



We've continued our effort to impact the grand challenges facing humankind through our work as a supporter of technically sound energy solutions, our standards and certification work promoting global safety and commerce, and the vast array of initiatives we've led this year.



The year that passed was a critical building block for ASME. It was a time when the Society's transformation took on increased momentum, even as we remained steadfast about maintaining the standards of the products and services the global community has come to expect from ASME.

Our roadmap for the future is based on the foundation we've built and on the belief that ASME should be a change agent. That is, we recognize that you—our members, volunteers and the general public—expect our organization to be a leader in exploring new frontiers and a source for content that enhances professional and personal growth and provides a means for engineers to work together to improve the quality of life around the world. ASME is doing this by embracing social entrepreneurship, supporting transformational technologies, aiming for global impact and helping develop an international and skilled engineering workforce.

A large component of our growth initiative is based on the continued development of ASME.org, which will further position the organization at the forefront of technology conversations online. Phase 2 is scheduled for release in fiscal year 2013. While we've kept focused on this online destination, we've also maintained our discipline both in the growth of our extensive portfolio of programs and in our finances.

The growth of the Engineering for Change platform has provided a forum for thousands of engineers and others to share knowledge and resources to tackle real-world challenges coming from all parts of the planet—from access to clean water to using cook stoves that are safe. By promoting the vital role of the engineer and the field of engineering in general, we've enabled inspired collaboration, knowledge sharing and skills development across engineering disciplines. We've continued our effort to impact the grand challenges facing humankind through our work as a supporter of technically sound energy solutions, our standards and certification work promoting global safety and commerce, and the vast array of initiatives we've led this year. We're also focused on ensuring that our workforce is equipped with the necessary skills to take on technology challenges and human challenges, both today and in the future.

This year, our programs helped advance engineering knowledge in areas including risk assessment for complex systems, advanced manufacturing, carbon management technology and emerging economies. We spearheaded Engineers Week 2012 and launched the DiscoverE Educator Awards that celebrated outstanding achievement among STEM educators. We also responded to global events in a timely manner, by commissioning an ASME "Presidential Task Force on Response to Japan Nuclear Power Plant Events." The task force worked on an important report offering new perspectives on assessing the dangers of such catastrophes.

The Society's overall work has been recognized and embraced. This was demonstrated by a positive membership growth trend for a third straight year, increased membership in international markets, an increase in professional members, and student membership growth of almost 10 percent from the previous year.

Our continued goal is to broaden our engagement with you—our members, our volunteers and others who are passionate about demonstrating the vital role of the engineer in society. ASME will remain on a transformative journey focused on ways to best help advance, disseminate and apply engineering knowledge to improve quality of life and the quality of the world we all share. We will continue on this course, and we hope that you will be a part of it.

Victoria Rockwell
President

Thomas G. Loughlin
Executive Director

ENGINEERING:

A Key to STEM Education Awareness



Teachers can exert an indelible positive influence on their students. In their role as primary mentors and role models, children and young people look to them for learning, wisdom, advice, and guidance. A visionary and engaged educator can instill in young minds a curiosity for learning and a motivation to make the world a better place.



Winners of the 2012 DiscoverE Educator Awards talk about their success in the classroom in a panel discussion moderated by Miles O'Brien, lead science reporter, PBS NewsHour. Photo left to right: O'Brien, Derek Sale, Paul Robeson Malcolm X Academy, Detroit, MI; Jarvis Powell, Freindship Public Charter School, Washington, DC; Shella Rivano Condino, Presidio High School, Presidio, TX; and panel participant Linda P.B. Katehi, chancellor, University of California, Davis.

Today more than ever, teachers are urgently needed to advance K-12 STEM (science, technology, engineering and math) education in the classroom, toward the goal of placing thousands more engineers, scientists, and technologists in the employment pipeline to help fuel economic competitiveness and to advance engineering innovation and technology. The unique challenge for K-12 teachers is to present STEM as creative and discovery

based. "Children need to be exposed to creative and exciting classroom experiences that will inspire them to one day grow into engineering innovators and problem solvers," said Victoria A. Rockwell, ASME president in 2011–2012.

Led by Rockwell, ASME in 2011–2012 increased its advocacy in STEM education, with a focus on improving teacher training and methods of classroom instruction.

2 0 1 1 – 2 0 1 2 Y E A R I N R E V I E W

JULY 2011

ASME introduces new *Event Planning and Approval Tool* (EPAT), a web-based, automated tool to assist volunteers with the event-planning and approvals process in accordance with ASME Policy 12.1.



AUGUST 2011

ASME participated in the NASA-sponsored event titled "What's Your Favorite Space?" The day-long event held in Manhattan introduced thousands of K-12 students and teachers to the excitement of space exploration, engineering and science.



SEPTEMBER 2011

ASME holds *Energy Indicators Workshop* in Washington, DC (Sept. 13–14): a broad initiative to identify and implement top-priority opportunities of the Energy Grand Challenge Roadmap—to help achieve national goals for improved energy affordability, reliability, safety and sustainability.



OCTOBER 2011

ASME renews agreement with the Brazilian Society of Mechanical Sciences and Engineering to facilitate collaborations, exchange information and enhance the technical experience for engineers in both organizations.



NOVEMBER 2011

ASME and ASME Foundation bestow inaugural Kate Gleason Award for female engineers to Yvonne C. Brill for her contributions to rocket and jet propulsion.



DECEMBER 2011

ASME Fellow Dr. Arun Majumdar was nominated by President Obama to serve as Under Secretary of Energy at the U.S. Department of Energy (DOE). Previously, Majumdar had served as the Director of the Advanced Research Projects Agency-Energy (ARPA-E).



“ASME, through varied programs and advocacy, will work to keep STEM in the forefront of the national dialogue—thereby helping to ensure a more diverse and vibrant engineering workforce for many years to come.”

As the lead engineering society for Engineers Week 2012, ASME was instrumental in developing new programs and enhancing existing ones.

A cornerstone of ASME’s stewardship of EWeek was the creation of the DiscoverE Educator Awards, designed to honor and celebrate outstanding educators who are incorporating engineering concepts to inspire the next generation.

ASME recognized three outstanding teachers as the inaugural winners: Shella Rivano Condino of Presidio High School (Presidio, Texas), Javaris Powell of Friendship Public Charter School (Washington, DC), and Derek Sale of Paul Robeson Malcolm X Academy (Detroit, Michigan).

The three winners were the focal point of a daylong event held at the Newseum in Washington, DC, during Engineers Week in

February—the DiscoverE Summit. Joined by leaders from government, industry, the media and academia, the winning educators were inspiring examples of the impact that visionary STEM educators can achieve.

The Summit, co-sponsored by *DISCOVER Magazine*, was moderated by Miles O’Brien, lead science correspondent for the PBS NewsHour and hosted by ASME’s Victoria Rockwell. Keynote speakers included Subra Suresh, director of the National Science Foundation, and Charles Vest, president of the National Academy of Engineering. Panelists represented a variety of organizations, including NASA, IBM, Sesame Workshop, the National GEM Consortium, the Department of Education and the University of California, Davis. These thought leaders and the winning educators shared their perspectives and lessons learned in successfully leveraging the volunteer workforce to improve STEM excellence inside and outside the K-12 classroom.

Also as part of Engineers Week, ASME expanded its signature program, the *Inspire Innovation Workshop: Engineering in the Classroom*. Seven programs were held in cities around the U.S., as well as the first-ever international workshop, held in Montreal, Canada. These workshops matched engineers with K-12 teachers for discussion and hands-on activities on how best to incorporate engineering principles into the math, science, and social studies curricula in a fun and practical learning environment. The workshop activities incorporated design challenges from the *Heroes of Engineering* curriculum guide developed by ASME.

Broad STEM Agenda

While the focus of the Society’s STEM initiatives was on K-12 teachers and improving methods of classroom instruction, ASME engaged in other activities aimed at strengthening the next-generation STEM workforce. Victoria Rockwell was a voice for diversity and a regular participant in conferences and forums exploring ways to steer more women into engineering careers.

Rockwell participated in Family Day at Engineers Week 2012 and, in September 2011, joined First Lady Michelle Obama and other women leaders at the White House for the National Science Foundation’s announcement of its Career-Life Balance Initiative focused on workforce diversity and inclusion. Rockwell was also recognized as one of the 100 women leaders in STEM in a publication of the national organization STEMconnector.

