



ANNUAL REPORT

2009-2010

ASME MISSION

To serve our diverse global communities by advancing, disseminating and applying engineering knowledge for improving the quality of life and communicating the excitement of engineering.

ASME VISION

ASME will be the essential resource for mechanical engineers and other technical professionals throughout the world for solutions that benefit humankind.

Leadership requires engineers to be responsive to today's trends and events, while looking well into the future. As an essential resource for mechanical engineers and other technical professionals, ASME aims to be a responsive and agile organization, serving key areas of technical knowledge and public safety. For 130 years, ASME has remained a vital voice for the profession. Contributing to our success, we are proud to report that, having exceeded targeted growth goals for the fiscal year, the Society continues to be strong financially, with solid operational performance, well-managed expenses, and increased revenues.

ASME's three strategic areas—energy, engineering workforce development and global impact—are integrated into every layer of our efforts, providing excellent springboards for understanding and responding to world events. In every part of the world, the pressures and uncertainties of our current economic climate are being felt. Notably, the year was marked by several major earthquakes and one of the largest oil spills in history. At ASME, we have made advances in key areas, such as risk assessment, energy-policy advocacy, and water management technologies.



Amos E. Holt
Amos E. Holt
President

Thomas G. Loughlin
Thomas G. Loughlin
Executive Director

Progress in Standards & Certification has been essential to ASME's success, where training and workforce needs, particularly within the area of energy, have resulted in more ASME-certified manufacturers in China and India, new energy assessment standards, and cross-sector collaboration on nuclear standards activities—a critical area where ASME standards play a vital role on a global scale.

Today's engineering educational systems have undergone tremendous changes, and ASME continues to develop an advocacy plan aimed at helping colleges and universities meet these challenges in areas of new learning technologies, best industry practices and workforce preparation. ASME welcomes more opportunities for students to become involved with engineering programs and, more importantly, make a lasting commitment to the profession. Competitions, such as the Human Powered Vehicle Challenge, the Student Design Competition, the Innovation Showcase, and ASME's involvement in FIRST®, are laying an exciting, meaningful foundation for the next generation of engineers.

Essential to ASME's success is the willingness of its members to initiate new business models that encourage breakthrough innovation, stimulated by intellectual, cultural and individual diversity. Volunteers and staff also worked diligently in areas of communications, professional licensure, ethics, and intellectual property practices. This entailed collaboration with partners and other groups to achieve shared goals. Some early results include the first steps in the redesign of ASME.org; additional momentum for Engineering for Change™, and a call to action for improved licensing procedures (visit licensingthatworks.org for more information). As always, ASME is grateful for the valuable contributions of its members and volunteers.

This fiscal year began with the celebration of 125 years of ASME codes and standards activities. ASME's history of education, research and advocacy places the Society in the forefront of global technological advancement and knowledge sharing. We are excited about the steady progress we've made toward building an open, inclusive culture that promotes engineering innovation, as we continue our efforts to advance professional development and respond to global challenges.

THE CALL TO PUBLIC SERVICE

In 1969, an American engineer named Frederick C. Cuny visited Biafra in war-torn eastern Nigeria to see what he could do to help the needy and suffering. Cuny was a graduate of Texas A&M University who as a young engineer worked on the design of a radar system at Dallas-Fort Worth International Airport. At that time, it appeared Cuny's career would take a traditional pathway in the commercial sector. But Cuny later immersed himself in humanitarian outreach efforts, driven by the belief that engineers, among all the emergency relief personnel operating throughout the world, could provide the best and most practical solutions.

Seeing the widespread famine and disease in Biafra's countryside, Cuny set out to build water drainage and sanitation systems, using his

engineering skills to assess the topography of the region to achieve the correct pitch and avoid oversaturation of the land. When he was finished in Africa, Cuny went on to deliver disaster relief in other parts of the world and, in 1971, founded Intertect Relief and Reconstruction Corporation in Dallas, whose mission was to provide technical assistance and training to people in need. In an unfortunate twist of fate, Fred Cuny and three other relief specialists mysteriously disappeared in Chechnya, Russia, in 1995. Nonetheless, Cuny's legacy as one of the world's first humanitarian engineers was firmly established.

In today's interconnected global community, where images of the disadvantaged and needy appear on computer and television screens almost

daily, humanitarian engineering is the focus of renewed interest, particularly among engineering students. In one recent outreach effort, seven engineering students from Dartmouth University visited the village of Banda, Rwanda, to design and build a small-scale hydropower system to provide lighting for local residents. After the system was installed, the students trained the villagers on its operations and sustainable maintenance.

skills and knowledge with underserved communities around the world.

In November 2009, the Society formed a partnership with Engineers Without Borders-USA (EWB-USA), which operates more than 400 projects in water treatment, renewable energy, and sanitation in nearly 45 developing communities around the world. The part-

ASME IS EMBRACING THE MISSION OF HUMANITARIAN ENGINEERING,
ENCOURAGING MEMBERS TO SHARE THEIR MANY TECHNICAL SKILLS AND
KNOWLEDGE WITH UNDERSERVED COMMUNITIES AROUND THE WORLD.

Among other examples, engineering students from the Colorado School of Mines – one of a handful of academic institutions that have established a minor in humanitarian engineering within its core curriculum – created a bio-sustainable piping system to help Ghana protect its natural resources. And an organization based at LeTourneau University in Longview, Texas, is at work developing low-cost durable prosthetics for individuals in need in other developing countries.

Recently, ASME created a Web-based open-source project hosted by Western Kentucky University, in which engineers and engineering students collaborated on the design of a human-powered water purifier for use in remote regions of the developing world and in locations affected by natural disasters and other catastrophes.

As the above project demonstrates, ASME is embracing the mission and values of humanitarian engineering, encouraging members to share their many technical

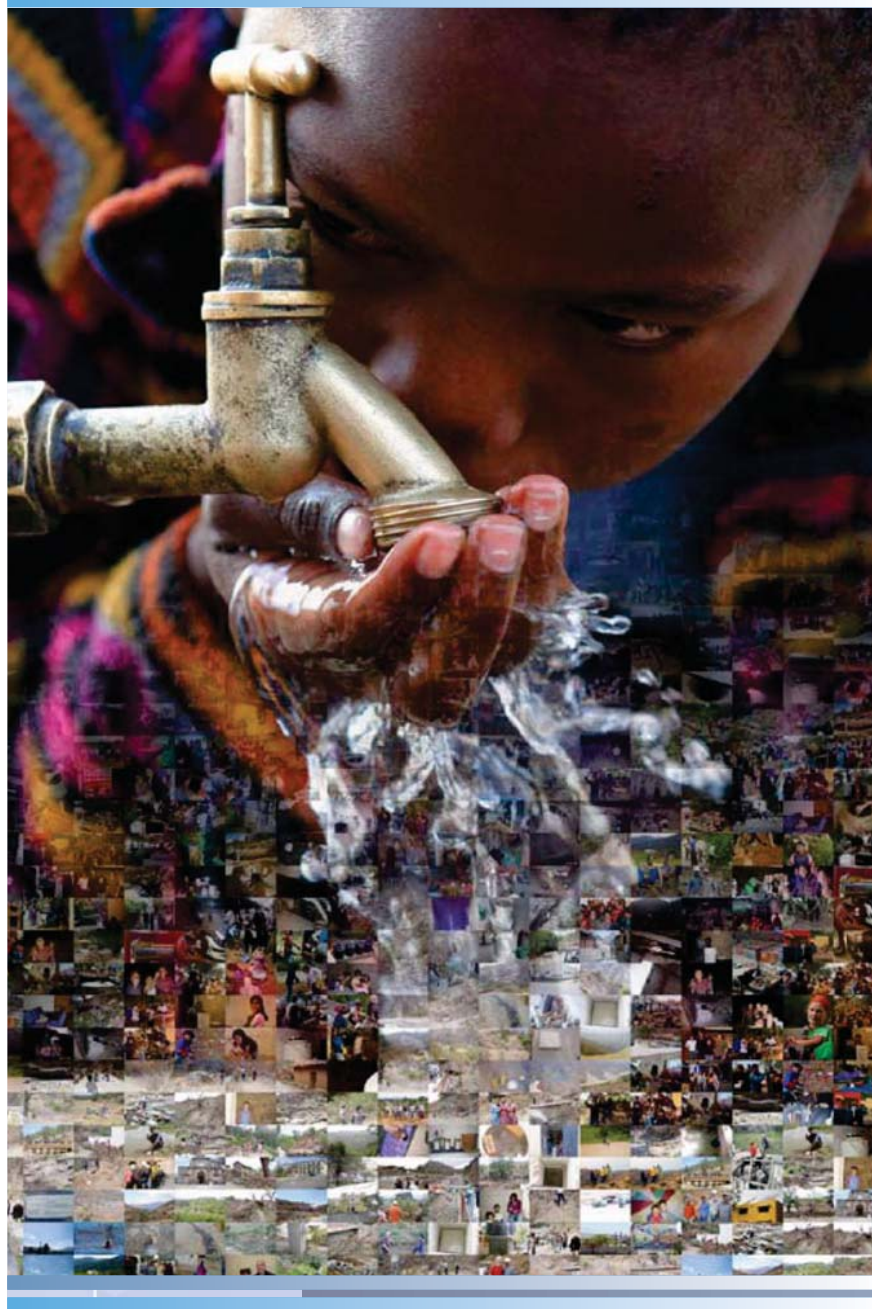
partnership aims to bring together ASME members and EWB-USA mentors to train and educate a new generation of socially responsible engineers.

