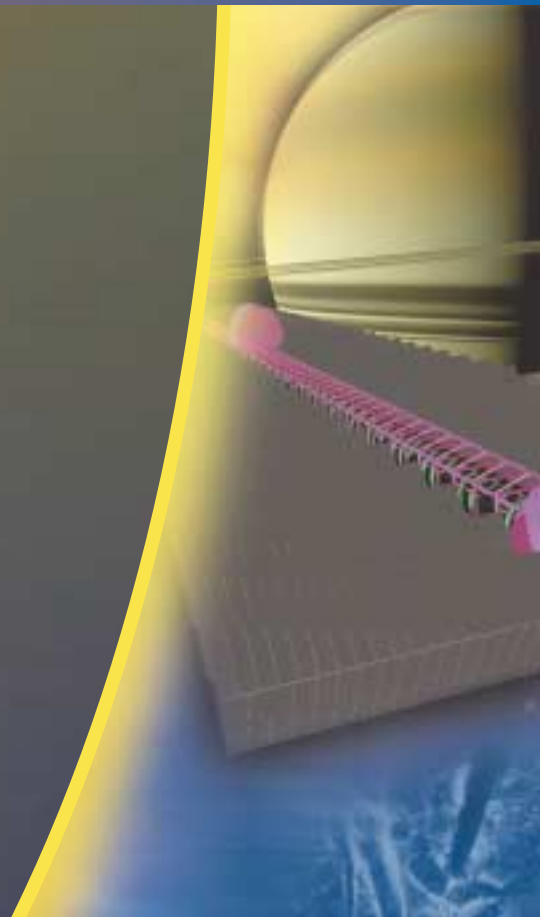




ANNUAL REPORT 2002-2003



THE ASME FOUNDATION 2002-2003



ASME President Susan H. Skemp presents one of the Society's seven \$5000 FIRST Scholarships to Scott Garver of Waterford, Mich. At left is Willard A. Nott, vice president of the ASME Board on Pre-College Education.

Individuals, corporations, and foundations gave generously to support the ASME Foundation and its programs in 2002-2003, contributing to its continued strength and effectiveness. The Board of Directors' Task Force on Trustees, led by P.J. Adam, spearheaded a successful drive to expand the Board to include leaders from academia and industry. Nancy Fitzroy, Robert Lott, and Roy Trowbridge each completed two terms as directors.

The Foundation received a Development Fund grant from the ASME Board of Governors to establish a comprehensive Planned Giving Program as a service to ASME members. An advisory committee, chaired by John Mihm, was established to provide volunteer oversight and advocacy. Also, the Archimedes Club was established to recognize those who make a lasting contribution to the profession through a planned gift. The club's motto is Archimedes' saying, "Give me where to stand and I will move the earth." The Web site, www.foundation.asme.org, was revamped to provide information on planned giving.

The ASME Foundation grant program was endowed by the contributors to the *World Class . . . by Design* capital campaign and also by Leighton and Margaret Orr. The program

focused on public policy, professional development, and improved technical literacy in grades K through 12.

New Grants

In 2002, three grants were awarded totaling \$220,000:

- \$25,000 for five \$5,000 ASME FIRST (For the Inspiration and Recognition of Science and Technology) Scholarships for high school seniors
- \$86,000 for the second year of a three-year project to develop the Professional Practice Curriculum, which is aimed at helping students prepare themselves so that they grow into responsible engineers
- \$109,000 to place two ASME engineering fellows in the White House Office of Science and Technology Policy to assist U.S. government officials regarding homeland security

Grants Update

Four projects received funding in 2001. Two were completed and two are ongoing.

- Seven \$5,000 ASME FIRST scholarships—six funded by a \$30,000 grant and one by the Gracik Fund—provided financial aid to college freshmen
- A grant of \$50,000 supported an engineering fellow to work in the White House on projects relating to anti-terrorism
- The results to date of the ASME Professional Practice Curriculum, which was started with a grant of \$95,000 for the



first year of the project, can be viewed at www.professional-practice.asme.org

- The Web-based Learning Module on Intellectual Property, which received a \$25,000 grant, is under development as a component of the Professional Practice Curriculum

Work continued on four earlier grants. Two were completed and two are in progress.