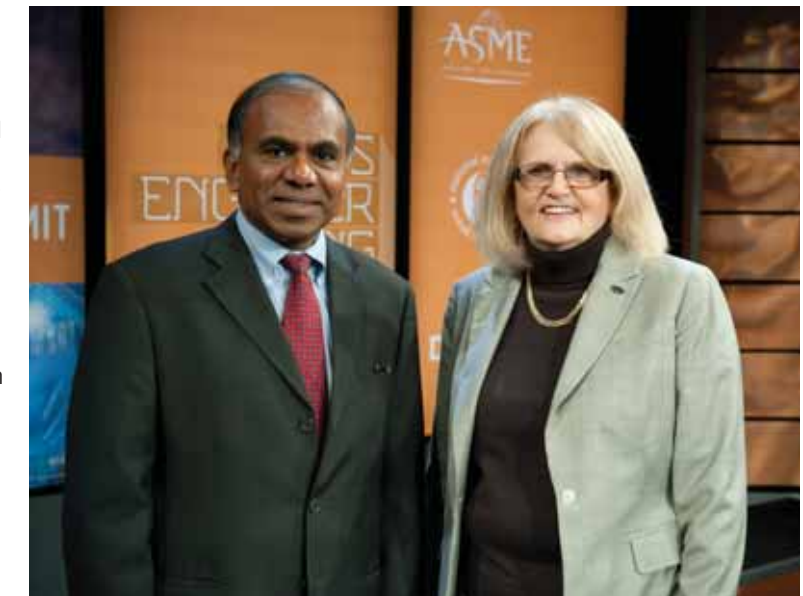
Other women leaders from ASME joined Rockwell in championing diversity. In December 2011, ASME Fellow Karen A. Thole, Ph.D., and Kristen Pederson, a member of the Society’s Industry Advisory Board, participated in the White House Champions of Change, a program that showcases local leaders who are making a difference in their communities. Thole was honored for her work with the Penn State Engineering Ambassadors program, which in 2011 sent engineering students to speak to more than 5,000 high school students, teachers and parents about engineering and STEM-related fields. Thole, the head of the Department of Mechanical and Nuclear Engineering at The Pennsylvania State University, said to ASME.org in an article appearing in February: “For diversity and inclusion programs to succeed, we must fill workforce gaps with highly qualified engineers—and companies will have difficulty finding them if we as a nation cut off 50 percent of the talent, skill and ability in the marketplace.”

The Society in FY12 continued as the engineering co-chair of the STEM Education Coalition. In that role, ASME was involved in government outreach, including seven position statements to various congressional leaders and agencies urging support of STEM.

ASME is contributing, as a critical stakeholder, to the state-led process of drafting the Next Generation Science Standards, by supporting the inclusion of engineering content and engineering design for the first time as part of core K-12 science classroom instruction in coming years. The draft

standards, which are based on current research about science education by the National Academy of Sciences, are due to be finalized in 2013 and could affect school children throughout the U.S.

National leaders increasingly see the connection between STEM education and the creation of new knowledge and technology that will drive innovation. ASME, through varied programs and advocacy, will work to keep STEM in the forefront of the national dialogue, thereby helping to ensure a more diverse and vibrant engineering workforce for many years to come.



Celebrating Engineers Week, ASME President Victoria A. Rockwell and keynote speaker Subra Suresh, Ph.D., director, National Science Foundation, participated in the opening session of the 2012 DiscoverE Summit held at the Newseum in Washington, DC.

2 0 1 1 – 2 0 1 2 Y E A R I N R E V I E W

JANUARY 2012 ASME Member *Savvy* cites university students as the fastest growing segment of ASME membership. ASME reached an all-time high of 31,553 student members and 15,759 early career engineer members.



MARCH 2012 Mr. Charlie drilling rig, Morgan City, Louisiana, was designated as an ASME Historic Mechanical Engineering Landmark #250. In 1953, it became the first fully transportable, submersible and self-sufficient offshore rig.



MAY 2012 ASME holds Verification and Validation Symposium, the first large-scale conference dedicated entirely to verification, validation and uncertainty qualification of engineering-based computer simulations.



FEBRUARY 2012 ASME leads Engineers Week 2012. Holds DiscoverE Summit in Washington, DC, to focus on the partnership between educators and volunteers to improve STEM education.



APRIL 2012 ASME President Victoria A. Rockwell participates in White House Forum on Women and the Economy joining nearly 200 other women from the U.S. to focus on the critical role that women play in driving the nation’s economic progress.



JUNE 2012 ASME Presidential Task Force on Response to Japan Nuclear Power Plant Events releases *Forging a New Nuclear Safety Construct*, which seeks to better serve society and provide a platform for enhancing nuclear power plants worldwide.



POWERING the Energy Conversation

The challenges and opportunities of energy storage is an issue that is the focus of engineers from around the world. In their book of hope and inspiration, *Abundance: The Future is Better Than You Think*, Peter H. Diamandis and Steven Kotler touch on a series of promising research initiatives in the area of energy storage. Research programs such as the one at Aquion Energy, a venture firm, are aimed at improving the storage capabilities of lithium-ion batteries and have led to the development of a battery that uses sodium and water to store and retrieve a kilowatt-hour for a total cost of one cent. In another initiative, the Massachusetts Institute of Technology is working on a liquid metal battery (LMB) that the MIT researchers believe will have the capability to store 30 kilowatt-hours of energy—enough juice to run a typical residential home for a day.

Engineers know that more research of the type carried out at Aquion and MIT will be necessary for large-scale, grid-level implementation of wind and solar power.

ASME is also keenly aware of the importance and urgency of these issues. The Society has been a key knowledge resource in the area of energy storage, devoting sessions at conferences and publications to the topic. In FY12, the Society created the Thermal Energy Storage Taskforce, which seeks to build a multidisciplinary community of engineers and scientists to provide updates and progress reports on emerging developments in the field.

Energy storage was only one of a wide range of energy topics that ASME embraced during the past year. Energy continued to be a strategic priority for ASME in FY12, and the Society supported many activities and programs across its sectors and business units. In addition to the Thermal Energy Storage Taskforce, ASME established the Integrated/Efficient Building Equipment and Systems Task Force under the Knowledge & Community Sector, which will work together with other organizations to collect and disseminate information on new developments in HVAC systems, building materials, lighting, controls, and other subjects.

The Energy Future

Like energy storage, nuclear power presents engineers with many opportunities and challenges. According to the Energy Information Institute, nuclear plants supply about nineteen percent of the electric power needs in the U.S. today; however, many people recognize the opportunity for improved designs and new technology that better fits the national mandate for a sustainable energy future. One new technology for nuclear power generation is the small modular reactor (SMR), which has the potential to offer improved safety, reduced cost and shorter construction times, among other benefits. In FY12, ASME held a congressional briefing and symposium focused on SMR technology; the Symposium on Small Modular Reactors, held in September 2011 in Washington, DC, attracted more than 200 delegates from 14 countries.

Likewise, nuclear safety is a paramount concern for ASME. Following the accident at the Fukushima Dai-ichi nuclear power plant in March 2011, ASME President Victoria Rockwell formed the ASME Presidential Task Force on Response to Japan

Nuclear Power Plant Events, led by Dr. Nils Diaz, past chairman of the U.S. Nuclear Regulatory Commission as chair, and Dr. Regis Matzie, former senior vice president and chief technology officer at Westinghouse Electric Company, as vice chair. In June 2012, the task force issued the report, "Forging a New Nuclear Safety Construct," which is aimed at continuing to ensure the



The theme of the 2011 Congress keynote event in Denver was "Energy and Water: Two Vital Commodities." A panel of distinguished energy experts continued the exploration of the energy-water nexus begun with ASME's Energy Grand Challenge Roadmap and discussed how these vital commodities share an important interdependence, and how energy systems affect the quality of life. ASME Executive Director Thomas G. Loughlin, moderated the discussion. Photo left to right: Michael Webber, Ph.D., University of Texas at Austin; Loughlin; Mike Hightower, Sandia National Laboratories; and John G. Voeller, P.E., Black & Veatch.

protection of public safety and health and reducing the societal and economic consequences from unforeseen events, while providing a strong platform for the continuation and growth of nuclear power worldwide.

ASME Standards & Certification was also active in the nuclear area this year. Toward the goal of global standards convergence, the Society participated in collaborative programs with the French Association for the Rules Governing the Design, Construction, and Operating Supervision of the Equipment Items for Electro-Nuclear Boilers; China's State Nuclear Power Technology Corporation (SNPTC); Korean Electric Association; Russia's Engineering Center of Nuclear Equipment Strength; and other organizations involved with standards development. ASME's Board on Nuclear Codes and Standards held a meeting in Helsinki, Finland, and a joint workshop with FinNuclear



Promoting Excellence in Engineering

"...the Society will continue to play an active role in the global conversation on energy"

Association. A "Declaration of Continuing Cooperation and Accomplishment" was signed with SNPTC, and memorandums of understanding were signed with the Nuclear Power Institute of China and Korea Agency for Technology and Standards.

Among the 13 new standards issued in FY12 were *BPVC III Division 5-2010 – Rules for Construction of Nuclear Facility Components* and *TDP-2-2012 – Prevention of Water Damage to Steam Turbines Used for Electric Power Generation: Nuclear-Fueled Plants*.

Energy Diversity

The Society's programs and activities in energy during FY12 reflected the diversity of the field and the wide-ranging interest of its members. Renewable energy was a key topic of discussion in the technical programs of the Society's 2011 International Mechanical Engineering Congress and Exposition and 2012 ASME Turbo Expo. Wind energy and geothermal energy were topics of two congressional briefings held under the aegis of the Society's "Road to the New Energy Economy" initiative. Also in FY12, ASME continued work on the development of a standard for concentrated solar power plants.