In March, ASME convened the Engineering for the Developing World Summit in Washington, D.C., in which leaders from industry, academia and government reported on the many goodwill projects around the world and also assessed the considerable infrastructure problems that make it difficult for individuals to access food, water, and other basic necessities. The Society hopes the Engineering for the Developing World Summit can be a springboard to action among ASME members as well as other engineers in the global community.

This year, ASME also moved forward with the development of *Engineering for Change (E4C)*, envisioned to be a dynamic and growing community of engineers, technologists, social scientists, NGOs, local governments and community advocates who are committed to creating affordable, locally appropriate



The late Frederick C. Cuny (far left), who built a legacy as one of the world's first humanitarian engineers, is pictured here with Rick Hill (far right), the president of Cuny Center, and a group of Bangladeshi social scientists in 1991. Photo courtesy of Cuny Center



and sustainable engineering solutions to quality of life issues, including access to clean water, energy, sanitation, transportation, food, education and housing — in local communities throughout the world. Its principal gateway will be an open-source, innovative and user-friendly online platform that improves communication and encourages problem-solving by facilitating connectivity, collaboration and knowledge exchange — enhanced by access to an archive of potential solutions and related information.

Originally conceived by ASME, Engineering for Change includes as founding partners IEEE (Institute of Electrical and Electronics Engineers) and EWB-USA.

At ASME, a good mechanical engineer is many things, chief among them, a valued public servant. Going forward, ASME will continue to encourage engineers to use their skills and expertise to create lasting solutions that improve the quality of life of individuals and communities around the world.

WORKING TO SECURE THE ENERGY FUTURE

The ASME Energy Grand Challenge, set forth in 2009, focused the Society on the goal to be a key resource and information clearinghouse for energy technology, and was an impetus for new programs in FY10.

During the fiscal year, all sectors and operations played a role in meeting the ASME Board of Governors-approved objectives of the Energy Grand Challenge, aligning programs and activities in the areas of energy policy and legislation, advanced technology, alternative fuels, and environmental control.

ASME Standards & Certification was particularly active in this effort. Standards & Certification, which has a history of involvement in energy technology dating back to the release of ASME's first Boiler Code in 1914, formed the Energy and Environmental Standards Advisory Board to coordinate the development of new standards and related products and collaborate with industry, government, and academia in addressing

national and global needs. In January 2010, ASME issued four new standards that establish requirements and best practices for conducting energy assessments in manufacturing plants and other types of industrial facilities. *Energy Assessment for Process Heating Systems*, *Energy Assessment for Pumping Systems*, *Energy Assessment for Steam Systems*, and *Energy Assessment for Compressed Air Systems* provide a basis for operators of industrial facilities to measure energy efficiencies, improve environmental performance, optimize fuel utilization, and perform other energy assessments. These important energy standards have been approved as national standards by the American National Standards Institute (ANSI).

ASME Standards and Certification in FY10 also focused on nuclear power, which many energy experts predict will undergo a global renaissance in the next ten to twenty years, due to the heightened worldwide demand for electricity, new reactor designs based on ease of manufacture, and global mandates to reduce atmospheric carbon dioxide. ASME established the Nuclear Energy Technology Team to develop programs to support the emerging needs of the nuclear power industry, and also joined the Nuclear Energy Standards Coordination Collaborative, a joint initiative of ANSI and the National Institute of Standards and Technology.

As an extension of its role in nuclear energy, Standards and Certification sponsored training and development programs to equip plant managers with up-to-date skills and knowledge in design, operations, testing, and maintenance. To further support the engineering workforce in the nuclear power industry, ASME conducted a webinar on high-temperature nuclear reactors and created the Nuclear Certificate program. In

June, the Society, in conjunction with the Electric Power Research Institute, sponsored a three-day educational workshop addressing the installation of high-density polyethylene piping and focusing on code case N-755 in the ASME Boiler and Pressure Vessel Code.

While actively promoting nuclear engineering, ASME believes that nuclear power should be considered as but one fuel source in a balanced energy portfolio that also includes coal, natural gas, renewable energy, and other energy technologies. Recognizing the importance of renewable energy as a key enabler of worldwide sustainable development and the role of mechanical engineering in systems development, ASME in FY10 engaged in activities related to bio-fuels and solar and wind power. Standards and Certification wrote a code case for solar boilers in Section I of the 2010 edition of the *Boiler and Pressure Vessel Code*, and also initiated the development of a new performance test code for solar energy plants.



Other areas of the Society joined Standards and Certification in supporting renewable energy. Two of the Society's largest technical conferences, the 2009 International Mechanical Engineering Congress and Exposition and ASME Turbo Expo 2010, held sessions on alternative energy and sustainable development. In addition, ASME joined with *Discover*, the National Science Foundation, and IEEE (Institute of Electrical and Electronics Engineers) to organize a congressional briefing titled "Bio-fuels: The Next Generation." This briefing was one of four congressional briefings that ASME tied to the theme, *The Road to the New Energy Economy*.

Another briefing was held on the Advanced Research Projects Agency-Energy (ARPA-E) program, in which Arun Majumdar, the director of ARPA-E and former chair of the ASME Nanotechnology Institute, outlined the efforts of the agency to bring together the business, academic and government sectors to identify broad challenges in the energy marketplace and discuss ways to spur innovation and technology development.

As the congressional briefings demonstrated, ASME played an important role as a leading technical resource to policymakers. ASME also was the lead organizer of the annual Engineering Public Policy Symposium in Washington, D.C., which fostered a high-level information exchange on policy issues related to energy, research, and education. ASME

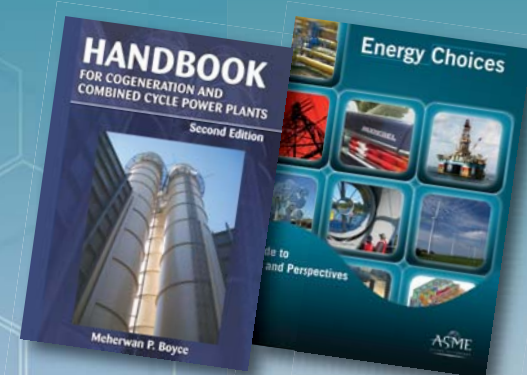
also joined with IEEE to initiate the Engineering Energy Policy Alliance, a broad-based coalition of engineering societies working in collaboration to advance energy policy goals in the United States.

ASME in FY10 issued position statements as a means to provide recommendations to the public sector regarding energy technology and energy policy. The Society's Energy Committee, comprised of experts from the technical divisions, issued nine position statements urging policymakers to support a balanced energy portfolio.

The Society's publishing activity in the energy sector was extensive. In addition to the aforementioned technical standards, ASME published *Energy Choices: A Guide to Facts and Perspectives* and the second edition of *Handbook for Cogeneration and Combined Cycle Power Plants*, among other titles. *Mechanical Engineering* magazine, ASME's flagship publication, was a platform for many features and commentaries pertaining to energy technology, with articles on the new electric grid and a prototype nuclear reactor that does not require refueling, among other stories.

The many energy-related programs and activities carried out during FY10 have put the Society firmly on the pathway to becoming a leading energy technology resource and to fulfilling the mission of the Energy Grand Challenge.