- Two Middle School Teaching Fellows received \$38,000 in grant money to provide strategic input to improve the quality of teaching instruction
- A \$32,000 grant established a Web site devoted to best practices in high school engineering; the site is: www.asme.org/education/precollege/bestpractice/
- A \$32,000 grant enabled the Society to enhance the print and electronic versions of its mechanical engineering and mechanical engineering technology guidance booklets
- The Policy Gear, a module on public policy and government relations that will be integrated into the Professional Practice Curriculum, received a \$15,000 grant

Scholarships and Loans

The Foundation's scholarship program, a special membership campaign, a Foundation grant, and the Clarke Scholarship Fund, which is given jointly with the ASME Auxiliary, generated \$189,000 for undergraduate and graduate scholarships and fellowships in 2002. The Bruce J. Heim Foundation, for the second year, awarded a \$1,500 scholarship to a graduate student working in space technology. The ASME Student Loan Fund provided 91 low-cost loans totaling \$246,000.

A total of \$84,500 was awarded to 45 high-achieving students demonstrating a median grade-point average of 3.9. The Kugle family endowed a \$40,000 scholarship in memory of Stephen T. Kugle.

The ASME Member-Get-a-Member program, in which 50 percent of first-year dues are earmarked for scholarships for mechanical engineering students, generated \$12,000 in scholarship money for eight students.

The Foundation and the Auxiliary each received a final distribution from the Clarke estate of nearly \$370,000, bringing the combined gift to nearly \$1.4 million. Since its inception,



the Clarke Scholarship has been awarded to colleges and universities with outstanding ASME student sections. The Foundation and the Auxiliary have approved, on a trial basis, a plan allowing the use of Clarke monies for FIRST Scholarships, in addition to scholarships for schools.

Honors and Awards

The Foundation funded the ASME Honors and Awards Program, which provides incentives for achievement in specific areas of mechanical engineering. For example, Leighton Orr and his wife, Margaret, made a gift to endow the Leighton and Margaret Orr Award for Best Paper on Fractures or Failure Investigation. William Curtin and the ASME Materials Division, in cooperation with the Foundation, established the framework for the award. The Board on Diversity and Outreach and the Foundation worked cooperatively to raise funds to make the former BMW Award a prominent Society-wide award. Fund-raising efforts were started for the Trigger & Chao Award, which recognizes excellence in manufacturing research, and for the Spirit of St. Louis Award, which is presented to individuals responsible for advancing the field of aeronautics and aviation.

THE ASME FOUNDATION 2002-2003

Additional Support

The annual appeal raised \$28,831 from 211 donors. American Electric Power made a gift in honor of ASME Trustee Richard Pawliger, recognizing his contributions as a volunteer. ASME staff contributed to a special ASME FIRST Scholarship. Lockheed Martin provided support for the "Celebration of Flight" event at the 2003 Mechanical Engineering Congress.

Contributions were made to the Kenneth Andrew Roe Scholarship Fund in memory of Hazel Roe. Contributions were made in memory of John Ingold, Jr., and George Kottnick. Contributions were made in memory of William E. Cooper and Tsung-Chi Tsu, and scholarships will be given in their names.

Looking Ahead

For the first time, the Planned Giving Program is assisting individuals wishing to make a lasting contribution to mechanical engineering as part of their personal, financial, and estate plans. There are currently 20 planned gifts in the pipeline, representing more than \$1.1 million for scholarships and fellowships, educational programs, awards, and grants. These 20 donors, along with others who make planned gifts by November 2004, will have the distinction of being named Founding Members of the Archimedes Club. Recent members of the club include Nancy and



ASME supported the FIRST Lego League at the Houston Astrodome in April.

Roland Fitzroy, Duane Jordan, Carol and Allen Rhodes, Arlene and Roy Trowbridge, and ASME staff members Joseph Holm and David Soukup.

The Foundation is working with other interested ASME members to tailor gift plans. Information seminars on planned giving will be presented at several ASME meetings. To date, 26 donors have bestowed more than \$3.2 million in planned gifts on The ASME Foundation.