In addition, ASME published *Consensus on Operating Practices for Control of Water and Steam Chemistry in Combined*

Cycle and Cogeneration Power Plants, one of three new books on energy distributed by ASME Press. A new conference, Verification & Validation, attracted engineers from the power industry. Seven position statements on energy were issued in FY12, and the 2011 Congress explored the energy-water nexus, reflecting the growing interest in the engineering community in the dynamic interrelationship between both resources in global sustainability. ASME Executive Director Thomas G. Loughlin moderated a panel discussion on the topic during a keynote panel session held in Denver.

Going forward, the Society will continue to play an active role in the global conversation on energy. To this end, ASME in FY12 released the ASME Energy Indicators Scorecard Report, which will enable the Society's stakeholders to understand the current status of the energy sector, evaluate trends and present clear and useful information to policymakers and the general public.

ASME's ongoing commitment to being a resource for and disseminating knowledge about the energy sector is only one of the many ways in which ASME honors and fulfills its mission to serve the global engineering community, while promoting the vital role of the engineer in society.



William Sanford Nye, better known as Bill Nye "The Science Guy," was named recipient of the 2012 ASME Ralph Coats Roe Medal for inspiring and educating audiences of all ages about engineering through his award-winning television shows about science and technology, his commentary on contemporary technical issues and children's books, including *Bill Nye the Science Guy's Big Blast of Science*. Nye, a mechanical engineer, presented the Roe Lecture at the ASME Annual Meeting held last June in Montreal.

ASME is proud to support excellence in engineering at every career stage, from cultivating tomorrow's engineers among university and high school students to recognizing exceptional contributions made over a professional lifetime of the ASME member. To support excellence this year, ASME both recognized significant lifetime achievement (at the annual Honors Assembly, held at the ASME 2011 Congress in Denver) and offered challenging competitions, scholarships and other opportunities to the rising generation of aspiring engineers.

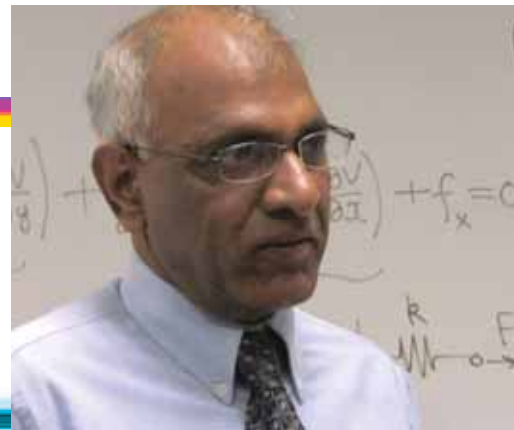
At the 2011 Congress, and with support from the ASME Foundation, the Honors and Awards program presented its inaugural Kate Gleason Award to Yvonne Brill, one of history's first female rocket scientists. Brill, an innovator in rocket propulsion who invented the hydrazine resistojet engine and whose career achieved "liftoff" in the years following the Second World War, was responsible for transformative advances in the use of rocket propellants that revolutionized satellite propulsion. The Gleason Award, given in memory of Catherine Anselm "Kate" Gleason (1865–1933), ASME's first female member, capped a signal year in Brill's career; just a few weeks earlier at the White House, she was personally presented the National Medal of Technology and Innovation (the U.S. Government's highest honor for scientists, engineers and inventors) by President Barack Obama.

Also among the eleven award recipients recognized at the 2011 Honors Assembly was Dr. Adrian Bejan of Duke University, who received Honorary Membership in ASME for his four-decade career and its crowning vision: "The Constructal Law." Simply put, Bejan looked at physical life through the lens of mechanical engineering and discovered a universal law of design in nature. According to Bejan, Constructal Law dictates that "for a finite-size flow system to persist in time (to live), its configuration must evolve in such a way that it provides easier access to the currents that flow through it." This implies, he says, that "the object of engineering is actually evolutionary design... [that] the evolving engine, or the evolving truck, or aircraft, is no different in this world than the evolving animal."



A delegation of ASME volunteer leadership and staff attended the inaugural meeting for the newly established China International Working Group (CIWG), which provides expert input from China's industry stakeholders to the ASME Boiler and Pressure Vessel Committee on Construction of Nuclear Facility Components (BPV III). The Shanghai Nuclear Engineering Research and Development Institute (SNERDI) served as host for the meeting on April 6, 2011, at its offices in Shanghai. The CIWG is comprised of representatives of more than 25 of China's leading nuclear industry organizations, including China's State Nuclear Power Technology Corporation (SNPTC), and functions in the same manner as other ASME code working groups.

"You must think always of 'how is my being in this world helping fellow human beings?'" J.N. Reddy



Dr. J.N. Reddy of Texas A&M University also received ASME Honorary Membership, for achievements in engineering education. "Every time I give a lecture, I [emphasize] that giving time to others is very important," he said. "You must think always of 'how is my being in this world helping fellow human beings?'" Reddy, an authority on composite materials, applied mechanics, and computational methods, is first and foremost a devoted teacher. "Teaching and research are inseparable," he says, "because whatever I discover or invent, it gives me an opportunity to share it with [my students]." Reddy's focus, like Bejan's, is on educating the next generation of mechanical engineers.

The 2011 ASME Medal was presented to Dr. C. Daniel Mote, who built several distinguished careers simultaneously: as a leader in the engineering of high-speed band systems (including band saws and newspaper printing presses) and the mechanics of alpine skiing, and also as an educator, mentor, and university leader. Throughout his career, Mote's primary commitment was to teaching and mentorship, having guided some 58 Ph.D. students to their own careers. But in his second career, as a

university administrator, Mote broke every fundraising record as vice chancellor of his *alma mater*, U.C. Berkeley, and then ushered in a new culture of excellence at the University of Maryland, where he offered visionary leadership as president from 1998 to 2010.

Even as ASME recognized great achievements by engineers through some 68 awards in FY12, the Society also emulated its highest honorees by keeping a keen eye on serving the rising generation of young engineers. Through the excitement and chance to excel offered by its adrenaline-packed student competitions, generous scholarships, and other opportunities, ASME aims to support tomorrow's lifetime achievers as much as it honors today's. For example:

ASME's Human Powered Vehicle Challenge pushes engineering students to excel in the areas of design, fabrication and performance and has become a capstone project for senior engineering students in universities in the U.S. and abroad. Last year, HPVC competitions held in Pennsylvania and Utah brought student engineers together for a hands-on, beat-the-clock challenge to work together on solutions to one of the toughest problems in sustainable development: the creation of viable transportation prototypes propelled entirely by human power. The chance it provides young people to compete, to get their hands dirty, to build what they envision, and to inspire one another to even greater creative leaps makes the HPVC both an educational and a highly enjoyable opportunity for these young engineers. Professors regularly say that the practical challenges of the HPVC energize their students more than any text-based assignment ever could.

Similarly, the ASME Student Design Competition presents young members with a range of challenges involving a range of practical engineering problems. In 2011, ASME called on student teams across the globe to design and build devices that could convert water into energy to "fuel"

transportation. This year's competition, whose first stages took place under the aegis of regional ASME districts and then proceeded to the international finals at Congress, was called "H2Go: The Untapped Energy Source." It became just the latest showcase for the brilliance of ASME student members and the creativity they bring with them into tomorrow's professional engineering workforce.

The ASME Innovation Showcase (or "IShow") is one more chance for tomorrow's professionals to bring their spectrum of talents to bear on real-world problems; yet, it is unique: ASME's IShow gives top collegiate engineer-competitor teams the experience of a full product development and commercialization cycle, demanding both engineering excellence and the business savvy needed to bring that excellence to market. The most recent IShow, held in June 2012, featured teams of engineers from top collegiate programs around the world, including Johns Hopkins, RPI, MIT, and the Indian Institute of Technology. In the competition, reminiscent of reality shows such as "Project Runway" and "American Idol," teams present a range of brilliantly conceived product prototypes before a panel of judges that included seasoned professional engineers, venture capitalists and intellectual property specialists. This year's winning product, QuickStitch—a low-cost, hand-powered, medical suturing device developed and presented by the team from Johns Hopkins—beat out a lineup of other inspiring entries to take first place. ASME President Victoria A. Rockwell put it this way: "What an amazing show! I'm so pleased that the IShow



Green energy took center stage at the 2011 Student Design Competition. Students were challenged to design a scaled, proof-of-concept prototype for rain energy conversion. The devices propelled model cars as far as possible by converting the potential energy of one liter of water at one meter height. The team from Instituto Tecnológico de Ciudad Juarez (Mexico) finished in third place among 14 teams that participated in the competition called H2Go: The Untapped Energy Source, and was showcased at the ASME Congress in Denver.

has become such a great way for these brilliant young people to hone both their engineering and business skills—by applying them to real-world challenges!"

Last but not least, to foster technological literacy among K-12 students, ASME continues to partner with and support FIRST (For Inspiration and Recognition of Science and Technology), founded in 1989 by celebrated inventor Dean Kamen. FIRST tournaments around the country are as exciting and impassioned as sporting events (exactly as Kamen had envisioned), culminate at the National Finals—complete with cheering spectators, referees and judges, time clocks, and cheerleaders. Kamen believes that the more than one million students who have taken part in FIRST competitions will one day likely be the vanguard of America's engineers, technologists and scientists. ASME is pleased to offer high-achieving FIRST competitors its ASME Auxiliary FIRST Clarke Scholarships—to assist talented future engineers who have enrolled in college-level engineering programs.