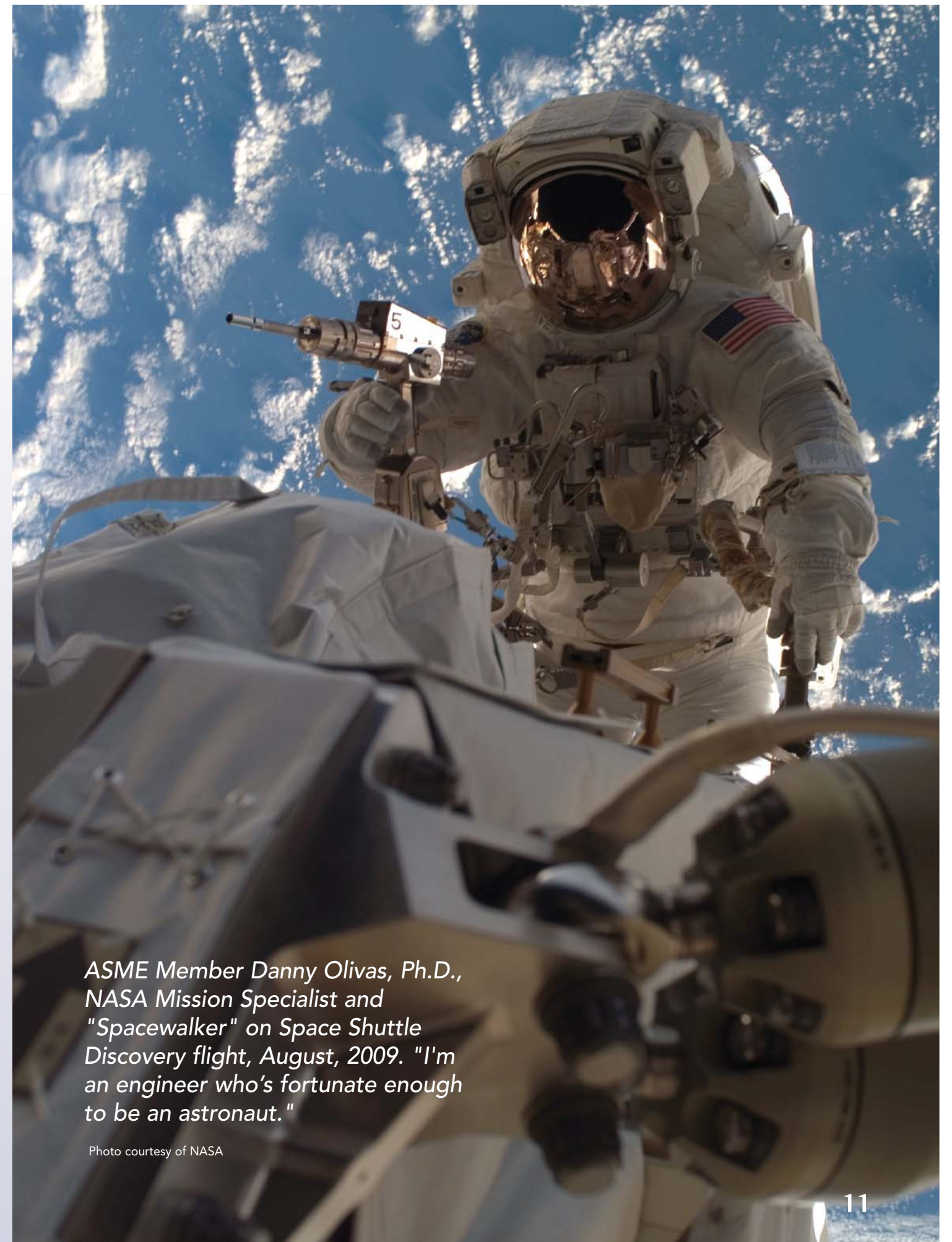
ASME SUPPORTS A BALANCED ENERGY PORTFOLIO THAT INCLUDES COAL, NATURAL GAS, NUCLEAR POWER, HYDROPOWER, AND SOLAR ENERGY AND OTHER RENEWABLE TECHNOLOGIES.



THE RIGHT STUFF

ASME SPONSORED VARIOUS FORUMS IN WHICH REPRESENTATIVES OF INDUSTRY, ACADEMIA, AND GOVERNMENT EXCHANGED INFORMATION AND INSIGHTS ON TRENDS THAT ARE INFLUENCING THE ENGINEERING WORKFORCE.

At the ASME Turbo Expo 2007 in Montreal, Canada, three highly-placed executives in the power industry, speaking during the keynote session, expressed concern about shortcomings in the skill sets of engineering graduates seeking jobs in the aerospace and aviation fields. The speakers alluded to a disconnect between the needs in the industry and the ability of college graduates to meet those needs. Many young engineers, the speakers said, lack the educational training and knowledge base to make tangible, results-oriented contributions in specific technical areas, such as design for manufacturability or environmental standards compliance. While the engineering graduates may be bright, they do not fit the duties and requirements of technology programs currently in development at many firms. Said one speaker: "Our challenge is to find the right people with the right skills."



ASME Member Danny Olivas, Ph.D., NASA Mission Specialist and "Spacewalker" on Space Shuttle Discovery flight, August, 2009. "I'm an engineer who's fortunate enough to be an astronaut."

Photo courtesy of NASA

As companies lay the groundwork for the development of next-generation technologies ranging from medical diagnostics to advanced energy systems, two questions persist. One, do technology firms face a shortage of young engineers armed with the necessary skills and expertise to handle the job requirements in corporate environments? Second, to what extent do colleges and universities, which do a very good job instructing students in classical disciplines like thermodynamics and design theory, come up short in training tomorrow's engineers for authentic engineering practice?

ASME has set out to find some answers. In FY10, the Society launched Vision 2030, an ambitious

and skilled professionals. Engineering workforce development is a central strategic priority at ASME, and during the fiscal year the Society trained more than 7,700 engineers through continuing education short courses, informational workshops and seminars, and Internet-based e-learning programs, many of these focused on energy and codes and standards. ASME in FY10 continued the Professional Practice Curriculum (PPC), an online self-study resource providing access to career-enhancing information on project management, sustainable engineering, and effective communication, among other subjects. The PPC drew 250,000 visitors in the 2009-2010 fiscal period. Furthering its presence in online

THE SOCIETY LAUNCHED NEW ASSESSMENT-BASED COURSES COVERING TECHNICAL AND NON-TECHNICAL SKILLS FOR EARLY- AND MID-CAREER ENGINEERS

With globalization exerting a strong influence on engineering careers and the engineering workplace, ASME sought collaborations with groups that are tracking trends such as worker mobility, cultural diversity, and social networking. ASME, through the Committee on Early-Career Development, has engaged with the European Young Engineers network, which organized a session at the 2009 ASME International Mechanical Engineering Congress and Exposition in Orlando, Fla.

Engineering - Design Challenges publication that teachers can use in classrooms. *Heroes of Engineering* also includes an exhibit profiling the life and technical contributions of 12 of the industry's most accomplished leaders, engineers and inventors, from Robert Thurston to Dean Kamen.

ASME also reached out to its government constituents on matters the organization deems critical to the engineering workforce now and in the future. In April



and far-reaching advocacy project that will assess the entry-level skills of mechanical engineering graduates and provide recommendations on upgrading engineering curricula at colleges and universities. To obtain a solid database for the assessments, ASME conducted three surveys, reaching out to more than 1,400 corporate engineering managers and over 100 mechanical engineering department heads in universities across the U.S. The Vision 2030 surveys drilled down to the practical experiences of the respondents, who thus far have indicated a case for change in mechanical engineering education heading into the next two decades of the 21st century.

Vision 2030 exemplifies the Society's commitment to improve engineering education and, by extension, develop a future workforce of competent

training and education, the Society launched new assessment-based courses covering technical and non-technical skills for early- and mid-career engineers.

The Aerospace Early-Career Technical Seminar, held in November 2009, in Seattle, Wash., included presentations by engineering managers at Northrop Grumman, Pratt & Whitney, Boeing, and Lockheed Martin. In a two-day interactive and experiential forum, the industry leaders shared knowledge and insights on a range of topics, including practical guidelines for career success in the increasingly global aerospace field. In addition, the second annual Nuclear Technical Seminar, held in FY10, included a program track devoted to the early-career engineer.

