</td>
<td>227</td>
<td>(245)</td>
</tr>
<tr>
<td>Deferred Pension Costs</td>
<td>781</td>
<td>(9)</td>
</tr>
<tr>
<td>Changes in Liabilities (Decrease)/Increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>1,600</td>
<td>51</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>(1,242)</td>
<td>228</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>(2,195)</td>
<td>1,868</td>
</tr>
<tr>
<td>Net Cash From (Used In) Operating Activities</td>
<td>(497)</td>
<td>6,780</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

| Purchase of Fixed Assets | (2,411) | (2,256) |
| Proceeds from Sale of Fixed Assets | 321 | 56 |
| Purchase of Investments | (21,155) | (25,787) |
| Proceeds from Sale of Investments | 21,721 | 22,831 |
| Net Cash From (Used In) Investing Activities | (1,524) | (5,156) |

CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES

| Debt Reductions | (240) | (244) |

NET INCREASE/(DECREASE) IN CASH BALANCES

| (2,261) | 1,380 |

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

| 6,927 | 5,547 |

CASH AND CASH EQUIVALENTS - END OF YEAR

| $ 4,666 | $ 6,927 |

SUPPLEMENTAL INFORMATION:

| Interest Paid | $ 23 | $ 55 |
| Income Taxes Paid | $ - | $ - |

See Independent Auditor’s Report and Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2001 and 2000

1. GENERAL

The Society of Automotive Engineers, Inc. (SAE) is a not-for-profit corporation originally organized and incorporated in 1903 under the laws of New York and reincorporated in 1986 under the laws of Pennsylvania. SAE is a technical and professional society specializing in the development, education, 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 Technique Society (STS) are unincorporated divisions of SAE and, accordingly, are included in the accompanying financial statements.

SAE Foundation—Canada is organized as a separate 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 foundations, governments, or other agencies. The SAE Foundation—Canada operates under the direction of a Board of Trustees with administrative support provided by the SAE Executive Vice President and reports directly to the SAE Board of Directors.

SAE is affiliated with Performance Review Institute, Inc. (PRI), a Pennsylvania corporation organized by SAE in April 1990 to compile and review performance standards, to promote and administer quality assurance, accreditation and certification programs for the benefit of the general public, industry and government. PRI also contributes funds, property and services to nonprofit organizations that develop and publish standards for maintaining and improving quality and performance within the automotive industry. The Internal Revenue Service has granted PRI tax-exempt status under Section 501(c)(3) 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 transferable account administered by the Society. Funds participating in the money market investment 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 both fiscal years presented in comparative format in this report, with respect to unrestricted net assets only. Such data 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 fiscal years ended September 30, 2000 and 2001, from which the summarized information was derived.

Financial Statement Presentation — SAE has adopted Statement of Financial Accounting Standards 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 or, and/or the passage of time.

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

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

Cash and Cash Equivalents — For purposes of the Statement of Cash Flows, SAE considers all highly liquid investments with an initial maturity of less than three months or less to be cash equivalents. For the years ended September 30, 2000 and 2001, SAE had no non-cash investments 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, 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 $2,642,000 in 2001 and $2,689,000 in 2000, is allocated to the various activities based on usage.

Revenue and Expense Recognition — Revenue includes membership dues, subscription fees, magazine subscriptions, conference fees and technical publications. Income from the sale of publications is deferred and recognized over the periods to which the specific types of income relate. Revenues related to continuing education programs, engineering meetings and workshops are deferred and recognized in the periods 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 SAE’s tax-exempt purpose such as advertising revenue is subject to taxation as unrelated business income. At September 30, 2000 and 2001, there were no federal income taxes provided or provided. Income taxes were not due to exclude from gross income nor taxable income in those years. In addition, SAE qualifies for the charitable contributions 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.