ASME is proud to offer an unparalleled breadth of support for engineers and engineering. At every stage, from a child's wonder at discovering how things work or building robots, to the recognition of a professional's world-changing career—ASME is there to honor the great achievements and build the brightest future possible for the global engineering profession.



The undergraduate research team from Johns Hopkins University and its low-cost mechanical suturing device called QuickStitch, won first place honors in ASME's 2012 Innovation Showcase (IShow). The team was awarded \$10,000 in seed money to help further develop and market its device. This team was one of ten that competed at the IShow held in Montreal.



Denver-area science educators review ASME's Heroes of Engineering Design Challenges, a collection of hands-on design-and-build activities suitable for classroom use, each of which is paired with a capsule biography of a famous "Hero" engineer. Activities from Heroes curricula are a cornerstone of ASME's Inspire Innovation Workshops for teachers. The workshop was co-led by educators and ASME member engineers.

Recipients of ASME Honors and Awards - 2011

ASME MEDAL

Clayton Daniel Mote Jr., Ph.D.
Fellow
University of Maryland

HONORARY MEMBERSHIP

Adrian Bejan, Ph.D.
Fellow
Duke University
Joseph A. Falcon, P.E.
Fellow
J.A. Falcon & Associates
Nathan H. Hurt, P.E.,
Fellow
Senior Consultant
Junuthula N. Reddy, Ph.D., P.E.,
Fellow
Texas A&M University
Paul J. Torpey
Fellow
Retired

ACHIEVEMENT AWARDS

BARNETT-UZGIRIS PRODUCT SAFETY DESIGN AWARD
John B. Vorderbrueggen, P.E.
U.S. Department of Energy

BERGLES-ROHSENOW YOUNG INVESTIGATOR AWARD IN HEAT TRANSFER
Ed Walsh, Ph.D.
Member
University of Limerick

PER BRUEL GOLD MEDAL FOR NOISE CONTROL AND ACOUSTICS

Mardi C. Hastings, Ph.D., P.E.
Georgia Institute of Technology

EDWIN F. CHURCH MEDAL

Ramesh K. Agarwal, Ph.D.
Fellow
Washington University

DANIEL C. DRUCKER MEDAL

John W. Rudnicki, Ph.D.
Fellow
Northwestern University

WILLIAM T. ENNOR MANUFACTURING TECHNOLOGY AWARD

S.V. Sreenivasan, Ph.D.
Member
The University of Texas at Austin

FLUIDS ENGINEERING AWARD

John F. Foss, Ph.D.
Fellow
Michigan State University

Y.C. FUNG YOUNG INVESTIGATOR AWARD

Ali Khademhosseini, Ph.D.
Member
Harvard/Massachusetts Institute of Technology

KATE GLEASON AWARD

Yvonne C. Brill
Aerospace Consultant

MELVIN R. GREEN CODES AND STANDARDS MEDAL

Thomas P. Pastor, P.E.
Fellow
HSB Global Standards

J.P. DEN HARTOG AWARD

Chieh-Su Hsu, Ph.D.
Fellow
University of California

HEAT TRANSFER MEMORIAL AWARD

ART
Bengt Sunden, Ph.D., P.E.
Fellow
Lund University

SCIENCE
Sumanta Acharya, Ph.D.
Fellow
Louisiana State University

MAYO D. HERSEY AWARD

Farshid Sadeghi, Ph.D.
Fellow
Purdue University

PATRICK J. HIGGINS MEDAL

Sally Remedios
Member
Delta Faucet Company

SOICHIRO HONDA MEDAL

John J. Mooney
Member
Environmental and Energy Technology and Policy Institute, and John J. Mooney L.L.C.

INTERNAL COMBUSTION ENGINE AWARD

Rolf D. Reitz, Ph.D.
Fellow
University of Wisconsin

WARNER T. KOITER MEDAL

James G. Simmonds, Ph.D.
Fellow
University of Virginia, Charlottesville

ROBERT E. KOSKI MEDAL

Richard Burton, Ph.D.
Fellow
University of Saskatchewan

ALLAN KRAUS THERMAL MANAGEMENT MEDAL

Robert E. Simons
Consultant

FRANK KREITH ENERGY AWARD

Ann Marie Sastry, Ph.D.
Fellow
Sakti3, Inc.

BERNARD F. LANGER NUCLEAR CODES AND STANDARDS AWARD

Wilfred C. LaRoche
Member
The Hartford Steam Boiler Inspection & Insurance

GUSTUS L. LARSON MEMORIAL AWARD

Arvind Raman
Purdue University

H.R. LISSNER MEDAL

Jay D. Humphrey, Ph.D.
Fellow
Yale University

CHARLES T. MAIN STUDENT SECTION AWARDS

GOLD
Danielle P. Jacobson
Member
Drexel University

SILVER
Kenneth Schnautz
Member
University of Southern Indiana

McDONALD MENTORING AWARD

Robert Birkmyre, UK IMechE
Martins Hatch

M. EUGENE MERCHANT MEDAL OF ASME/SME

Ranga Komanduri, Ph.D.
Fellow
Oklahoma State University

VAN C. MOW MEDAL

David Alan Vorp, Ph.D.
Fellow
University of Pittsburgh

NADAI MEDAL

Subra Suresh, Sc.D.
Fellow
National Science Foundation

BURT L. NEWKIRK AWARD

Robert L. Jackson, Ph.D.
Member
Auburn University

RUFUS OLDENBURGER MEDAL

Haruhiko Harry Asada, Ph.D.
Fellow
Massachusetts Institute of Technology

OLD GUARD EARLY CAREER AWARD

Julie A. Bachmann Kulik
Member
WorleyParsons Group

PERFORMANCE TEST CODES MEDAL

W. Cary Campbell, P.E.
Member
Southern Company Services

PI TAU SIGMA GOLD MEDAL

David Saintillan, Ph.D.
Member
University of Illinois at Urbana-Champaign

JAMES HARRY POTTER GOLD MEDAL

Mohamad Metghalchi, Sc.D.
Fellow
Northeastern University

S.Y. ZAMRIK PRESSURE VESSELS AND PIPING MEDAL

William T. Springer, Ph.D., P.E.
Fellow
University of Arkansas

DIXY LEE RAY AWARD

Thad W. Allen
RAND Corporation

CHARLES RUSS RICHARDS MEMORIAL AWARD

Huajian Gao, Ph.D.
Fellow
Brown University

RALPH COATS ROE MEDAL

Ioannis N. Miaoulis, Ph.D.
Member
Museum of Science

SAFETY CODES AND STANDARDS MEDAL

Daniel N. Wolff, P.E.
Member
The Manitowoc Company-Manitowoc Crane Division

R. TOM SAWYER AWARD

Dilip R. Ballal, Ph.D.
Fellow
University of Dayton

MILTON C. SHAW MANUFACTURING RESEARCH MEDAL

Tetsutaro Hoshi, Ph.D.
Member
Hoshi Technical Research

RUTH AND JOEL SPIRA OUTSTANDING DESIGN EDUCATOR AWARD

Farrokh Mistree, Ph.D.
Fellow
University of Oklahoma

SPIRIT OF ST. LOUIS MEDAL

Abraham Karem
Member
Karem Aircraft, Inc.

STUDENT SECTION ADVISOR AWARD

Jay M. Samuel, Ph.D.
Member
University of Wisconsin

J. HALL TAYLOR MEDAL

Mahendra D. Rana, P.E.
Fellow
Praxair Inc.

ROBERT HENRY THURSTON LECTURE AWARD

Francis C. Moon, Ph.D.
Fellow
Cornell University



The inaugural Kate Gleason Award was presented to Yvonne C. Brill (second from left) for expanding the frontiers of space through innovation in rocket and jet propulsion, including the invention of the hydrazine resistojet engine used for geosynchronous and low earth orbit communication satellites. The award, established in 2011, recognizes a female engineer who is a highly successful entrepreneur in a field of engineering or who has had a lifetime of achievement in the engineering profession. The award honors the legacy of Kate Gleason, the first woman to be welcomed into ASME as a full member.