ASME also collaborated with the Society of Women Engineers (SWE) to bring increased awareness of the need for diversity in the profession, which both organizations believe contributes beneficially to a robust engineering workforce. In January 2010, ASME and SWE jointly organized the roundtable event, "Practical Approaches to Attracting and Retaining Women in the Science, Technology, Engineering and Mathematics Fields," which 28 organizations attended. And in March 2010, ASME and SWE partnered on the program, "Diversity and Inclusion Fuels Innovation in Science, Technology, Engineering and Mathematics."

In the effort to steer the pre-college market to careers in science and engineering, ASME launched *Heroes of Engineering*, a K-12 educational outreach initiative that encompasses a comic book format to the *Heroes of*

2010, the Society reissued the general position paper, "Strengthening Pre-College Science, Technology, Engineering and Mathematics (STEM) Education in the U.S.: A Technological Literacy and Workforce Imperative." ASME also issued numerous letters to the U.S. Congress expressing support for the reauthorization of the America COMPETES Act; if passed, the legislation will support technology-based research and education initiatives.

In FY10, ASME's commitment to engineering workforce development was multifaceted. Going forward, the Society will work in close collaboration with its partners in industry and academia to foster a competent and vibrant engineering workforce of talented men and women who bring both innovation and value to the world.

THE ASME YEAR IN PICTURES

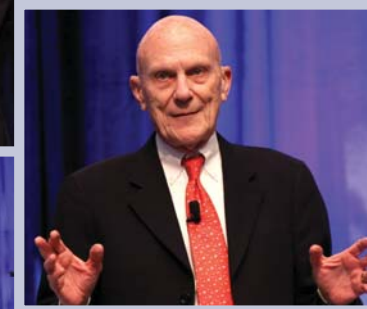
2009 CONGRESS KEYNOTE

Right: ASME celebrates the 40th anniversary of the first Apollo mission to the moon — Apollo 11 astronaut Buzz Aldrin received ASME President's Award.

Left to right, Amos E. Holt, ASME president, Thomas M. Barlow, ASME immediate past president, Aldrin, Thomas G. Loughlin, ASME executive director.

Far Right: Apollo astronaut T.K. Mattingly presented the keynote address.

Below: Commemorative patch honoring ASME member and NASA Mission Specialist Danny Olivas flew onboard the Space Shuttle Discovery in August 2009.



BELLE OF LOUISVILLE STEAMBOAT

In April 2010, ASME designated the Belle of Louisville paddle steamer a Historic Mechanical Engineering Landmark as the oldest existing authentic high-pressure, steam-operated, Western Rivers-style paddlewheel operating on the inland waters of the United States.



HEROES OF ENGINEERING

The ASME Heroes of Engineering exhibit and the Design Challenges workbook debuted in 2010 using a comic book approach to tell the stories of engineering contributions of the past 100 years, while inspiring the next generation of engineers and inventors.



ENGINEERING FOR THE DEVELOPING WORLD SUMMIT

ASME holds Engineering for the Developing World Summit at National Academy of Sciences, Washington, D.C.



STUDENT COMPETITIONS

Left: Students demonstrate breakthrough technology at 2010 ASME Innovation Showcase (I-SHOW) in Pittsburgh.

Below: 2010 ASME Human Powered Vehicle Challenge held in Northridge, Calif.



ENGINEERING SYMPOSIUM

Left: Senator Ted Kaufman (D-DE), a mechanical engineer, was the featured speaker at the 2010 Engineering Public Policy Symposium held in Washington, D.C.

Right: Arun Majumdar, director of the Department of Energy's Advanced Research Projects Agency — Energy (ARPA-E) (center) with ASME Executive Director Thomas G. Loughlin (left) and ASME President Amos E. Holt (right) in August 2009.



TOWN HALL MEETING

ASME leadership outlines Society's strategic direction at Town Hall Meeting in Orlando, Fla.

TREASURER'S REPORT



Webb Marner

I am pleased to present the fiscal year 2010 audited financial reports of ASME. The Society continues to take prudent steps in the face of very challenging economic conditions, and these reports indicate that the overall financial health of ASME remains strong.

ASME's Statement of Financial Position shows total assets of \$116.1M as of June 30, 2010. This reflects an 11% increase over 2009 while the total liabilities increased 17% over the same time. This asset increase results primarily from net investments up \$9.9M to \$87.2M, while the liability increase results primarily from other comprehensive income charges. Overall, ASME's net assets ended at \$62.7M, an increase of \$3.9M or 6.6% over 2009.

ASME Operations again had a strong year, especially considering the state of the economy, with a \$1.2M surplus in 2010. Investments were up in 2010 with ASME reporting a net investment gain of about \$9.9M. An additional adjustment of (\$7.2M), for a comprehensive income charge related to 2010's change in pension and postretirement other than periodic cost, resulted in a \$3.9M net gain. The General Fund had a surplus of \$1.9M with an operating gain of \$0.8M and a nonoperating gain of \$1.1M.

ASME received an unqualified, or clean opinion, from Marks Paneth & Shron LLP in the Independent Auditors' Report. Financial highlights presented by Marks Paneth & Shron LLP noted that ASME's key ratios were all at or above the industry standard, reflecting both financial strength and liquidity. ASME is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

I submit these reports with the certainty that ASME continues to be a financially sound and strong organization.

Webb Marner
2010 ASME Treasurer

CONSOLIDATED FINANCIAL STATEMENTS

ASME

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2010 and 2009

	General	Designated and restricted	2010 Total	2009 Total
Assets				
Cash and cash equivalents (notes 2 and 14)	\$8,435,547	\$863,377	\$9,298,924	\$7,774,053
Accounts receivable, less allowance for doubtful accounts of \$178,000 in 2010 and \$150,000 in 2009 (note 2)	4,815,204	1,815,968	6,631,172	7,415,562
Inventories	844,185	3,462	847,647	658,298
Prepaid expenses, deferred charges, and deposits	1,045,075	61,355	1,106,430	1,278,865
Investments (notes 2 and 5)	72,139,712	15,043,255	87,182,967	77,176,226
Property, furniture, equipment, and leasehold improvements, net (notes 2 and 6)	11,039,929	7,320	11,047,249	9,944,940
Total assets	<u>\$98,319,652</u>	<u>\$17,794,737</u>	<u>\$116,114,389</u>	<u>\$104,247,944</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$2,006,036	\$3,300,273	\$5,306,309	\$5,184,702
Accrued employee benefits (notes 8 and 9)	21,318,341	—	21,318,341	11,310,137
Deferred publications revenue	1,665,114	—	1,665,114	10,673,261
Deferred dues revenue	3,275,303	—	3,275,303	3,027,552
Accreditation and other deferred revenue	21,696,965	113,379	21,810,344	15,260,205
Total liabilities	<u>49,961,759</u>	<u>3,413,652</u>	<u>53,375,411</u>	<u>45,455,857</u>
<i>Commitments (note 12)</i>				
Net assets:				
Unrestricted	48,357,893	13,936,803	62,294,696	58,406,027
Temporarily restricted (notes 10 and 11)	—	307,715	307,715	249,493
Permanently restricted (notes 10 and 11)	—	136,567	136,567	136,567
Total net assets	<u>48,357,893</u>	<u>14,381,085</u>	<u>62,738,978</u>	<u>58,792,087</u>
Total liabilities and net assets	<u>\$98,319,652</u>	<u>\$17,794,737</u>	<u>\$116,114,389</u>	<u>\$104,247,944</u>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

ASME

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2010 and 2009	2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$3,946,891	\$(17,580,122)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,855,544	1,842,688
Realized/unrealized (gain) loss on investment	(7,445,043)	18,861,588
Bad debt expense	28,000	25,000
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	756,390	(1,697,097)
Increase in inventories	(189,349)	(12,700)
Decrease (increase) in prepaid expenses, deferred charges, and deposits	172,435	(275,982)
Increase in accounts payable and accrued expenses	121,607	117,702
Increase in accrued employee benefits	10,008,204	752,889
Decrease in deferred publications revenue	(9,008,147)	(6,649,362)
Increase in deferred dues revenue	247,751	885,537
Increase in accreditation and other deferred revenue	6,550,139	1,790,639
Net cash provided by (used in) operating activities	<u>7,044,422</u>	<u>(1,939,220)</u>
Cash flows from investing activities		
Purchases of investments	(28,704,628)	(25,915,030)
Proceeds from sales of investments	26,142,930	18,334,365
Acquisition of fixed assets	(2,957,853)	(1,671,542)
Net cash used in investing activities	<u>(5,519,551)</u>	<u>(9,252,207)</u>
Net increase (decrease) in cash and cash equivalents	1,524,871	(11,191,427)
Cash and cash equivalents at beginning of year	<u>7,774,053</u>	<u>18,965,480</u>
Cash and cash equivalents at end of year	<u>\$9,298,924</u>	<u>\$7,774,053</u>

See accompanying notes to the consolidated financial statements.