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SCHOLARSHIPS

The Kenneth Andrew Roe Scholarship

One award @ \$10,000
Shawn Miloian, Kettering University

The Melvin R. Green Scholarship

Two awards @ \$3,500 each
Jessica Benson, Ohio University
Ryan Bockbrader, The Ohio State University

The Garland Duncan Scholarship

Two awards @ \$3,500 each
Jared Petersen, California Maritime Academy
Emily Snyder, Cedarville University

The William J. & Marijane E. Adams, Jr. Scholarship

One award @ \$2,000
Anthony DeFont, California Polytechnic State University, San Luis Obispo

The F.W. "Beich" Beichley Scholarship

One award @ \$2,000
Kristyn Jackson, University of Texas at Austin

The Frank William & Dorothy Given Miller ASME Auxiliary Scholarship

Two awards @ \$1,500 each
Jessica Hollis, Michigan State University
Shawn O'Connor, Georgia Institute of Technology

The John & Elsa Gracik Scholarship

11 awards @ \$1,500 each
James Anthony, University of Hartford
Justin Ferguson, Illinois Institute of Technology
Timothy Hinerman, Colorado State University
Gregory Imbrogno, Geneva College
Neal Koenig, Michigan State University
Mary Larson, Iowa State University
John Shust, Drexel University
Samantha Steinberg, University of Illinois at Chicago
Gregory Wilson, University of Toledo
Bradley Woodcox, Rose-Hulman Institute of Technology
Melissa Workman, George Fox University

The ASME Foundation Member-Get-a-Member Scholarship

Eight awards @ \$1,500 each
Lauren Fincher, Baylor University
Jason Hamilton, Florida International University
Joan Morrison, University of California, Irvine
Okechukwu Ofili, University of Houston
Matthew Ooms, Calvin College
Vi Rapp, University of Utah
Sidarth Rupani, Worcester Polytechnic Institute
Jack Zausner, University of Wisconsin at Madison

The ASME Foundation Scholarship

15 awards @ \$1,500 each
Jeremiah Bartz, University of North Dakota
Justin Crapps, Mississippi State University
Ashley Erickson, University of Alabama
Aaron Fields, University of Denver
Kevin Frump, Valparaiso University
Stephen Klick, Boise State University
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Rahul Sathe, University of Michigan
Harold Thompson III, Mississippi State University
James Wilde, Michigan State University

The Robert F. Sammataro Pressure Vessels and Piping (PVP) Division Memorial Scholarship

One award @ \$1,000
Paul Witinski, University of Rochester

The Bruce J. Heim Foundation Graduate Scholarship

One award @ \$1,500
Peter Jeziorek, University of California at Los Angeles (for graduate study at MIT)

ASME FIRST Scholarship

Seven awards @ \$5,000 each
Scott Garver, Waterford Kettering High School
Michael Lee, South Fork High School
Adam Madlinger, Bridgewater-Raritan Regional High School
Craig Manzi, Nonnewaug High School
Seth Oxborrow, Cimarron Memorial High School
Cody Peterson, Rapid City Central High School
Eric Van Dyke, Bishop Guertin High School

ASME Staff FIRST Scholarship

One award @ \$2,000
Emily Catalano, Ursuline Academy

Graduate Teaching Fellowship

Four awards @ \$5,000 each
Mary Holloway, Clemson University
Susan Stewart, Georgia Tech
Scott Thomson, Purdue University
Phillip Voglewede, Georgia Tech

2002 Clarke Scholarship (awarded jointly with The ASME Auxiliary)

\$6,000 awards to six colleges for 2002 freshmen
The City College of the City University of New York

- Alex Metzler
- Prae Rasameethripob
- Khandaker Walid

Northeastern University

- Erin Rapacki

Oregon Institute of Technology

- Jon Barton
- Melanie Hunt
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I am honored and proud to receive the Bruce J. Heim Foundation Graduate Scholarship. This scholarship encourages me to continue striving to push the limits of education to learn all that I can while wholeheartedly pursuing my engineering goals of robotic space exploration.

Peter Jeziorek

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It is a privilege to be an ASME student member and officer. I have the opportunity to interact with engineering faculty and professionals, gain leadership experience and help younger students develop an interest in the field of engineering. Receiving the ASME Foundation Scholarship, in addition to all these opportunities, is a bonus.