(Photo left to right) Victoria A. Rockwell, ASME president (2011–2012), Brill, Nancy D. Fitzroy, ASME past president (1986–1987), Susan H. Skemp, ASME past president (2002–2003), Karen A. Thole, chair, Committee on Honors

TIMOSHENKO MEDAL

Alan Needleman, Ph.D.
Fellow
University of North Texas

FRANK VON FLUE MEDAL

General Motors Technical Education Program

GAS TURBINE AWARD

Budimir Rosic, Ph.D.
Member
Oxford University

Eric M. Curtis
University of Cambridge

John Douglas Denton, Ph.D.
Retired

John Longley, Ph.D.
University of Cambridge

PRIME MOVERS AWARD

William H. Kirkenir
Member
Progress Energy

David Earley
Combustion Corporation

ARTHUR L. WILLISTON MEDAL

Prabal Goyal
Member
Ecole Polytechnique



2011 ASME Honors Assembly

(Seated left to right) Joseph A. Falcon, Yvonne C. Brill, Nathan H. Hurt, Paul J. Torpey, Mrs. Sri Komanduri representing the late Ranga Komanduri, Ioannis Miaoulis

(Standing left to right) Victoria A. Rockwell, ASME president (2011–2012), Karen A. Thole, chair, Committee on Honors, J.N. Reddy, Adrian Bejan; Clayton Daniel Mote, Jr., Thomas P. Pastor, Mukund Komanduri, son of Ranga Komanduri, Lucas Allen, representing Thad W. Allen, and Thomas G. Loughlin, ASME executive director

TREASURER'S REPORT



Webb Marner

I am pleased to present the fiscal year 2012 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 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 remain at or above industry standards, reflecting both financial strength and liquidity. ASME is tax exempt under Section 501 (c) (3) of the Internal Revenue Code.

ASME operations again had a good year, especially considering the state of the economy, with a slight operating deficit of \$0.8 million, or 0.8% of revenue. Revenue remained above \$105 million for the second consecutive year, a notable accomplishment in the second year of the boiler code cycle, due to solid growth from Conformity Assessment and royalties from licensed/digital sales of Codes & Standards. Investments contributed favorably \$0.5 million, but an additional adjustment of \$10.8 million for a comprehensive income charge related to 2012's change in pension and postretirement other than periodic cost resulted in an aggregate decrease in net assets of \$11.1 million. The ASME General Fund had a decrease of \$11.0 million with an operating loss of \$0.9 million and a non-operating reduction of \$10.1 million.

ASME's Statements of Financial Position show total assets of \$155.8 million as of June 30, 2012. This reflects a 3% decrease from 2011 while total liabilities increased 10% over the same period. The decrease in assets was primarily attributable to lower cash and investment balances while the increase in liabilities resulted mostly from an increase in accrued employee benefits associated with the ASME defined benefit pension plan. Overall, ASME net assets ended at \$78.7 million, 12% lower than 2011.

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

Webb Marner

Webb Marner
2012 ASME Treasurer

CONSOLIDATED FINANCIAL STATEMENTS

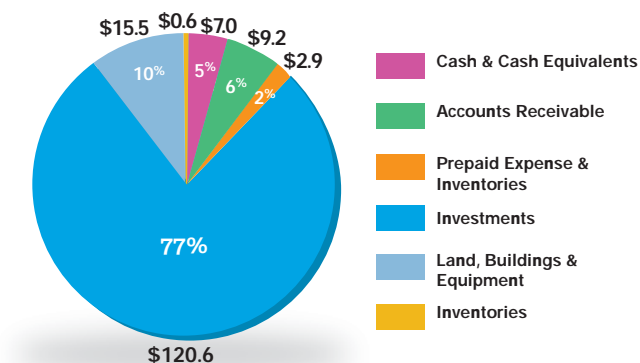
ASME

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

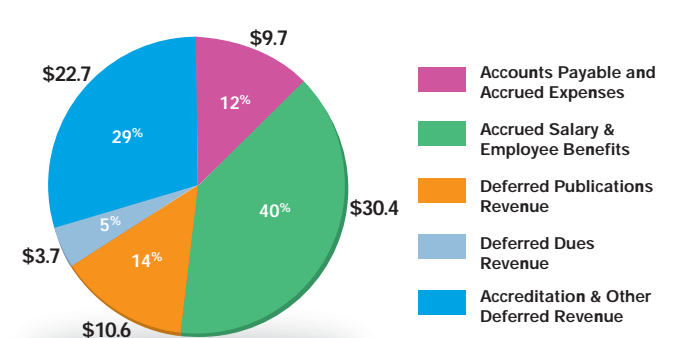
As of June 30, 2012 (With Comparative Totals as of June 30, 2011)	General	Designated and restricted	2012 Total	2011 Total
Assets				
Cash and cash equivalents (notes 2 and 13)	\$6,016,785	\$1,016,173	\$7,032,958	\$10,991,136
Accounts receivable, less allowance for doubtful accounts of \$207,300 in 2012 and \$172,300 in 2011.	8,665,237	514,907	9,180,144	9,175,975
Inventories	643,494	—	643,494	745,393
Prepaid expenses, deferred charges, and deposits	2,736,212	111,129	2,847,341	2,683,080
Investments (notes 2 and 4)	97,859,935	22,714,700	120,574,635	123,137,031
Property, furniture, equipment, and leasehold improvements, net (note 5)	15,538,744	5,194	15,543,938	13,206,497
Total assets	\$131,460,407	\$24,362,103	\$155,822,510	\$159,939,112
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$4,358,194	\$5,327,955	\$9,686,149	\$5,655,577
Accrued employee benefits (notes 7 and 8)	30,498,789	—	30,498,789	21,583,268
Deferred publications revenue	10,638,672	—	10,638,672	17,443,226
Deferred dues revenue	3,658,578	—	3,658,578	3,510,470
Accreditation and other deferred revenue	22,236,597	414,225	22,650,822	21,980,009
Total liabilities	71,390,830	5,742,180	77,133,010	70,172,550
Commitments (note 11)				
Net assets:				
Unrestricted	60,069,577	18,112,723	78,182,300	89,229,906
Temporarily restricted (notes 2, 9, and 10)	—	370,633	370,633	400,089
Permanently restricted (notes 2, 9, and 10)	—	136,567	136,567	136,567
Total net assets	60,069,577	18,619,923	78,689,500	89,766,562
Total liabilities and net assets	\$131,460,407	\$24,362,103	\$155,822,510	\$159,939,112

See accompanying notes to the consolidated financial statements.

Total Assets of \$155.8 million



Total Liabilities of \$77.1 million



CONSOLIDATED FINANCIAL STATEMENTS

ASME

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2012

(With Comparative Totals for June 30, 2011)

	2012	2011
Cash flows from operating activities		
(Decrease) Increase in net assets	\$(11,077,062)	\$27,027,584
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,962,693	1,987,463
Realized/unrealized loss (gain) on investments	2,488,876	(15,102,196)
Bad debt expense (recapture)	35,000	(5,700)
Changes in assets and liabilities:		
Increase in accounts receivable	(39,169)	(2,539,103)
Decrease in inventories	101,899	102,254
Increase in prepaid expenses, deferred charges, and deposits	(164,261)	(1,576,650)
Increase in accounts payable and accrued expenses	4,030,572	349,268
Increase in accrued employee benefits	8,915,521	2,436,068
(Decrease) Increase in deferred publications revenue	(6,804,554)	15,778,112
Increase in deferred dues revenue	148,108	235,167
Increase (Decrease) in accreditation and other deferred revenue	670,813	(2,001,476)
Net cash provided by operating activities	<u>2,268,436</u>	<u>26,690,791</u>
Cash flows from investing activities		
Purchases of investments	(40,817,043)	(35,953,418)
Proceeds from sales of investments	40,890,563	15,101,550
Acquisition of fixed assets	(6,300,134)	(4,146,711)
Net cash used in investing activities	<u>(6,226,614)</u>	<u>(24,998,579)</u>
Net (decrease) / increase in cash and cash equivalents	(3,958,178)	1,692,212
Cash and cash equivalents at beginning of year	10,991,136	9,298,924
Cash and cash equivalents at end of year	<u>\$7,032,958</u>	<u>\$10,991,136</u>

See accompanying notes to the consolidated financial statements.



Independent Auditors' Report

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, 2012 and 2011, 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

The Board of Governors of
The American Society of Mechanical Engineers:

financial statements. An audit also includes 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.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
September 5, 2012

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30, 2012

(With Comparative Totals for June 30, 2011)