Independent Auditors' Report

The Board of Governors
of the American Society of Mechanical Engineers

We have audited the accompanying consolidated statements of financial position of The American Society of Mechanical Engineers D/B/A ASME (the "Society") as of June 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30, 2010 and 2009	General	Designated and restricted (notes 1, 10 & 11)	2010 Total	2009 Total
Operating revenue (note 7)				
Membership dues, publications, accreditation, conference fees, and other revenue by Sector:				
Services	\$23,590,630	\$ —	\$23,590,630	\$21,800,309
Knowledge and Community	1,539,406	1,280,642	2,820,048	1,445,397
Institutes	5,703,089	4,298,408	10,001,497	9,686,402
Codes and Standards	48,397,797	435,584	48,833,381	49,082,530
Centers	85,226	271,388	356,614	336,459
Strategic Management	25,487	296,483	321,970	208,315
Members' voluntary contributions	—	416,598	416,598	456,136
Miscellaneous (note 4)	2,510,041	227,583	2,737,624	3,015,732
Total operating revenue	<u>81,851,676</u>	<u>7,226,686</u>	<u>89,078,362</u>	<u>86,031,280</u>
Operating expenses				
Program services by sector:				
Services	23,782,024	9,533	23,791,557	21,840,272
Knowledge and Community	6,344,252	1,078,709	7,422,961	6,287,711
Institutes	5,142,847	3,473,765	8,616,612	9,991,602
Codes and Standards	28,938,215	1,197,798	30,136,013	28,950,132
Centers	1,906,110	317,225	2,223,335	2,270,426
Strategic Management	3,228,833	627,503	3,856,336	3,952,074
Total program services	<u>69,342,281</u>	<u>6,704,533</u>	<u>76,046,814</u>	<u>73,292,217</u>
Supporting services:				
Board of Governors and Committees	1,381,568	83,191	1,464,759	1,870,292
General administration	10,367,468	—	10,367,468	8,904,228
Total operating expenses	<u>81,091,317</u>	<u>6,787,724</u>	<u>87,879,041</u>	<u>84,066,737</u>
Excess of operating revenue over operating expenses	760,359	438,962	1,199,321	1,964,543
Nonoperating activities				
Interest and dividends, net of investment fees of \$238,488 in 2010 and \$246,178 in 2009	2,116,951	397,243	2,514,194	3,036,234
Realized/unrealized gain/(loss) on investments (note 5)	6,271,310	1,173,733	7,445,043	(18,861,588)
Increase (decrease) in net assets (note 10)	9,148,620	2,009,938	11,158,558	(13,860,811)
Pension and postretirement changes other than net periodic costs (notes 7 and 8)	(7,211,667)	—	(7,211,667)	(3,719,311)
Increase (decrease) in net assets (note 10)	1,936,953	2,009,938	3,946,891	(17,580,122)
Net assets at beginning of year	46,420,940	12,371,147	58,792,087	76,372,209
Net assets at end of year	<u>\$48,357,893</u>	<u>\$14,381,085</u>	<u>\$62,738,978</u>	<u>\$58,792,087</u>

See accompanying notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The American Society of Mechanical Engineers D/B/A ASME as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP
New York, NY
September 2, 2010

CONSOLIDATED FINANCIAL STATEMENTS

Notes to Consolidated Financial Statements June 30, 2010 and 2009

1. Organization

Founded in 1880, The American Society of Mechanical Engineers (the "Society"), also known as ASME, is the premier organization for promoting the art, science and practice of mechanical engineering throughout the world. The Society is incorporated as a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code").

The Society's mission is to promote and enhance the technical competency and professional well-being of its members and, through quality programs and activities in mechanical engineering, better enable its practitioners to contribute to the well-being of humankind.

The accompanying consolidated financial statements do not include the assets, liabilities, revenue and expenses of the Society's sections (unincorporated geographical subdivisions that are not controlled by the Society), with the exception of direct section appropriations from the Society, which are included in the expenses of the Knowledge and Community Sector. In addition, they do not include The ASME Foundation, Inc. (the "Foundation") or The American Society of Mechanical Engineers Auxiliary, Inc. (the "Auxiliary"), which are separately incorporated organizations affiliated with, but not controlled by, the Society.

The Society has three Limited Liability Corporations ("LLC") that are fully consolidated into the Society's statements. These are the Innovative Technologies Institute ("ITI") LLC, the Standards Technology ("ST") LLC, and the Asia Pacific ("AP") LLC. ITI develops standards primarily in the risk assessment/management area. ST develops standards for emerging technologies. AP promotes the understanding and use of ASME Codes & Standards, along with other ASME services, in the growing markets of the Asia Pacific region. These operations are included in the designated and restricted column of the consolidated financial statements. All significant intercompany transactions have been eliminated.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Society's net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

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 will be met either by actions of the Society and/or the passage of time.

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

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions (note 10). Restricted contributions are recorded as unrestricted revenues if the restrictions are fulfilled in the same time period in which the contribution is received.

Revenue and Expenses

The Society's revenue and expenses are classified in a functional format. Classifications are composed principally of the following:

Services Sector. Revenue includes member dues, publication sales, and certain meeting, conference and exhibit fees. Member dues are recognized over the applicable membership period. Publication sales are recognized upon shipment of the publications. Meeting, conference and exhibit fees are recognized in the period in which the program is held. Expenses relate to membership activities, as well as membership standards, grades, recruitment and retention, and to the Society's technical activities.

Knowledge and Community Sector. Revenue is composed principally of technical division meeting and conference fees, as well as revenue from research activities. All conference and meeting fees are recognized in the period the program is held. Research revenue is recognized as expenses are incurred. Expenses are associated with the Society's technical activities, including research.

Institutes Sector. Revenue includes all registration fees for continuing education courses provided by the Society, and meeting, conference and exhibit fees from the International Gas Turbine Institute ("IGTI") and the International Petroleum Technology Institute ("IPTI"). All fees are recognized in the period the program is held. Expenses relate to the Society's continuing education program, development and accreditation of engineering curricula, and to IGTI and IPTI technical activities.

Codes and Standards Sector. Revenue includes publication sales of Codes and Standards and accreditation program fees. Accreditation program revenue is being recognized upon issuance of certificates. Revenue from the sale of Codes and Standards is recognized over the life of the code sold. The principal product affecting revenue and expenses for this financial statement component is the Society's Boiler and Pressure Vessel Code (the "Boiler Code"). The Boiler Code is published every three years. This publication cycle causes variances in the related revenue and deferred publications revenue accounts from year to year. The 2007 Boiler Code was released in July 2007. The most recent Boiler Code was released in July 2010.

Centers Sector. Revenue includes conference and seminar fees, grants and donations. Fees are recognized in the period the program is held. Grant revenue is recognized as expenses are incurred. Contributions are recognized according to donor restrictions. Expenses are associated with programs for improving engineering education, promoting diversity in the profession, public awareness and development of future Society leaders.

Strategic Management Sector. Revenue is composed principally of sales of miscellaneous publications and government grant revenue. Publication sales are recognized upon shipment of the publications and government grant revenue is recognized as expenses are incurred. Expenses relate to the Society's programs to identify emerging issues of interest to members, provide technical advice to government, disseminate information to the public, support the active involvement of women and minorities in the Society and engineering, and for government-sponsored programs.

Cash Equivalents

Cash equivalents include commercial paper maturing within 90 days unless renewed, and money market funds that are not maintained in the investment portfolio.

Investments

Although available for operating purposes when necessary, the investment portfolio is generally considered by management to be invested on a long-term basis.

Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and interest and dividends are recognized as revenue in the period earned.

Fair Value Implementation

Fair value measurements are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

Property, Furniture, Equipment, and Leasehold Improvements

Property, furniture and equipment are depreciated on a straight line basis over the estimated useful lives of the assets, which range from three to thirty years. Leasehold improvements are amortized over the lease term or the useful life of the asset, whichever is less.

Inventories

Inventories are stated at lower of cost or market. Unit cost, which consists principally of publication printing costs, is determined based on average cost.