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Dennis Rowan
Thomas Rudy
Mark Runkle
Richard Rusek
Michael Rynearson

Victor Safarian
Ken Saitoh
Hayder Salem
Jeff Samdal
Prasad Sanagapalli
Nicole Sandoval
Francisco Santos
Vaira Saravanan
Adel Sarofim
Takashi Sasaki
Prabhakar Sathujoda
Subbarao Satish
Takuya Sato
Zuhair Sayed
Bruce Schaller
Glenn Scheffing
Roger Schmidt
Curtis Schmillen
Jeffrey Schwartz
Paul Sedivy
Stefano Segal
Scott Seigel
David Sekuterski
Hiram Seraphin

Arvind Shah
Joseph Shakal
Manzar Shamim
David Shemeld
Yonghong Shen
Veena Shenoy
Andrew Shields
Susan Shumate
Jeremy Shuppert
Michael Sileno
Quentin Smith III
L. Douglas Smoot
Karma Snyder
Felix Solis
Giovany J. Leal Soto
David Spears
Jeffrey Stastny
Erlendur Steinhorsson
Terence Stevens
Peter Strickler
Beatriz Suarez-Crosse
Dwi Sulistio
Robert Sullivan
Sampath Minatchi
Sundaram
Ahti Suo-Anttila
Atsuhide Suzuki
Susanne Svendsdotter
Michael Sylvester

Kazunobu Takeshita
Toshiya Tanaka
Raju Tarihal
Dan Taylor
Keith Thayer
William Thayer III
Christopher Thilges
Regan Thompson
Ernest Throckmorton
Purwanto Tjandrawidjaya
Masayoshi Tomizuka
Mark Toner
Alvin Toombs
Miguel Torres-Castillo
Sabri Tosunoglu
Thomas Travers
Dustin Trent
Hai Lung Tsai
Damien Tucker

Yoshikuni Uchida
Vijay Ukadgaonker
Austin Uzoka

Anatoli Vakhguelt
Rubens Valerio

Troy Vanderhoof
William Montero Vasquez
Rudy Vazquez
Luciano Vela
K. Venkatesh
Jayaraman Venkateswaran
Sankaran Venkateswaran
Nilda Vergara
George Vernon
Jaime Villanueva
David Vincent
Hoa Vo
Kevin Vosburgh

Scott Walthour
Yedda Walthour
Hongbin Wang
Jianjun Wang
Yong-Yi Wang
Michael Wassell
Charles Weatherford
Yong Wei
Joseph Weicks
Tim Welch
Edward Wellner
Michael Werst
Thomas Whalen
Patrick White
Charles Wilson
Dale Wilson
George Wilson
James Wilson
Sonny Winoto
Charles Withers
James Woyciesjes
Paul Wright
Daisy Wu

Paul Yablonsky
Timothy Yager
Pit-Hock Yap
Kin Man Yau
Oscar Yopez
Terrell Yon III

Hui Zhang
Tao Zhang
Zhengji Zhang
Yuanxin Zhou
Jin Zhu

MEMORIAL GIFTS

*In memory of
William E. Cooper*

Fred Bailey
Arnold Blake
Spencer Bush

Lynn and Keith Cooper
Robert Coquillette
John Ferguson
Nancy Fitzroy
Mr. and Mrs. Anthony
Fontecchio
Myle Holley, Jr.
Aldie Johnson, Jr.
Donald and Linda
Landers
June Ling
Joyce Lush
Margaret Macilvain
and the colleagues
of Joyce Lush,
daughter of William
Cooper
The family of Jean
Moore:
Denise and
George Moore
Kathy and Nate
Moore
Kenneth Moore
Jean and Bud
Muller
Susan and Dan
Ryan

Robert Nickell
Jane Segal
Robert Smith
State University of
West Georgia,
Department of Special
Education and Speech
Language Pathology,
colleagues of Margaret
Cooper, daughter of
William E. Cooper:
Geraldine Boddie
Gwynne Bolton
Debra Dwight
Martha and Dick Larkin
Sherie Owens
Nancy Ellen and
Michele Pollard
Telmeko Smith
Alison Stafford
Althea Ullman

*In memory of her
husband,
John F. Ingold, Jr.
Gertrude B. Ingold*

*In memory of George
Kotnick
Allen Rhodes*

The ASME FOUNDATION, Inc.