	General	Designated and restricted (notes 1, 9 & 10)	2012 Total	2011 Total
Operating revenue (note 6)				
Membership dues, publications, accreditation, conference fees, and other revenue by sector / operating unit:				
Codes and Standards	\$32,530,362	\$212,084	\$32,742,446	\$35,891,865
Conformity Assessment	28,500,350	—	28,500,350	26,950,634
Training and Development	7,435,355	—	7,435,355	6,462,631
Public Affairs and Outreach	332,316	1,646,846	1,979,162	1,914,321
Knowledge and Community	2,076,155	2,756,196	4,832,351	5,400,110
Institutes Sector	—	4,778,930	4,778,930	4,872,131
Publications	14,139,272	—	14,139,272	14,243,464
Membership	10,643,341	—	10,643,341	9,951,959
Members' voluntary contributions	—	16,360	16,360	377,740
Miscellaneous Revenue	507,883	—	507,883	291,138
Total operating revenue	<u>96,165,034</u>	<u>9,410,416</u>	<u>105,575,450</u>	<u>106,355,993</u>
Operating expenses				
Program services by sector / operating unit:				
Codes and Standards	13,687,062	1,211,591	14,898,653	16,811,559
Conformity Assessment	17,650,189	—	17,650,189	18,222,854
Training and Development	6,741,661	—	6,741,661	6,053,760
Public Affairs & Outreach	8,701,143	1,299,240	10,000,383	8,682,033
Knowledge and Community	6,953,615	2,276,626	9,230,241	9,513,675
Institutes Sector	—	4,320,262	4,320,262	3,616,055
Publications	13,413,717	—	13,413,717	10,696,502
Membership	3,112,148	—	3,112,148	2,740,776
Total program services	<u>70,259,535</u>	<u>9,107,719</u>	<u>79,367,254</u>	<u>76,337,214</u>
Supporting services:				
Board of Governors and Committees	2,713,683	206,782	2,920,465	2,967,089
Marketing	10,339,847	—	10,339,847	8,701,025
General Administration	13,778,475	—	13,778,475	10,700,943
Total operating expenses	<u>97,091,540</u>	<u>9,314,501</u>	<u>106,406,041</u>	<u>98,706,271</u>
(Deficit) / excess of operating revenue over operating expenses	(926,506)	95,915	(830,591)	7,649,722
Nonoperating activities				
Interest and dividends, net of investment fees of \$204,881 in 2012 and \$223,972 in 2011	2,508,099	491,366	2,999,465	2,554,602
Realized/unrealized (loss) / gain on investments (note 4)	<u>(1,847,562)</u>	<u>(641,314)</u>	<u>(2,488,876)</u>	<u>15,102,196</u>
(Decrease) increase in net assets (note 9)	(265,969)	(54,033)	(320,002)	25,306,520
Pension and post-retirement changes other than net periodic costs (notes 7 and 8)	<u>(10,757,060)</u>	<u>—</u>	<u>(10,757,060)</u>	<u>1,721,064</u>
(Decrease) increase in net assets (note 9)	(11,023,029)	(54,033)	(11,077,062)	27,027,584
Net assets at beginning of year	71,092,606	18,673,956	89,766,562	62,738,978
Net assets at end of year	<u>\$60,069,577</u>	<u>\$18,619,923</u>	<u>\$78,689,500</u>	<u>\$89,766,562</u>

See accompanying notes to the consolidated financial statements.

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 in the State of New York 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 serve diverse global communities by advancing, disseminating and applying engineering knowledge for improving the quality of life, and communicating the excitement of engineering.

The accompanying consolidated financial statements do not include the assets, liabilities, revenue and expenses of the Society's sections (unincorporated geographical subdivisions which 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 four 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, the Asia Pacific ("AP") LLC, and the Engineering for Change ("E4C") 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. E4C facilitates the development of affordable, locally appropriate and sustainable solutions to the most pressing humanitarian challenges. 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, 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 9). 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:

Codes & Standards. Revenue includes publication sales of Codes and Standards. 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 has been published every three years. This publication cycle causes variances in the related revenue and deferred publications revenue accounts from year to year. The 2011 Boiler Code was released in July 2010. The next Boiler Code is scheduled to be released in July 2013. Beginning with the 2014 Boiler Code, the publication cycle for the Boiler Code will be reduced to two years.

Conformity Assessment. Revenue includes accreditation program fees. All accreditation revenues and expenses are recognized in the period that the accreditation process is completed and certificates and/or stamps are issued.

Training & Development. Revenue includes registration fees for and publication sales related to continuing education courses provided by the Society. Revenue and expenses are recognized in the period the program is held.

Public Affairs and Outreach. Revenue is composed principally of sales of miscellaneous publications and government grant revenue. Publication sales are recognized upon shipment of the publications. 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 for improving engineering education, promoting diversity in the profession, public awareness, and development of future Society leaders.

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 and meeting, conference, and exhibit fees from the International Gas Turbine Institute ("IGTI") and the International Petroleum Technology Institute ("IPTI"), collectively (the "Institutes"). All fees are recognized in the period the program is held. Expenses relate to the Institutes' continuing education program, development and accreditation of engineering curricula, and to IGTI and IPTI technical activities.

Publications. Revenue includes publication sales. Publication sales are recognized upon shipment of the publications except for some subscription based activity where the revenue is recognized over the term of the subscription. Expenses relate to publication activities.

Membership. Revenue includes member dues and royalties from membership-based affinity programs. Member dues are recognized over the applicable membership period. Affinity revenue is recognized over the term of the scheduled payment period. Expenses relate to membership activities, as well as membership standards, grades, recruitment, and retention, and to the Society's technical activities.

Cash Equivalents

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

Investments

Investments are reported at fair value in the consolidated statements of financial position (see note 4). 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. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

Fair Value Measurements

Fair value measurements are based on 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 4.

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 3 to 30 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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reported period. Actual results could differ from those estimates.

Nonoperating Activities

The consolidated statements of activities distinguish between operating and nonoperating activities. Nonoperating activities include investment returns (interest and dividends, as well as appreciation or depreciation in fair value of investments), certain pension and postretirement changes, and nonrecurring revenues 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 Funds, the ITI LLC, the ST LLC, the AP LLC, and the E4C LLC funds. The ASME Development Fund is funded by member voluntary contributions for the purpose of launching new programs. The ASME Custodial Funds hold and invest institute, division and section funds. These funds are used by institutes, 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, 2012 and 2011, ASME determined that an allowance for uncollectable accounts is necessary for accounts receivable in the amount of \$207,300 and \$172,300, respectively. This determination is based on 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 5, 2012, the date the consolidated financial statements

were available to be issued. No events have occurred subsequent to the consolidated statement of financial position dated through September 5, 2012, that would require adjustment to or disclosure in the accompanying consolidated financial statements.

Income Taxes

ASME had no uncertain tax positions as of June 30, 2012 and 2011 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. ASME is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2009 and prior years.

Reclassifications

Certain line items in the June 30, 2011 consolidated financial statements have been reclassified to conform to the June 30, 2012 presentation.

3. Transactions with Related Parties

The Society performs certain administrative functions for the Auxiliary. The Society charges for all direct expenses along with additional charges and then records a donation for the services. In fiscal years 2012 and 2011, such charges totaled \$27,416 and \$24,773, respectively. The contributed services are included in the supporting services sector expenses on the accompanying consolidated statements of activities.

The Society performs certain administrative functions for the Foundation as well as managing the development office. The Society charges the Foundation for all direct expenses along with additional charges for office space and other support services. In fiscal years 2012 and 2011, such charges totaled \$449,036 and \$507,971, respectively. In fiscal years 2012 and 2011, the Foundation made total contributions of \$66,000 and \$25,000, respectively, to ASME in support of honors and awards. Foundation payments for services are included in miscellaneous revenue in the consolidated statements of activities. In each of the fiscal years 2012 and 2011 the Society contributed \$39,000 for award programs to the Foundation.

4. Investments

Investments of the Society, as well as amounts held on behalf of the Foundation and the Auxiliary, are combined on a fair value basis. FASB guidance defines fair value as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under ASC 820 as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under ASC 820 are described below:

- **Level 1.** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments in Level 1 include listed equities and U.S. government debt.
- **Level 2.** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments in this category may include certain corporate debt and less liquid securities, such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
- **Level 3.** Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments in this category generally include equity and debt positions in private companies.

CONSOLIDATED FINANCIAL STATEMENTS

ASME

Notes to Consolidated Financial Statements June 30, 2012 and 2011

In determining fair value, the Society utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The following methods and assumptions were used in estimating the fair values of significant financial instruments at June 30, 2012 and 2011.

Mutual Funds:

Mutual funds are valued based upon quoted market prices determined in an active market. There are no restrictions on redemptions of these funds.

Common Stock:

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Shares are liquid with conversion to cash generally within a few days.

Investments, measured at fair value on a recurring basis, are classified as Level 1 and consist of the following at June 30, 2012 and 2011:

	2012	2011
Common stock - managed funds:		
Consumer discretionary	\$1,172,980	\$565,506
Consumer staples	806,092	241,152
Energy	208,195	483,038
Financials	806,456	570,158
Health care	251,550	—
Industrials	1,485,037	1,285,308
Information technology	795,312	516,200
Materials	633,202	644,301
Telecom services	401,983	300,898
Utilities	431,225	351,805
Total common stock - managed funds	<u>6,992,032</u>	<u>4,958,366</u>
Equity - mutual funds:		
Consumer discretionary	5,401,543	8,081,205
Consumer staples	5,119,309	6,049,067
Energy	8,499,770	13,105,877
Financials	7,167,421	9,119,724
Health care	6,165,992	8,816,103
Industrials	6,521,107	8,331,838
Information technology	10,238,389	10,894,990
Materials	2,632,574	6,816,465
Telecom services	2,492,403	2,669,348
Utilities	1,069,633	1,545,270
REITs	1,390,406	755,182
Commodities - gold & silver	—	521,453
Total equity - mutual funds	<u>56,698,547</u>	<u>76,706,522</u>
Bonds and fixed income - managed funds	28,705,831	29,759,830
Mutual funds - bonds and fixed income	48,405,232	31,822,335
Money market funds	2,473,370	3,939,575
Total Portfolio	<u>143,275,012</u>	<u>147,186,628</u>
Less undivided interest held on behalf of the Foundation	(21,341,290)	(22,623,679)
Less undivided interest held on behalf of the Auxiliary	<u>(1,359,087)</u>	<u>(1,425,918)</u>
TOTAL ASME	<u>\$120,574,635</u>	<u>\$123,137,031</u>

Realized/unrealized (loss) gain on investments for the years ended June 30, 2012 and 2011 consists of the following:

	2012	2011
Realized gain on investment transactions	\$1,767,906	\$1,885,962
Unrealized (loss) / gain	<u>(4,256,782)</u>	<u>13,216,234</u>
	<u>\$(2,488,876)</u>	<u>\$15,102,196</u>

5. Property, Furniture, Equipment, and Leasehold Improvements

Property, furniture, equipment, and leasehold improvements at June 30, 2012 and 2011 consist of the following:

	2012	2011
Land	\$583,077	\$583,077
Building and building improvements	2,805,797	2,798,516
Computer equipment	26,946,647	21,777,650
Leasehold improvements	5,191,324	4,503,171
Furniture and fixtures	5,781,645	5,587,700
Others	41,338	54,032
	<u>41,349,828</u>	<u>35,304,146</u>
Less accumulated depreciation and amortization	<u>(25,805,890)</u>	<u>(22,097,649)</u>
	<u>\$15,543,938</u>	<u>\$13,206,497</u>

Construction in Progress of \$7,393,195 is included in the above property, furniture, equipment, and leasehold improvements at June 30, 2012. The estimated cost to complete these projects at various dates through January 2013 is approximately \$12,460,000.