Use of Estimates

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

Nonoperating Activities

The statement of activities distinguishes between operating and nonoperating activities. Nonoperating activities include investment return (interest and dividends, as well as appreciation or depreciation in fair value of investments) and nonrecurring revenue and expenses. All other activities are classified as operating.

Designated Funds

The Designated Funds are primarily made up of the ASME Development Fund, the ASME Custodial Fund, the ITI LLC, the ST LLC and the AP LLC funds. The ASME Development Fund is funded by member voluntary contributions for the purpose of launching new programs. The ASME Custodial Fund holds and invests division and section funds. These funds are used by divisions and sections to support engineering discipline specific programs and local engineering programs.

Accounts Receivable

Historically, ASME has not experienced significant bad debt losses. As of June 30, 2010 and 2009, ASME determined that an allowance for doubtful accounts is necessary for accounts receivable in the amount of \$178,000 and \$150,000, respectively. The determination is based on its historical loss experience and consideration of the aging of the accounts receivable. Accounts receivables are written off when all reasonable collection efforts have been exhausted.

Subsequent Events

ASME has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through September 2, 2010, the date the financial statements were available to be issued. No events have occurred subsequent to June 30, 2010 through September 2, 2010 that would require adjustment to or disclosure in the accompanying financial statements.

New Accounting Pronouncement

Effective July 1, 2009, ASME adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainties in Income Taxes – an Interpretation of FASB Statement No. 109," now incorporated in Accounting Standards Codification ("ASC") Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The adoption of FIN 48 did not have an effect on ASME's financial position as of July 1, 2009 or ASME's results of operations and cash flows for the year ended June 30, 2010. ASME is no longer subject to federal or state and local income tax examinations by tax authorities for fiscal years before 2007.

Reclassifications

Certain line items in the June 30, 2009 consolidated financial statements have been reclassified to conform to the June 30, 2010 presentation.

3. Change in Accounting Policy

In the fiscal year ended June 30, 2010, the Society changed its method of recording certificate revenue for the conformity assessment program (included in the Codes and Standards Sector). Previously, the certificate portion of conformity assessment revenue was recognized when received, with the balance of the revenue recognized when the survey was completed and the certificate issued. In order to better match the revenues to the service provided, the Society now recognizes all conformity assessment revenue when the survey is completed and the certificate is issued. The cumulative effect of the change to the new accounting policy is approximately \$3.1 million. The consolidated financial statements for the year ended June 30, 2009 were not restated to reflect this amount, instead the change is reflected in the current year statement of activities. If this change in accounting policy had not been made, current year revenue would have been higher by approximately \$3.7 million.

4. Transactions with Related Parties

The Society performs certain administrative functions for the Auxiliary. The Society charges for all direct expenses along with additional charges for office space and other support services. In fiscal years 2010 and 2009, such charges totaled \$21,446 and \$0, respectively.

The Society performs certain administrative functions for the Foundation as well as managing the Development Office. In fiscal year 2009, the Society charged the Foundation for all direct expenses along with additional charges for office space and other support services in the amount of \$340,000. In fiscal year 2010, the Society donated these services. The contributed services, which amounted to \$361,575, are included in the supporting services expenses on the accompanying consolidated statement of activities. In fiscal years 2010 and 2009, the Foundation made total contributions of \$125,000 and \$189,171, respectively, to ASME in support of honors and awards and the Engineering for Change project. In fiscal year 2009, Foundation payments for services were included in miscellaneous revenue in the consolidated statement of activities. In fiscal year 2010, the Society contributed \$263,875 to the Foundation to be used for Nuclear Engineering Division scholarships.

5. Investments

Investments of the Society, as well as amounts held on behalf of the Foundation and the Auxiliary, are pooled on a fair value basis.

Investments, measured at fair value on a recurring basis, are classified as Level 1 and consist of the following at June 30, 2010 and 2009:

Description:	2010	2009
Bonds and notes	\$25,875,691	\$22,255,657
Common and preferred stock	3,835,143	8,368,202
Mutual funds – equity	49,722,494	37,817,986
Mutual funds – bond	26,202,612	23,123,676
Money market funds	1,821,536	3,453,738
Total Portfolio	107,457,476	95,019,259
Less undivided interest held on behalf of The ASME Foundation, Inc.	19,120,805	16,813,956
Less undivided interest held on behalf of The American Society of Mechanical Engineers Auxiliary, Inc.	1,153,704	1,029,077
TOTAL ASME	\$87,182,967	\$77,176,226

CONSOLIDATED FINANCIAL STATEMENTS

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Realized/unrealized gain (loss) on investments for the years ended June 30, 2010 and 2009 consists of the following:

	2010	2009
Realized loss on investment transactions	\$(847,403)	\$(6,358,325)
Unrealized gain (loss)	8,292,446	(12,503,263)
	<u>\$7,445,043</u>	<u>\$(18,861,588)</u>

Investments are subject to market volatility, which could substantially change the carrying value in the near term.

The fair value hierarchy defines three levels as follows:

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

6. Property, Furniture, Equipment and Leasehold Improvements

Property, furniture, equipment and leasehold improvements at June 30, 2010 and 2009 consist of the following:

	2010	2009
Land	\$583,077	\$583,077
Building and building improvements	2,775,455	2,556,930
Computer equipment	17,866,015	15,450,024
Leasehold improvements	4,344,301	4,348,791
Furniture and fixtures	5,536,692	5,489,929
Other	54,032	54,032
	<u>31,159,572</u>	<u>28,482,783</u>
Less accumulated depreciation and amortization	<u>20,112,323</u>	<u>18,537,843</u>
	<u>\$11,047,249</u>	<u>\$9,944,940</u>

Construction in Progress of \$3,734,129 is included in computer equipment and leasehold improvements at June 30, 2010. The estimated cost to complete these projects at various dates through July 2011 is approximately \$250,000.

Depreciation and amortization expense amounted to \$1,855,544 and \$1,842,688 for the years ended June 30, 2010 and 2009, respectively. During the years ended June 30, 2010 and 2009, ASME wrote off fully depreciated property and equipment amounting to \$281,064 and \$412,442, respectively.

7. Operating Revenue

Operating revenue is presented principally by Sector in the accompanying consolidated statements of activities. Set forth below is revenue for the years ended June 30, 2010 and 2009, summarized by type:

	2010	2009
Membership dues	\$8,011,941	\$8,218,403
Publications revenue	40,871,941	39,559,765
Accreditation revenue	20,288,550	19,911,175
Conferences, exhibits and course fees	13,780,606	11,843,701
Other operating revenue	2,971,102	3,026,368
Members' voluntary contributions	416,598	456,136
Miscellaneous	2,737,624	3,015,732
	<u>\$89,078,362</u>	<u>\$86,031,280</u>

8. Pension Plans

The Society has a noncontributory defined benefit pension plan (the "Plan") covering approximately 75% of its employees. Normal retirement age is 65, but provisions are made for early retirement. Benefits are based on salary and years of service. The Society funds the Plan in accordance with the minimum amount required under the Employee Retirement Income Security Act of 1974, as amended. The Society uses a June 30 measurement date.

The Society adopted the recognition and disclosure provisions of FASB Statement No. 158, now incorporated into ASC 715-30, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans" ("ASC 715-30"). ASC 715-30 requires organizations to recognize the funded status of the defined benefit pension and other postretirement plans as a net asset or liability and to recognize changes in that funded status in the year in which the changes occur through a separate line within the change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic cost. The funded status reported on the consolidated statements of financial position as of June 30, 2010 and 2009, in accordance with ASC 715-30 was measured as the difference between the fair value of plan assets and the benefit obligation on a plan-by-plan basis.

The following table provides information with respect to the Plan as of and for the years ended June 30, 2010 and 2009:

	2010	2009
Benefit obligation at June 30,	\$(44,493,370)	\$(33,575,902)
Fair value of plan assets at June 30,	30,518,250	28,822,768
Funded Status	<u>\$(13,975,120)</u>	<u>\$(4,753,134)</u>
Amounts recognized in the consolidated statements of financial position:		
Accrued employee benefits	(13,975,120)	(4,753,134)
Total net periodic benefit cost	2,582,985	1,763,954
Employer contributions	—	4,000,000
Benefits paid	1,500,570	1,588,289
Weighted-average assumptions used to determine benefit obligations at June 30:		
Discount rate	6.00%	7.25%
Expected return on plan assets	7.5	7.5
Rate of compensation increase	3.5	4.0
Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2010 and 2009:		
Discount rate	7.25%	6.75%
Expected return on plan assets	7.5	7.5
Rate of compensation increase	3.5	4.0

The fair value hierarchy defines three levels, as further described in Note 5. Pension assets carried at fair value at June 30, 2010 and 2009 are classified in the table as Level 1 as follows:

	2010	2009
Cash equivalents	\$4,882,920	\$3,746,960
Fixed-income mutual funds	10,376,205	11,529,107
Equities mutual funds	15,259,125	13,546,701
	<u>\$30,518,250</u>	<u>\$28,822,768</u>

The expected long-term rate of return for the Plan's total assets is based on both the Society's historical rate of return and the expected rate of return on the Society's asset classes, weighted based on target allocations for each class. The typical asset allocation consists of 40-65% of the funds to be invested in equity securities, with the remaining funds to be invested in debt securities and cash equivalents.