Board of Directors 2002–2003

Officers

Chair of the Board

K. Keith Roe

Vice Chair

Nancy D. Fitzroy

Members

P.J. Adam
David L. Belden
Virgil R. Carter
Richard J. Goldstein
Robert E. Koski
Robert L. Lott, Jr.
John C. Mihm
Jerry W. Samples
Susan H. Skemp
Roy P. Trowbridge
Reginald I. Vachon
James F. Wood

Staff

David J. Soukup
Warren Leonard

*For the Kenneth A. Roe
Scholarship Fund,
in memory of Hazel Roe
Lois and David Belden
Maxine Rosen*

*In memory of Tsung-Chi Tsu
Kurt Goldmann
Shirley Kung
Barbara Mudd and Luther
Kiser
Tse-Chien Woo*

PLANNED GIFTS

*Special thanks to those
supporters who have
given to the mechanical
engineering profession
through a planned gift to
the ASME Foundation.
A complete listing of
names will appear in the
next annual report.*

HONORS AND AWARDS

HONORARY MEMBERS

Richard Rosenberg
Life Fellow ASME

Karl J. Springer
Fellow ASME
Southwest Research Institute
(Retired)

John A. Swanson
Fellow ASME
Swanson Analysis Services, Inc.

ASME MEDAL

Norman R. Augustine
Member ASME
Lockheed Martin Corporation
(Retired)

ACHIEVEMENT AWARDS

Per Bruel Gold Medal for Noise Control and Acoustics

David Feit
Fellow ASME
Naval Surface Warfare Center

Edwin F. Church Medal

Devendra P. Garg
Life Fellow ASME
Duke University

Daniel C. Drucker Medal

Leon M. Keer
Life Fellow ASME
Northwestern University

Thomas A. Edison Patent Award

John N. Basic, Sr.
Member ASME
Basic International, Inc.

William T. Ennor Manufacturing Technology Award

Richard E. DeVor
Fellow ASME
University of Illinois at Urbana-Champaign

Shiv G. Kapoor
Fellow ASME
University of Illinois at Urbana-Champaign

Fluids Engineering Award

Marvin E. Goldstein
NASA Glenn Research Center

Y.C. Fung Young Investigator Award

Sangeeta Bhatia
University of California, San Diego

Henry Laurence Gantt Medal

William R. Timken, Jr.
The Timken Company

Melvin R. Green Codes & Standards Medal

James A. Perry
Fellow ASME
Consultant

Heat Transfer Memorial Award

Art

M. Michael Yovanovich
Life Fellow ASME
University of Waterloo

General

James R. Welty
Life Fellow ASME
Oregon State University

Science

Dimos Poulidakos
Fellow ASME
Swiss Federal Institute of Technology

Mayo D. Hersey Award

Jean B.M. Frene
Member ASME
Université de Poitiers

Soichiro Honda Medal

Robert F. Sawyer
Life Member ASME
University of California, at Berkeley

Internal Combustion Engine Award

Rodica A. Baranescu
Member ASME
International Truck and Engine Corp.

Warner T. Koiter Medal

David R.J. Owen
University of Wales Swansea

James N. Landis Medal

William D. Magwood IV
U.S. Department of Energy

Bernard F. Langer Nuclear Codes & Standards Award

Richard W. Barnes
Member ASME
ANRIC Enterprises

Gustus L. Larson Memorial Award

Yonggang Haung
University of Illinois

H.R. Lissner Medal

Vijay K. Goel
Fellow ASME
University of Toledo

Machine Design Award

Richard F. Salant
Fellow ASME
Georgia Institute of Technology

Charles T. Main Student Section Award

Gold

Jill C. Anderson
Member ASME
Consolidated Edison of New York

Silver

Laura E. Basehore
Member ASME
Teng & Associates, Inc.

M. Eugene Merchant Manufacturing Medal of ASME/SME

Branimir F. von Turkovich
University of Vermont

Nadai Medal

Anthony G. Evans
University of California, Santa Barbara

Burt L. Newkirk Award

Sergio E. Diaz
Member ASME
Simon Bolivar University

Rufus Oldenburger Medal

Vadim Utkin
The Ohio State University

Old Guard Young Engineers Award

Kenneth P. Horne
Member ASME

Runners-Up

Blake T. Larson
Member ASME
University of Minnesota

Matthew L. Robinson
Member ASME

Performance Test Codes Medal

Jeffrey R. Friedman
Fellow ASME
Siemens Westinghouse Power Corp.