Depreciation and amortization expenses amounted to \$3,962,693 and \$1,987,463 for the years ended June 30, 2012 and 2011, respectively. In January 2012, ASME signed a lease agreement to move the corporate headquarter from 3 Park Avenue to 2 Park Avenue. This move is scheduled for January 2013. ASME currently has assets associated with 3 Park Avenue and has accelerated the depreciation for these assets. The accelerated depreciation will reduce the asset value to zero by December 31, 2012. The additional depreciation for the year ended June 30, 2012 is \$873,924. During the years ended June 30, 2012 and 2011, ASME wrote off fully depreciated property and equipment amounting to \$254,452 and \$2,137, respectively.

6. 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, 2012 and 2011, summarized by type:

	2012	2011
Membership dues	\$8,192,626	\$8,084,246
Codes and standards and technical publication revenue	46,881,718	50,135,329
Accreditation revenue	28,500,350	26,950,634
Conferences, exhibits, and course fees	17,046,636	16,734,872
Other operating revenue	4,429,877	3,782,034
Members' voluntary contributions	16,360	377,740
Miscellaneous	507,883	291,138
	<u>\$105,575,450</u>	<u>\$106,355,993</u>

7. Pension Plans

The Society has a noncontributory defined benefit pension plan (the "Plan") covering approximately 55% 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 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.

During the 2012 fiscal year, there were no significant events that would require remeasurement. The Society's obligation as of June 30, 2012 reflects the assumption to cease accrual of any further benefits under the Plan effective on the last day of the Plan year during which the number of participants actively accruing benefits under the Plan as of April 1 of such Plan year is 60 or lower. The obligation as of June 30, 2012 reflects the assumption of no future benefits accrual after the Plan year ending June 30, 2022. Such amendment reduced the Society's obligation as of June 30, 2012 by \$3,449,211.

The funded status reported on the consolidated statements of financial position as of June 30, 2012 and 2011, in accordance with ASC 715-30 was measured as the difference between 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, 2012 and 2011:

	2012	2011
Benefit obligation at June 30,	\$(63,402,727)	\$(50,549,875)
Fair value of plan assets at June 30,		
net of accounts payable and accrued expenses	40,523,947	37,198,917
Funded status	<u>\$(22,878,780)</u>	<u>\$(13,350,958)</u>
Amounts recognized in the consolidated statements of financial position:		
Accrued employee benefits	(22,878,780)	(13,350,958)
Total net periodic benefit cost	3,249,079	3,478,349
Employer contributions	4,000,000	2,000,000
Benefits paid	(2,391,635)	735,839

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

	2012	2011
Discount rate	4.50%	5.75%
Rate of compensation increase	3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2012 and 2011:		
Discount rate	5.75%	6.00%
Expected return on plan assets	7.50	7.50
Rate of compensation increase	3.50	3.50

The accumulated benefit obligation for the Plan was \$53,603,543 and \$38,962,608 at June 30, 2012 and 2011, respectively.

Other changes in plan assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Net (loss) gain	\$(14,868,964)	\$789,452
Prior service credit	3,449,211	—
Amortization of loss	1,174,931	1,346,980
Amortization of prior service credit	(33,921)	(33,921)
Net amount recognized in change in unrestricted net assets	<u>\$(10,278,743)</u>	<u>\$2,102,511</u>

The net periodic pension cost for the years ended June 30, 2012 and 2011 includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

	2012	2011
Amortization of loss	\$1,174,931	\$1,346,980
Amortization of prior service cost	(33,921)	(33,921)

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 ASC 715-30 as of June 30, 2012 and 2011 are as follows:

	2012	2011
Net actuarial loss	\$29,288,156	\$15,594,123
Prior service credit	(3,715,829)	(300,539)
Net amounts recognized in unrestricted net assets	<u>\$25,572,327</u>	<u>\$15,293,584</u>

The fair value hierarchy defines three levels, as further described in note 4. Plan assets carried at fair value at June 30, 2012 and 2011 are classified in the table as Level 1 as follows:

	2012	2011
Mutual funds invested in equity securities	\$15,804,339	\$14,507,578
Mutual funds invested in debt securities	21,072,452	19,343,437
Other	3,647,156	3,347,902
Plan assets total	<u>\$40,523,947</u>	<u>\$37,198,917</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 Society's pension plan weighted average asset allocations at June 30, 2012 and 2011, by asset category, are as follows:

	2012	2011
Mutual funds invested in equity securities	39%	47%
Mutual funds invested in debt securities	52	44
Other	9	9
	<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. Investments, broken down by industry sector, are as follows at June 30, 2012 and 2011:

	2012	2011
Consumer discretionary	\$1,349,224	\$1,615,503
Consumer staples	1,290,466	1,293,073
Energy	2,266,566	2,121,779
Financials	1,968,302	2,080,509
Health care	1,557,172	1,804,226
Industrials	1,401,193	1,596,051
Information technology	2,000,447	1,980,456
Manufacturing & materials	1,184,316	2,391,195
Telecom services	578,246	605,019
Utilities	357,845	403,625
Bonds & other fixed income	25,163,696	19,500,183
REIT	434,746	273,689
Commodities	—	187,814
Money market funds	971,728	1,345,795
Total Plan Investments	<u>\$40,523,947</u>	<u>\$37,198,917</u>

The Society expects to contribute \$3,000,000 to the Plan in fiscal year 2013.

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Amounts in unrestricted net assets and expected to be recognized as components of net periodic benefit cost over fiscal year 2013 are as follows:

Net loss (gain)	\$2,604,754
Prior services cost (credit)	(425,432)

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

Year Ending June 30:	Amount
2013	\$2,655,919
2014	3,349,420
2015	3,596,164
2016	3,355,531
2017	3,866,079
2018–2022	22,990,388

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 qualified (i.e., tax-exempt) retirement plans. The effect of the federal limits was that the compensation of persons 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 compensation limit for qualified plan contributions, subject to ASME's Board of Governors' approval.

During the 2012 fiscal year, there were no significant events that would require remeasurement. The obligation as of June 30, 2012 reflects the amendment to cease accrual of any further benefits under the Plan effective on the last day of the Plan Year during which the number of participants actively accruing benefits under the Plan as of April 1 of such Plan Year is 60 or fewer. The obligation as of June 30, 2012 reflects the assumption of no future benefit accrual after the Plan Year ending June 30, 2022. Such amendment reduced the Society's obligation by \$170,349 as of June 30, 2012.

The following table provides information with respect to the SERP as of and for the years ended June 30, 2012 and 2011:

	2012	2011
Benefit obligation at June 30,	\$ (1,014,848)	\$ (795,624)
Fair value of plan assets at June 30,	-	-
Funded status	\$ (1,014,848)	\$ (795,624)
Amounts recognized in the consolidated statements of financial position:		
Accrued employee benefits	(1,014,848)	(795,624)
Total net periodic benefit cost	134,880	51,362
Employer contributions	-	-
Benefits paid	-	-
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	4.50%	5.75%
Rate of compensation increase	3.50	3.50
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2011 and 2010:		
Discount rate	5.75%	6.00%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	3.50	3.50

The accumulated benefit obligation for the SERP was \$633,421 and \$454,234 at June 30, 2012 and 2011, respectively.