The accumulated benefit obligation for the Plan was \$34,094,752 and \$25,725,038 at June 30, 2010 and 2009, respectively.

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Net loss	\$(7,948,724)	\$(4,245,451)
Prior service credit	576,467	—
Amortization loss	641,458	105,257
Amortization of prior service credit	91,798	124,573
Net amount recognized in change in unrestricted net assets	<u>\$(6,639,001)</u>	<u>\$(4,015,621)</u>

The net periodic pension cost for the years ended June 30, 2010 and 2009 includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

	2010	2009
Amortization of loss	\$641,458	\$105,257
Amortization of prior service credit	91,798	124,573

Amounts that have not been recognized as components of net periodic benefit cost but included in unrestricted net assets to date as the effect of adoption of Statement 158 as of June 30, 2010 and 2009 are as follows:

	2010	2009
Net actuarial loss	\$17,730,555	\$10,423,289
Prior service (credit) cost	(334,460)	333,805
Net amounts recognized in unrestricted net assets	<u>\$17,396,095</u>	<u>\$10,757,094</u>

The Society's pension plan weighted-average asset allocations at June 30, 2010 and 2009, by asset category, are as follows:

	2010	2009
Mutual funds invested in equity securities	50%	47%
Mutual funds invested in debt securities	34%	40%
Cash	16%	13%
	<u>100%</u>	<u>100%</u>

The pension investments are managed to provide a reasonable investment return compared to the market, while striving to preserve capital and provide cash flows required for distributions. The portfolio is diversified among investment managers and mutual funds selected by the Plan's trustees using the advice of an independent performance evaluator.

The Society expects to contribute \$2,000,000 to the Plan in fiscal year 2011.

Amounts in unrestricted net assets and expected to be recognized as components of net periodic benefit cost over fiscal year 2011 are as follows:

Net loss	\$1,346,980
Prior service credit	(33,921)

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

Year ending June 30:	Amount
2011	\$1,596,517
2012	2,033,205
2013	1,959,719
2014	2,531,899
2015	2,680,722
2016-2020	16,492,715

In addition to the plan, the Society maintains the ASME Benefit Restoration Plan ("SERP"). ASME's SERP is a nonqualified, unfunded deferred compensation plan for the benefit of ASME executives whose compensation exceeds a federally imposed limit on the amount of compensation that can be contributed to quali-

fied (i.e., tax exempt) retirement plans. The effect of the federal limits was that the compensation of people at or below the limit was fully eligible for qualified retirement contributions, while those with compensation greater than the limit "lost" the additional compensation for purposes of calculating their retirement plan contributions. In 1994, ASME initiated the SERP as a "Benefits Restoration Plan" in order to "restore" more highly compensated employees to a measure of parity with employees who earn lower amounts and whose full compensation is taken into account for purposes of calculating retirement plan contributions. Participants in the SERP are those employees whose compensation exceeds the \$225,000 compensation limit (for Calendar 2007) for qualified plan contributions, subject to ASME's Board of Governors' approval.

Other changes in SERP assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Net loss	\$(301,337)	\$(26,782)
Prior service cost	302,158	—
Amortization of gain	12,264	24,741
Amortization of prior service credit	(5,223)	(5,223)
Net amount recognized in change in unrestricted net assets	<u>\$7,862</u>	<u>\$(7,264)</u>

The net periodic pension cost for the years ended June 30, 2010 and 2009 amounted to \$48,416 and \$68,473, respectively, and includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

	2010	2009
Amortization of loss	\$12,264	\$24,741
Prior service credit	(5,223)	(5,223)

Amounts that have not been recognized as components of net benefit costs but included in unrestricted net assets to date as the effect of adoption of ASC 715-30 as of June 30, 2010 and 2009 are as follows:

	2010	2009
Net loss	\$502,632	\$213,559
Prior service credit	(319,918)	(22,983)
Net amounts recognized in unrestricted net assets	<u>\$182,714</u>	<u>\$190,576</u>

Amounts in unrestricted net assets and expected to be recognized as components of net periodic benefit cost over fiscal year 2011 are as follows:

Net loss	\$49,077
Prior service credit	(37,470)

The Society has a qualified defined contribution plan covering all eligible full-time employees hired after December 31, 2005. The Society is required to match employee contributions in accordance with the pension plan agreement. The maximum plan contribution per year will not exceed the amount permitted under IRS Code Section 415 and will also be subject to the limitations of IRS Code Section 403(b). Pension expense for the years ended June 30, 2010 and 2009 is \$221,253 and \$181,329, respectively.

The Society also maintains a thrift plan under Section 403(b) of the Code covering substantially all employees. The Society's contribution was approximately \$834,000 and \$773,000 for the years ended June 30, 2010 and 2009, respectively.

CONSOLIDATED FINANCIAL STATEMENTS

Notes to Consolidated Financial Statements June 30, 2010 and 2009

9. Postretirement Healthcare and Life Insurance Benefits

The Society provides certain healthcare and life insurance benefits to retired employees (the "Postretirement Plan"). For eligible retirees prior to 1995, the life insurance benefit is noncontributory and the healthcare coverage is subsidized by ASME. The Society no longer provides life insurance benefits to retirees. The Society currently permits eligible early retirees (55 with 20 years of service or age 62 with 10 years of service) to remain on the group health insurance plan until age 65, by paying the full insurance cost. The estimated cost of such benefits is accrued over the working lives for those employees expected to qualify for such benefits. The Society uses a June 30 measurement date. This benefit was terminated for current employees as of July 1, 2005, and is in effect only for then-current participants. The Society has adopted the provisions of FASB Statement No. 158, incorporated into ASC 715-60.

The following table provides information with respect to the postretirement benefits as of and for the years ended June 30, 2010 and 2009:

	2010	2009
Postretirement benefit obligation	\$2,437,762	\$2,014,757
Accrued benefit recognized	2,437,762	2,014,757
Net periodic postretirement benefit cost	(29,839)	(52,174)
Employer contribution	127,684	139,221
Plan participants' contribution	71,338	74,072
Benefits paid	199,022	213,293

Estimated amounts that will be amortized from unrestricted net assets into net periodic benefit cost in the fiscal year ending in 2011 are as follows:

Actuarial gain	\$(29,750)
Prior service credit	(161,434)

Weighted-average assumptions used to determine benefit obligations at June 30:

Discount rate	5.50%	6.75%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	3.50%	4.00%
Healthcare cost trend:		
Increase from current year to next fiscal year	8.50%	7.50%
Ultimate rate increase	5.00%	5.00%
Fiscal year that the ultimate rate is attained	2015	2015

Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2010 and 2009:

Discount rate	6.75%	6.75%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	3.50%	4.00%
Healthcare cost trend:		
Increase from current year to next fiscal year	7.50%	8.00%
Ultimate rate increase	5.00%	5.00%
Fiscal year that the ultimate rate is attained	2015	2015

The effect of increasing or decreasing the healthcare cost trend rates by 1% is not significant because of the fixed nature of the benefits provided under the Plan.