Pi Tau Sigma Gold Medal

Bogdan I. Epureanu
Member ASME
University of Michigan

James Harry Potter Gold Medal

Ashwani K. Gupta
Fellow ASME
University of Maryland

The ASME FOUNDATION

Planned Giving Advisory Committee

John Mihm, Chair
Caecilia M. Gotama
Duane P. Jordan
Allen F. Rhodes
K. Keith Roe

Pressure Vessel and Piping Medal

Fumio Hara
Fellow ASME
University of Tokyo

Dixy Lee Ray Award

Inés R. Triay
U.S. Department of Energy

Charles Russ Richards Memorial Award

Roop L. Mahajan
Fellow ASME
University of Colorado

Ralph Coats Roe Medal

The Hon. Vernon J. Ehlers
U.S. House of Representatives

Safety Codes & Standards Medal

Albert J. Saxer
Consultant

R. Tom Sawyer Award

Sigmar Wittig
Member ASME
Universität Karlsruhe

Ben C. Sparks Medal

Mohammad A. Zahraei
Member ASME
Purdue University/Calumet

Ruth and Joel Spira Outstanding Design Educator Award

Woodie C. Flowers
Member ASME
Massachusetts Institute of Technology

Spirit of St. Louis Medal

Peretz P. Friedmann
Member ASME
University of Michigan

Student Section Advisor Award

Ghatu Subhash
Member ASME
Michigan Technological University

J. Hall Taylor Medal

Michael Gold
Fellow ASME
Gold Metallurgical Services, LLC

Robert Henry Thurston Lecture Award

Yogesh Jaluria
Fellow ASME
Rutgers University

Timoshenko Medal

Lambert B. Freund
Fellow ASME
Brown University

Yeram S. Touloukian Award

Raymond E. Taylor
TPRL, Inc.
Wolfgang Wagner
Ruhr-Universität Bochum

Frank Von Flue Award

James R. Welty
Life Fellow ASME
Oregon State University

George Westinghouse Medals

Gold

Yassin A. Hassan
Fellow ASME
Texas A&M University

Silver

Jason E. Jenkins
Johns Hopkins University

Henry R. Worthington Medal

Stuart L. Scott
Member ASME
Texas A&M University



Participants in the 2002 Honors Assembly.

LITERATURE AWARDS

Blackall Machine Tool & Gage Award

Ihab M. Hanna
General Motors Powertrain

Scott A. Hucker
Member ASME
General Motors Powertrain

Robin Stevenson
Member ASME
General Motors Research and Development Center

Guoxian Xiao
General Motors Research and Development Center

Gas Turbine Award

Frank Hummel
Alstom Power

Melville Medal

Brent F. Beacher
GE Aircraft Engines

Fredric F. Ehrich
Life Fellow ASME
Massachusetts Institute of Technology

Manuel Martinez-Sanchez
Massachusetts Institute of Technology

Hyoun-Woo Shin
Member ASME
GE Aircraft Engines

Seung Jin Song
Seoul National University

Zoltan S. Spakovszky
Member ASME
Massachusetts Institute of Technology

Albert F. Storace
Member ASME
GE Aircraft Engines

David C. Wisler
Fellow ASME
GE Aircraft Engines

Edward F. Obert Award

Luis M. Serra
University of Zaragoza

Antonio Valero
Member ASME
University of Zaragoza

Vittorio Verda
Member ASME
Politecnico di Torino

Arthur L. Williston Medal

First Place

David Damm
Student Member ASME
University of Akron

Second Place

Scott A. Fisher
Student Member ASME
University of Evansville

Third Place

Christopher L. Murphy
Student Member ASME
North Carolina A&T State University

FINANCIAL STATEMENTS

The ASME Foundation, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2003

(with summarized totals for the year ended
June 30, 2002)