Other changes in SERP assets and benefit obligations recognized in the change in unrestricted net assets for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Net gain (loss)	\$(301,096)	\$(328,028)
Prior service cost (credit)	170,349	-
Amortization of loss	83,873	49,077
Amortization of prior service cost (credit)	(37,470)	(37,470)
Net amount recognized in change in unrestricted net assets	\$(84,344)	\$(316,421)

The net periodic pension cost for the years ended June 30, 2012 and 2011 includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

	2012	2011
Amortization of loss	\$83,873	\$49,077
Prior service cost	(37,470)	(37,470)

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

	2012	2011
Net actuarial loss	\$998,806	\$781,583
Prior service cost (credit)	(415,327)	(282,448)
Net amounts recognized in unrestricted net assets	\$583,479	\$499,135

Amounts in unrestricted net assets and expected to be recognized as components of net periodic benefit cost over fiscal year 2013 are as follows:

Net (gain) loss	\$78,232
Prior service cost (credit)	(52,322)

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

Year ending June 30:	Amount
2013	\$ -
2014	2,108
2015	2,966
2016	3,803
2017	4,953
2018–2022	365,168

The Society has a qualified defined contribution plan covering all eligible full-time employees hired after December 31, 2005. The Society is required to make 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, 2012 and 2011 are \$315,388 and \$256,889, 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 \$848,000 for the years ended June 30, 2012 and 2011, respectively.

8. Postretirement Healthcare and Life Insurance Benefits

The Society provides certain healthcare and life insurance benefits to retired employees (the "Postretirement Plan"). For eligible retirees hired 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 twenty years of service or age 62 with ten 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. As discussed in note 7, the Society adopted the provisions of ASC 715-60.

The following table provides information with respect to the postretirement benefits as of and for the years ended June 30, 2012 and 2011:

	2012	2011
Postretirement benefit obligation	\$(2,642,908)	\$(2,357,876)
Accrued benefit recognized	(2,642,908)	(2,357,876)
Net periodic postretirement benefit cost	(25,462)	(19,694)
Employer contribution	83,479	125,218
Plan participants' contribution	66,695	73,972
Benefits paid	150,174	199,190

Estimated amounts that will be amortized from unrestricted net assets into net periodic benefit cost in the fiscal year ending in 2013 are as follows:

Actuarial (gain)/loss	\$(21,853)	\$(38,491)
Prior service cost/(credit)	(74,263)	(161,434)
Weighted average assumptions used to determine benefit obligations at June 30:		
Discount rate	3.75%	5.25%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	3.50%	3.50%
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	2018	2018
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2012 and 2011:		
Discount rate	5.25%	5.50%
Expected return on plan assets	n/a	n/a
Rate of compensation increase	3.50%	3.50%
Healthcare cost trend:		
Increase from current year to next fiscal year	8.00%	8.50%
Ultimate rate increase	5.00%	5.00%
Fiscal year that the ultimate rate is attained	2018	2018

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, 2012 and 2011, is as follows:

	2012	2011
Net (gain) loss	\$(529,805)	\$(762,344)
Prior service cost (credit)	(74,263)	(235,697)
Net amount recognized in unrestricted net assets	\$(604,068)	\$(998,041)

The net periodic benefit cost for the years ended June 30, 2012 and 2011 includes reclassifications of amounts previously recognized as changes in unrestricted net assets as follows:

	2012	2011
Amortization of gain	\$(41,507)	\$(35,787)
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, 2012 and 2011 are as follows:

	2012	2011
Net actuarial (loss) gain	\$(232,539)	\$96,408
Prior service cost (credit)	(161,434)	(161,434)
Net amounts recognized in unrestricted net assets	\$(393,973)	\$(65,026)

Healthcare cost rate trend:

- Assumed healthcare cost trend rate for the next year: 7.5%
General description of the direction and pattern of change in the assumed trend rates thereafter: -0.5% per year to 5%, then 5% thereafter
Ultimate trend rate and when that rate is expected to be achieved: 5.0%
- One Percentage Point Increase:
Effect on total service and interest cost: \$15,231
Effect on end of year postretirement benefit obligations: \$156,708
- One Percentage Point Decrease:
Effect on total service and interest cost: \$(13,194)
Effect on end of year postretirement benefit obligations: \$(137,419)

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

Year ending June 30:	Amount
2013	\$189,046
2014	184,237
2015	178,655
2016	185,147
2017	204,194
2018–2022	1,093,623

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9. 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, 2012 and 2011:

	2012		2011	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Award programs	\$186,402	\$40,110	\$187,195	\$40,110
The Engineering Library	184,231	74,695	212,842	74,695
Membership programs	—	21,762	52	21,762
	<u>\$370,633</u>	<u>\$136,567</u>	<u>\$400,089</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 2012 and 2011. Temporarily restricted activity for 2012 and 2011 is summarized below:

	2012	2011
Interest and dividends, net of investment fees	\$16,704	\$18,952
Realized/unrealized (loss) gain in fair value of investments	(10,494)	123,126
Net assets released from restrictions	(35,666)	(49,704)
(Decrease) increase in temporarily restricted net assets	<u>\$(29,456)</u>	<u>\$92,374</u>

The (decrease) / increase in unrestricted net assets in 2012 and 2011 was (\$11,072,860) and \$26,935,210, respectively.

10. Endowment Net Assets

The Society recognized that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaces the prior law, which was the Uniform Management of Institutional Funds Act ("UMIFA").

In addition, NYPMIFA created a rebuttable, presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

The Society's Board of Governors has interpreted NYPMIFA as allowing the Society to appropriate for expenditure or accumulate so much of an endowment fund as the Society determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Governors. As a result of this interpretation, the Society has not changed the way permanently restricted net assets are classified. See note 2 for how the Society classifies its net 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 provides 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, 2012:

	Temporarily Restricted	Permanently Restricted	Total Endowment Investments
Endowment net assets, beginning of year	\$400,089	\$136,567	\$536,656
Contributions to endowment	—	—	—
Investment Activity:			
Interest and dividends	16,704	—	16,704
Realized gain on investments	9,867	—	9,867
Unrealized loss on investments	(20,361)	—	(20,361)
Total investment activity	<u>6,210</u>	<u>—</u>	<u>6,210</u>
Amount appropriated for expenditure	(35,666)	—	(35,666)
Endowment net assets, end of year	<u>\$370,633</u>	<u>\$136,567</u>	<u>\$507,200</u>

Changes in endowment net assets for the year ended June 30, 2011:

	Temporarily Restricted	Permanently Restricted	Total Endowment Investments
Endowment net assets, beginning of year	\$307,715	\$136,567	\$444,282
Contributions to endowment	—	—	—
Investment Activity:			
Interest and dividends	18,952	—	18,952
Realized gain on investments	14,541	—	14,541
Unrealized gain on investments	108,585	—	108,585
Total investment activity	<u>142,078</u>	<u>—</u>	<u>142,078</u>
Amount appropriated for expenditure	(49,704)	—	(49,704)
Endowment net assets, end of year	<u>\$400,089</u>	<u>\$136,567</u>	<u>\$536,656</u>

Endowment net assets of \$507,200 and \$536,656 are included with investments on the consolidated statements of financial position for the fiscal year ended June 30, 2012 and 2011, respectively.

11. Commitments

The Society's principal offices are located at 3 Park Avenue, New York, 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, reducing the rent by 25%. On December 15, 2010, the Society leased additional space, expiring on September 30, 2013. Approximate rental payments for fiscal year 2013 is approximately \$2,315,000, and payment for partial fiscal year 2014 is \$578,700.

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.

The Society entered into a rental agreement to move its principal offices to 2 Park Avenue, New York. The lease is effective from January 1, 2012 to December 31, 2026. Lease payments on an annual basis are approximately \$4,300,000 for years 1-5, \$4,665,000 for years 6-10, and \$5,062,000 for years 11-15.

In connection with this lease, the Society has provided as security a \$2,134,133 letter of credit. No amounts have been drawn against this letter of credit.

The Society entered into a new lease agreement for the property located at 1828 L Street NW, Washington, DC. The lease is effective from November 1, 2011 to October 31, 2022. The first four months of lease payments have been abated thereby reducing the rent to approximately \$129,000 in fiscal year 2012. Future lease payments are approximately \$396,000 for fiscal year 2013, \$406,000 for fiscal year 2014, \$416,000 for fiscal year 2015, \$427,000 for fiscal year 2016, and \$445,000 for fiscal year 2017. The remaining rent payments of approximately \$2,397,000 will be paid in fiscal years 2018 to fiscal year 2022.

In addition to its principal offices, the Society also has a number of other lease commitments for regional offices and office equipment expiring through 2026.

The following is a schedule of the approximate minimum future rentals on all leases at June 30, 2012:

Year ending June 30:	Amount
2013	\$7,163,185
2014	5,377,312
2015	4,811,416
2016	4,886,077
2017-2026	<u>51,657,167</u>
	<u>\$73,895,157</u>

Rent expense under all of the Society's leases was approximately \$5,438,000 and \$2,630,000 in 2012 and 2011, respectively. The Society sublet space in one of its operating offices and subrental income was approximately \$50,200 and \$78,000 in 2012 and 2011, respectively.

12. 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, 2012. 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, 2012 and August 31, 2012, the Society had not drawn any funds from this line of credit.

13. Concentration of Credit Risk

ASME maintains cash and cash equivalents in several major financial institutions. Cash in banks are insured by the Federal Deposit Insurance Corporation ("FDIC"). In 2010, FDIC insurance coverage for interest-bearing accounts was increased from \$100,000 to \$250,000, expiring December 31, 2013. For non-interest-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, 2012 and 2011, cash accounts in financial institutions exceeded the federal insured limits by approximately \$5,795,000 and \$9,619,000, respectively.

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