Amounts that have not been recognized as components of net periodic benefit costs but included in unrestricted net assets to date as the effect of adoption of ASC 715-60 as of June 30, 2010 and 2009 are as follows:

	2010	2009
Net gain	\$(665,936)	\$(1,085,029)
Prior service credit	(397,131)	(558,565)
Net amount recognized in unrestricted net assets	\$(1,063,067)	\$(1,643,594)

The net periodic benefit cost for the years ended June 30, 2010 and 2009 includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

	2010	2009
Amortization of gain	\$(48,866)	\$(55,176)
Prior service credit	(161,434)	(161,434)

Other changes in postretirement plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Net actuarial gain	\$(419,093)	\$465,008
Prior service credit	(161,434)	(161,434)
Net amounts recognized in change in unrestricted net assets	\$(580,527)	\$303,574

Healthcare cost rate trend:

1. Assumed healthcare cost trend rate for the next year.	8.5%
General description of the direction and pattern of change in the assumed trend rates thereafter and when that rate is expected to be achieved	-0.5% per year to 5.0%, then 5.0% thereafter
2. One Percentage Point Increase:	
Effect on total service and interest cost	\$11,285
Effect on end of year postretirement benefit obligations	113,900
3. One Percentage Point Decrease:	
Effect on total service and interest cost	\$(9,860)
Effect on end of year postretirement benefit obligations	(100,508)

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

Year ending June 30:	Amount
2011	\$239,574
2012	214,533
2013	213,834
2014	201,675
2015	186,652
2016 - 2020	1,014,756

The Society expects to contribute \$239,574 to the postretirement benefit plan in fiscal year 2011.

10. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets and the income earned on permanently restricted net assets are restricted by donors to the following purposes at June 30, 2010 and 2009:

	2010		2009	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Award programs	\$141,695	\$ 40,110	\$110,236	\$ 40,110
The Engineering Library	165,968	74,695	139,257	74,695
Membership programs	52	21,762	—	21,762
	<u>\$307,715</u>	<u>\$136,567</u>	<u>\$249,493</u>	<u>\$136,567</u>

Temporarily restricted net asset activity has not been separately presented in the consolidated statements of activities. There was no activity in permanently restricted net assets during 2010 and 2009. Temporarily restricted activity for 2010 and 2009 is summarized below:

	2010	2009
Interest and dividends, net of investment fees	\$22,721	\$27,607
Realized/unrealized loss in fair value of investments	78,920	(213,120)
Contributions	250	—
Net assets released from restrictions	(43,669)	(31,422)
Increase (Decrease) in temporarily restricted net assets	<u>\$58,222</u>	<u>\$(216,935)</u>

The increase (decrease) in unrestricted net assets in 2010 and 2009 was \$3,888,669 and (\$17,363,187), respectively.

11. Endowment Net Assets

Accounting principles generally accepted in the United States of America provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the enacted version of the Uniform Prudent Management of Funds Act (UPMIFA). The guidance requires disclosure about the organization's endowment funds, whether or not the organization is subject to UPMIFA. UPMIFA has not been enacted in New York State; therefore, the Society has implemented only the required disclosure guidance.

The Board of Governors of the Society has interpreted New York State nonprofit law as requiring the preservation of the historical dollar value of the original donor-restricted endowment gift as of the gift date, absent explicit donor stipulations to the contrary. See Note 2 for how the Society maintains its assets. The Society's investment policy is to provide for safety and marketability of principal, maintenance of purchasing power, reasonable yield on invested funds and minimum idle cash in working funds. Any surplus should be invested. The policy has charged the Committee on Finance and Investments (COFI) with investment decision responsibility. The policy further states that the COFI will have the advice of professional counsel in deciding the desired ratio of equities to fixed-income securities, and in deciding investment purchases and sales. To this end, the COFI uses the professional firm of Lowery Asset Consulting (LAC). LAC does not trade in any securities, only providing analysis and advice. The current equity-to-fixed ratio goal is 60% equity to 40% fixed, dependent on market conditions.

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Investments
Endowment net assets, beginning of year	\$249,493	\$136,567	\$386,060
Contributions to endowment	250	-	250
Investment activity:			
Interest and dividends	22,721	-	22,721
Realized loss on investments	(7,603)	-	(7,603)
Unrealized loss on investments	86,523	-	86,523
Total investment activity	<u>101,891</u>	<u>-</u>	<u>101,891</u>
Amount appropriated for expenditures	(43,669)	-	(43,669)
Endowment net assets, end of year	<u>\$307,715</u>	<u>\$136,567</u>	<u>\$444,282</u>

CONSOLIDATED FINANCIAL STATEMENTS

Notes to Consolidated Financial Statements June 30, 2010 and 2009

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Investments
Endowment net assets, beginning of year	\$466,428	\$136,567	\$602,995
Contributions to endowment	-	-	-
Investment activity:			
Interest and dividends	27,607	-	27,607
Realized loss on investments	(70,093)	-	(70,093)
Unrealized loss on investments	(143,027)	-	(143,027)
Total investment activity	(185,513)	-	(185,513)
Amount appropriated for expenditures	(31,422)	-	(31,422)
Endowment net assets, end of year	\$249,493	\$136,567	\$386,060

Endowment net assets of \$444,282 and \$386,060 are included with investments on the consolidated statements of financial position for the fiscal years ended June 30, 2010 and 2009, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature are reported in either restricted or unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occur in the economy as a whole. There were no such deficiencies as of June 30, 2010 or 2009.

12. Commitments

The Society's principal offices are located at Three Park Avenue, New York, NY, under a lease expiring on September 30, 2013. On February 15, 2007, the Society vacated, and the landlord took back, one of the four floors originally occupied. The new agreement with the landlord reduced the rent by 25%. Approximate rental payments are \$2,079,000 per year for 2010 through 2013, and payment for partial fiscal year 2014 of \$519,750.

In connection with this lease, the Society has provided as security a \$2,332,000 letter of credit. No amounts have been drawn against this letter of credit.

In addition to its principal offices, the Society also has a number of other lease commitments for regional offices and office equipment expiring through 2014.

The following is a schedule of the approximate minimum future rentals on all leases at June 30, 2010:

Year ending June 30:	Amount
2011	\$2,548,000
2012	2,296,000
2013	2,185,000
2014	580,000
	<u>\$7,609,000</u>

Rent expense under all of the Society's leases was approximately \$2,500,000 and \$2,470,000 in 2010 and 2009, respectively. The Society sublet space in one of its operating offices and subrental income was approximately \$77,000 and \$72,000 in 2010 and 2009, respectively.

13. Line of Credit

The Society had established a \$5,000,000 secured, uncommitted line of credit to service short-term working capital needs. The line of credit, renewable annually, expires on December 31, 2010. Terms are LIBOR plus 1.50%, the bank has a general lien on the assets of the Society, and interest will be automatically deducted from the Society's bank account monthly. As of June 30, 2010 and September 2, 2010, the Society has not drawn any funds from this line of credit.

14. Concentration of Credit Risk

ASME maintains cash and cash equivalents in several major financial institutions. Cash in banks is insured by the Federal Deposit Insurance Corporation ("FDIC"). During 2009, FDIC insurance coverage for interest-bearing accounts was increased from \$100,000 to \$250,000, expiring December 31, 2013. For noninterest-bearing accounts, such coverage is unlimited to December 31, 2012. During the current fiscal year, ASME may have cash balances in the financial institutions in excess of the limit. As of June 30, 2010, cash accounts in financial institutions exceeded the federal insured limits by approximately \$9,100,000.

2009-2010 OFFICERS



Front row seated (L to R):

THOMAS M. BARLOW
ASME IMMEDIATE PAST PRESIDENT (2008-2009)
Program Manager
Lawrence Livermore National Laboratory (Retired)

AMOS E. HOLT, PH.D.
ASME PRESIDENT (2009-2010)
Vice President
Environmental, Safety and Quality Systems
Southwest Research Institute

ROBERT T. SIMMONS, P.E.
ASME PRESIDENT ELECT (2010-2011)
Systems Engineering Support Manager
U.S. Department of Energy's Princeton Plasma Physics Laboratory

Back row standing (L to R):

K. KEITH ROE, P.E.
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Burns and Roe Enterprises, Incorporated

MADIHA KOTB, M.ING., P.E.
SENIOR ENGINEER
Boilers and Pressure Vessels Program
Régie du bâtiment du Québec

THOMAS G. LOUGHLIN, CAE
EXECUTIVE DIRECTOR
ASME

SAID JAHANMIR, PH.D.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MiTiHeart Corporation

THOMAS D. PESTORIUS
CHIEF EXECUTIVE OFFICER
H&P, Incorporated

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Marc Goldsmith & Associates LLC

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VICE PRESIDENT AND DEAN FOR UNDERGRADUATE EDUCATION
Professor of Engineering Mechanics
The Pennsylvania State University

SHLOMO CARMİ, PH.D.
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Stacey Swisher Harnetty

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Susan Ipri Brown
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Wilbur J. Marner
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