	Unrestricted	Temporarily restricted	Permanently restricted	2003 Total	2002 Total
Operating revenue					
Contributions	\$80,954	101,289	343,629	525,872	242,864
Interest and dividends, net of investment fees of \$61,917 in 2003 and \$59,380 in 2002	232,115	212,659	15,109	459,883	531,100
Net assets released from restrictions	350,191	(350,191)	—	—	—
TOTAL OPERATING REVENUE	663,260	(36,243)	358,738	985,755	773,964
Operating expenses (note 7)					
Grants	170,552	—	—	170,552	128,632
Contributions to ASME International programs (note 3)	339,660	—	—	339,660	314,025
Scholarships, awards, and honoraria	253,750	—	—	253,750	224,085
Medals, plaques, and certificates	50,675	—	—	50,675	49,285
Occupancy and administration (note 3)	96,212	—	—	96,212	83,262
Professional and consulting fees	17,584	—	—	17,584	19,475
Reproduction, stationery, and supplies	5,293	—	—	5,293	4,097
Travel, postage, and other	36,463	—	—	36,463	84,934
Bad debt expense (recovery)	(7,262)	—	—	(7,262)	8,841
TOTAL OPERATING EXPENSES	962,927	—	—	962,927	916,636
(DEFICIENCY) EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES	(299,667)	(36,243)	358,738	22,828	(142,672)
Nonoperating activity					
Appreciation (depreciation) in fair value of investments (note 5)	164,318	200,419	5,640	370,377	(1,131,911)
(DECREASE) INCREASE IN NET ASSETS	(135,349)	164,176	364,378	393,205	(1,274,583)
NET ASSETS AT BEGINNING OF YEAR	8,408,492	5,265,113	2,128,065	15,801,670	17,076,253
NET ASSETS AT END OF YEAR	\$8,273,143	5,429,289	2,492,443	16,194,875	15,801,670

See accompanying notes to financial statements.



Independent Auditors' Report

The Board of Directors

The ASME Foundation, Inc.:

We have audited the accompanying statement of financial position of The ASME Foundation, Inc. as of June 30, 2003, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2002 financial statements and, in our report dated August 16, 2002, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An

STATEMENT OF FINANCIAL POSITION

June 30, 2003

(with comparative amounts as of June 30, 2002)

	2003	2002
Assets		
Cash and cash equivalents	\$36,407	68,133
Student loans receivable, less allowance for doubtful accounts of \$88,600 in 2003 and \$80,500 in 2002	946,792	1,027,997
Contributions receivable, net (note 4)	37,030	61,042
Medal inventory	97,981	102,366
Investments (note 5)	15,086,957	14,546,458
TOTAL ASSETS	\$16,205,167	15,805,996

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$10,292	4,326
---------------------------------------	----------	-------

Net assets:

Unrestricted	8,273,143	8,408,492
Temporarily restricted (note 6)	5,429,289	5,265,113
Permanently restricted (note 6)	2,492,443	2,128,065
TOTAL NET ASSETS	16,194,875	15,801,670
TOTAL LIABILITIES AND NET ASSETS	\$16,205,167	15,805,996

See accompanying notes to financial statements.

audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ASME Foundation, Inc. as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP
August 15, 2003

STATEMENT OF CASH FLOWS

Year ended June 30, 2003

(with comparative amounts for the year ended June 30, 2002)

	2003	2002
Cash flows from operating activities		
Increase (decrease) in net assets	\$393,205	(1,274,583)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Contributed securities	—	(24,842)
Endowment contributions and interest and dividends required to be added to permanently restricted net assets	(358,738)	(21,552)
(Appreciation) depreciation in fair value of investments	(370,377)	1,131,911
Changes in assets and liabilities:		
Decrease in contributions receivable	24,012	197,191
Decrease (increase) in medal inventory	4,385	(3,685)
Increase in accounts payable and accrued expenses	5,966	4,326
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(301,547)	8,766

Cash flows from investing activities

Purchases of units in the investment pool of ASME International	(637,769)	(889,096)
Sales of units in the investment pool of ASME International	467,647	752,772
Sales of contributed securities	—	31,505
Decrease in student loans receivable, net	81,205	23,144
NET CASH USED IN INVESTING ACTIVITIES	(88,917)	(81,675)

Cash flows from financing activities

Endowment contributions and interest and dividends required to be added to permanently restricted net assets	358,738	21,552
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,726)	(51,357)
Cash and cash equivalents at beginning of year	68,133	119,490
Cash and cash equivalents at end of year	\$36,407	68,133

See accompanying notes to financial statements.

FINANCIAL STATEMENTS

The ASME Foundation, Inc.