3. INVESTMENTS

At September 30, 2001 and 2000, investments were as listed below:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost ($000)</td>
<td>Market ($000)</td>
</tr>
<tr>
<td>U.S. Gov’t and U.S. Gov’t Agency Bonds</td>
<td>$ 3,325</td>
<td>$ 3,578</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>12,808</td>
<td>12,862</td>
</tr>
<tr>
<td>Corporate Stocks</td>
<td>21,021</td>
<td>21,071</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>1,198</td>
<td>1,198</td>
</tr>
<tr>
<td>Interest on Deposited Income</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Insurance Contracts</td>
<td>578</td>
<td>578</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$ 38,520</td>
<td>$ 36,174</td>
</tr>
</tbody>
</table>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended September 30, 2001 and 2000:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Temporarily Restricted</td>
<td>Total</td>
</tr>
<tr>
<td>OPERATING ACTIVITIES</td>
<td>($000)</td>
<td>($000)</td>
</tr>
<tr>
<td>Interest and Dividend Income</td>
<td>$ 202</td>
<td>$ 202</td>
</tr>
<tr>
<td>NON OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Dividend Income</td>
<td>$ 1,277</td>
<td>$ 1,313</td>
</tr>
<tr>
<td>Realized Gains (Losses)</td>
<td>(1,094)</td>
<td>(1,094)</td>
</tr>
<tr>
<td>Unrealized Gains (Losses)</td>
<td>(4,276)</td>
<td>(4,276)</td>
</tr>
<tr>
<td>Subtotal Investment Return</td>
<td>(4,026)</td>
<td>134</td>
</tr>
<tr>
<td>Over-Allocation</td>
<td>(206)</td>
<td>(206)</td>
</tr>
<tr>
<td>Total Investment Return from Non-Operating Activities</td>
<td>(4,232)</td>
<td>134</td>
</tr>
</tbody>
</table>

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.

PLEDGES RECEIVABLE (PROMISES TO GIVE)

Pledges of contributions (or promises to give) have been classified as unconditional. Unconditional promises to give at September 30, 2001 and 2000 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2001 ($000)</th>
<th>2000 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable in less than one year</td>
<td>$ 943</td>
<td>$ 618</td>
</tr>
<tr>
<td>Receivable in one to five years</td>
<td>2,135</td>
<td>1,271</td>
</tr>
<tr>
<td>Total unconditional promises to give</td>
<td>905</td>
<td>1,240</td>
</tr>
<tr>
<td>Less donations not yet paid</td>
<td>124</td>
<td></td>
</tr>
<tr>
<td>Net unconditional promises to give</td>
<td>$ 881</td>
<td>$ 1,116</td>
</tr>
</tbody>
</table>

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

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 associated with $716,000 ($656,000 for the fiscal years ended September 30, 2001 and 2000, respectively. The benefits are based on years of service and the employee’s final average compensation, as defined, for the last ten 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 2001 and 2000 included the following components:

<table>
<thead>
<tr>
<th></th>
<th>2001 ($000)</th>
<th>2000 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost - benefits earned during the period</td>
<td>$ 1,190</td>
<td>$ 1,353</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>1,366</td>
<td></td>
</tr>
<tr>
<td>Expected returns on plan assets</td>
<td>(1,840)</td>
<td>(1,964)</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>128</td>
<td>(89)</td>
</tr>
<tr>
<td>Net pension expense</td>
<td>$ 780</td>
<td>$ 566</td>
</tr>
</tbody>
</table>
5. EMPLOYEE BENEFIT PLANS (Continued)

The following tables set forth the funded status of the pension plan as of July 1, 2001 and 2000:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial present value of accumulated benefit obligation:</td>
<td>$17,162</td>
<td>$14,332</td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>($22,996)</td>
<td>($19,109)</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>72,387</td>
<td>22,634</td>
</tr>
<tr>
<td>Plan assets (deficit) in excess of projected benefit obligation</td>
<td>(609)</td>
<td>5,352</td>
</tr>
<tr>
<td>Unrecognized net (gain) loss</td>
<td>2,068</td>
<td>(1,209)</td>
</tr>
<tr>
<td>Recognized net asset at July 1, 2001 and 2000 being amortized over remaining seven (7) years</td>
<td>(448)</td>
<td>(512)</td>
</tr>
<tr>
<td>Deferred pension costs</td>
<td>$1,012</td>
<td>$1,802</td>
</tr>
</tbody>
</table>

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 7.5% in 2001 and 8.0% in 2000. 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 proportion to the employee's earnings and a contribution in excess of 6%, which is 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%, which is subject to maximums, are not matched by SAE. SAE's contribution was $94,000 and $34,000 for the years ended September 30, 2001 and 2000, 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 will manage the group IRAs, under Section 401(k) 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 expenses costs determined by SAE's independent outside actuaries. SAE's contributions were $70,000 and $127,000 for the years ending September 30, 2001 and 2000, respectively.

6. CONFERENCE COSTS

Automotive Manufacturing Conference and Expedition

In November 1994, SAE purchased the AMCE Conference (formerly the IPC Conference) from the Engineering Society of Detroit for $4,000,000. SAE is amortizing the cost of acquiring the AMCE conference over a 10-year amortization period, $40,000 for the years ended September 30, 2001 and 2000, and $50,000 each year.

International Body Engineering Conference

In June 2000, as part of the IIEC acquisition, SAE is continuing to amortize the cost of the conference over the original five-year period, $30,000 for the years ended September 30, 2001 and 2000, and $257,000, respectively.