Notes to Financial Statements June 30, 2003

1. Organization

The ASME Foundation, Inc. (the Foundation) was incorporated as a not-for-profit supporting organization on February 7, 1986 to promote the art, science, and practice of mechanical engineering throughout the world and to engage in activities which support ASME International, also known as The American Society of Mechanical Engineers (ASME). The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation provides the following services:

- Encourages and rewards outstanding achievement in mechanical engineering by obtaining funds for the conferring of honors and awards on persons and organizations who or which have made substantial contributions to the advancement of mechanical engineering;
- Obtains funding for scholarships, grants, and/or awards which support and expand career opportunities or professional growth in the field of mechanical engineering through education and research;
- Sponsors programs and projects such as lectures, seminars, and clinics which contribute to the continuing education and professional growth of practicing mechanical engineers; and
- Supports research in mechanical engineering and the rapid dissemination of results throughout the community of mechanical engineers.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

The Foundation's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation 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 Foundation and/or the passage of time.

Permanently restricted net assets. Net assets subject to donor-imposed stipulations that they be maintained permanently by

the Foundation. Generally, the donors of these assets permit the Foundation 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.

Cash Equivalents

Cash equivalents include time deposits maturing within 90 days unless renewed.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the period received.

Use of Estimates

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

Comparative Information

The financial statements are presented with 2002 comparative information. With respect to the statement of activities, such prior year information is not presented by net asset class. Accordingly, such information should be read in conjunction with the Foundation's 2002 financial statements from which the summarized information was derived.

3. Transactions with ASME

ASME charges the Foundation for office space and other services. In 2003 and 2002, such charges totaled \$96,212 and \$83,262, respectively. In 2003 and 2002, the Foundation made contributions to ASME of \$339,660 and \$314,025, respectively, in support of honors and awards and other programs.

4. Contributions Receivable

Contributions receivable are recorded net of a discount to reflect the present value of future cash flows, and consisted of the following at June 30, 2003 and 2002:

	2003	2002
Amounts expected to be collected in:		
Less than one year	\$35,600	51,400
One to five years	30,000	56,370
	65,600	107,770
Less:		
Discount to present value at 6%	(1,970)	(5,121)
Allowance for doubtful accounts	(26,600)	(41,607)
	\$37,030	61,042

All contributions were made in support of the Foundation's capital campaign, which concluded in November 1998 and raised \$5.7 million. Campaign proceeds provide grants and seed money to programs that demonstrate: (1) a commitment to technical literacy; (2) a commitment to career planning and skills development; and (3) a commitment to public policy.

5. Investments

The Foundation's investments consist of an undivided interest in the investment pool of ASME. ASME pooled investments consist of mutual funds, bonds and notes, common and preferred stock, and money market funds and certificates of deposit. Investments of the pool are recorded at fair value based upon quoted market prices. Realized and unrealized gains and losses are recognized as changes in net assets in the periods in which they occur, and interest and dividends are recognized as revenue in the period earned. At June 30, 2003 and 2002, the Foundation's interest had a cost basis of \$15,849,833 and \$16,239,704, respectively, and a fair value of \$15,086,957 and \$14,546,458, respectively.

Appreciation (depreciation) in fair value of investments for the years ended June 30, 2003 and 2002 consisted of the following:

	2003	2002
Net realized loss on investment transactions	\$(559,993)	(113,333)
Net unrealized gain (loss)	930,370	(1,018,578)
	\$ 370,377	(1,131,911)

6. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets and the income earned on permanently restricted net assets are restricted by donors to the following purposes or future periods as of June 30, 2003 and 2002:

	2003		2002	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Award programs	\$3,764,729	978,696	3,690,291	926,247
Scholarship and fellowship programs	723,996	1,498,747	638,895	1,186,818
Grants and other programs	136,683	-	126,111	-
College programs in power engineering	60,250	-	64,042	-
U.S. engineering programs	245,893	-	240,400	-
Student loan program	460,708	15,000	444,332	15,000
Future periods	37,030	-	61,042	-
	\$5,429,289	2,492,443	5,265,113	2,128,065

7. Functional Expenses

The Foundation's expenses, which are reported by natural classification in the accompanying statement of activities, benefited the following program and supporting services for the years ended June 30, 2003 and 2002.

	2003	2002
Program services:		
Awards	\$545,459	554,545
Grants	170,552	128,632
Scholarships and fellowships	168,536	114,026
Student loan program	14,269	15,029
	898,816	812,232
Management and general	64,111	104,404
	\$962,927	916,636

Fundraising expense is immaterial for the years ended June 30, 2003 and 2002.

The ASME Foundation, Inc.
Three Park Ave.
New York, NY 10016-5990 U.S.A.
212-591-7158
www.foundation.asme.org