7. LONG-TERM DEBT

As of September 30, 2001 and 2000, long-term debt comprised the following amounts due to lenders under IIEC's Purchase Agreement that was assumed by SAE in 2000:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset portion of the balance due; payable in equal annual installments of $150,000 through December 2001</td>
<td>$180</td>
<td>$30</td>
</tr>
<tr>
<td>Consulting services rendered and covenant to not compete provide additional balance due; payable in equal annual installments of $150,000 through December 2001</td>
<td>150</td>
<td>300</td>
</tr>
<tr>
<td>Total Long-Term Debt</td>
<td>300</td>
<td>600</td>
</tr>
<tr>
<td>Less: Imputed interest @ 6.99% (applicable Federal interest rate as of July, 1997)</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Net Long-Term Debt</td>
<td>$280</td>
<td>$545</td>
</tr>
</tbody>
</table>

Maturities of long-term debt are as follows:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30, 2001</td>
<td>$280</td>
</tr>
<tr>
<td>2002</td>
<td>$280</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$280</td>
</tr>
</tbody>
</table>

8. SPLIT-INTEREST AGREEMENT

During 1998, the SAE Foundation received a $500,000 charitable gift annuity, which calls for annual annuity payments totaling $33,705 for the term of the donor's natural life. The present value of estimated future payments to the donor, which totals $208,000 using a discount rate of 3.0% 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, 2001 and 2000 provide support for the following purposes:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily Restricted</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Permanently Restricted</td>
<td>$3,570</td>
<td>$4,635</td>
</tr>
<tr>
<td>Futures Fund</td>
<td>$1,563</td>
<td></td>
</tr>
<tr>
<td>Awards and Recognition Fund</td>
<td>$1,563</td>
<td></td>
</tr>
<tr>
<td>Engineering Activity Support</td>
<td>$1,563</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$3,570</td>
<td>$4,635</td>
</tr>
</tbody>
</table>

10. OPERATING LEASES

SAE has noncancelable operating leases, primarily for off-site office space, that expire at various dates through September 30, 2006. These leases generally contain renewal options and require SAE to pay all executory costs such as taxes, maintenance, and insurance. Rent expense for these leases amounted to $350,000 for the year ended September 30, 2001.

Future minimum lease payments under operating leases, which have remaining terms in excess of one year as of September 30, 2001, are:

<table>
<thead>
<tr>
<th>Year Ended September 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$207</td>
</tr>
<tr>
<td>2003</td>
<td>400</td>
</tr>
<tr>
<td>2004</td>
<td>409</td>
</tr>
<tr>
<td>2005</td>
<td>468</td>
</tr>
<tr>
<td>2006</td>
<td>479</td>
</tr>
<tr>
<td>Totals</td>
<td>$2,203</td>
</tr>
</tbody>
</table>

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 $289,000 for the year ended September 30, 2001. During 2000, SAE contributed $2,000,000 of its current year operations to the SAE Foundation, of which $200,000 was earmarked for SAE Foundation-Canada.

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 $6,285,000 and $6,455,000 for the years ended September 30, 2001 and 2000, respectively, and is included in the accompanying Statements of Activities as revenue and expense.

14. RELATED PARTY TRANSACTIONS

PFI

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

PFI leases office space from SAE under an operating lease that expires December 31, 2001 and will be extended month to month thereafter, unless thirty days notice of cancellation is provided by either party to the other.

As of September 30, 2001 and 2000, SAE's financial statements reflect the following balances and transactions with PFI:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>$53</td>
<td>$78</td>
</tr>
<tr>
<td>Service fee revenue</td>
<td>216</td>
<td>200</td>
</tr>
<tr>
<td>Rental income</td>
<td>116</td>
<td>150</td>
</tr>
</tbody>
</table>

SAE Foundation - Canada

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

As of September 30, 2001, there was a $306,000 liability to SAE Foundation Canada in the accompanying financial statements, which included accrued interest of $15,000.

15. 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 $649,000 including interest of $227,000. SAE has paid all of the taxes and interest due.

16. 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.
Society of Automotive Engineers, Inc.

Max E. Rumbaugh, Jr.
Executive Vice President & Secretary

Reed Smith (Legal Counsel)

Cohen & Grigsby, P.C. (Legal Counsel)

Salomon Smith Barney Inc. (Investment Counsel)

Oppenheimer Capital Corporation (Investment Counsel)

INVESCO - National Asset Management (Investment Counsel)

Roxbury Capital Corporation (Investment Counsel)

Bowling Portfolio Management (Investment Counsel)

Stelmack Dobransky & Eannace (Auditors)

William M. Mercer, Inc. (Actuaries-SA E Pension and Beneficiary Association Programs and Compensation Consultants)

SAE

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