

BUILDING FOR STRENGTH

2005-2006 ANNUAL REPORT





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A silhouette of a construction worker wearing a hard hat and a tool belt, standing on a horizontal steel beam. The worker is reaching up to adjust a bolt on a vertical steel column. The background is a warm, orange-hued sky, suggesting a sunset or sunrise. The overall image conveys a sense of strength and construction.

building for strength

Voluntary standards
and conformity assessment
systems are the building blocks
of the distinctive U.S. infrastructure.

As the voice of the U.S. standards and conformity assessment system, the American National Standards Institute (ANSI) empowers its members and constituents to strengthen the U.S. marketplace position in the global economy while helping to assure the safety and health of consumers and the protection of the environment. The Institute is building upon past accomplishments, leveraging strategic partnerships, and capitalizing upon emerging opportunities to become a better, stronger, and more nimble organization.

A stronger ANSI is in the best interest of its members.



building for strength

In 2006, the American National Standards Institute turned its attention to the future . . .

A clear vision and strategic direction is helping to advance ANSI's mission.

A set of core initiatives is guiding the organization, its members and its staff.

A disciplined, bottom-line approach to business is enhancing the Institute's financial and structural integrity.

An enhanced outreach initiative is opening doors for participation by a broader range of stakeholders in the ANSI federation.

Creative and efficient approaches to standards development are speeding time to market while maintaining the integrity of the consensus-based processes for which ANSI is recognized.

Increasing reliance on ANSI's accreditation programs —by regulatory bodies and others—is leading to significant cost savings, improved efficiency, and enhanced consumer protection.

Partnerships and interface with organizations around the globe are advancing national interests by providing trading partners with information and access to U.S. innovations, technology, standards, and solutions.



Robert W. Noth
Chairman of the Board

letter from the chairman

standardization has changed the face of the marketplace

Since I became involved with ANSI in the early 1990's, there is a much greater understanding of the linkage between standards and commerce. The business community increasingly recognizes the effect of standards, regulations and conformity assessment programs on price, quality, time to market, access to markets and even social consciousness. In my work at Deere & Company, we see standardization as an aspect of business that must be managed as diligently and strategically as any other. For ANSI, this requires a new balance between standards as business to standards for business. This philosophical perspective has helped to define some of the priorities that I will advance in my new role as chairman.

First, we must be very precise when identifying the benefits of ANSI membership. Unlike our accredited standards developers, ANSI is less visible because we are a step removed from the front line of technological development. Yet the Institute provides information and intelligence that directly benefits the people and organizations that ultimately deliver products and services to the marketplace. ANSI needs to recast its message by focusing on the *benefits* and *end results* of what we do rather than on the features and functions of our organization.

Next, I have challenged my fellow Board members to engage in market research and outreach that will help to identify the issues that are important to groups that sit outside the federation. More than half of the organizations that set standards in the United States are not members of ANSI. We need to understand why. If there are barriers to participation that we have not addressed, then we need to do some things differently. All progress comes from change.

We need to get ahead of the curve and become better at anticipating and embracing new opportunities within the scope of our mission to coordinate and harmonize U.S. standards and conformity assessment activities. When a hot-button issue is identified, we have proven that ANSI can deliver the programs, products and services that will satisfy that need. Our standards panels, for example, are delivering real value to the ANSI federation. The latest panel, launched in conjunction with the Better Business Bureau, brings together representatives from many different technology and business sectors to curtail the \$56 billion annual cost of ID theft.

ANSI has a strong investment in the development of strategic partnerships with stakeholders across the nation and around the globe. By leveraging our relationships with the National Institute of Standards and Technology and the Standardization Administration of China, we recently launched a Standards Portal that will facilitate cross border trade between the U.S. and the People's Republic of China. Our ability to seize opportunities in regional and international forums will continue to strengthen our leadership role in the global arena.

Just as the business community has become more cognizant of standards, ANSI has become more careful in its scrutiny of the marketplace. We must be vigilant and logical in our identification of opportunities to do good work. We must embrace change and capitalize on it to become stronger. I welcome and encourage your support.

A handwritten signature in black ink that reads "Robert W. Noth". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.



S. Joe Bhatia
President and
Chief Executive Officer

building for strength

In 2006, the American National Standards Institute began a critical examination of what it is we do, how we do it, and what to improve.

Our mission will not change: we will continue to support the needs of our members and the development of standards and conformity assessment-based solutions to emerging national priorities. We will assist in transforming U.S. innovations into global commerce and help to strengthen the long-term competitive position of the U.S. in international markets. And we will work to assure consumer health and safety and the protection of the environment.

But ANSI must become a stronger organization if we are to keep pace with the evolving requirements of our members and stakeholders.

Building for strength means focusing on results. We must carefully define our objectives, decide how they will be measured, track our actions, and evaluate our success. We must focus on activities that will have a long-range strategic benefit for the Institute and that will generate a positive return on our investment.

Early this year we defined an initial list of ten priorities. These reflect feedback received from our members and customers and were refined during an in-depth review of our organizational and business models. We have made good progress and include in this report a brief summary of the actions we have taken to date.

We continue to seek out new opportunities to deliver standards, codes and conformity assessment-based solutions to emerging national and global priorities. Our standards panels are demonstrating that ANSI is transitioning smoothly from a reactive to a proactive organization.

In 2005, we contracted with the U.S. Department of Health and Human Services to establish our third panel, this time in the realm of healthcare information technology. In less than one year, the HITSP has made real, measurable progress in the harmonization of standards that will support a national health information network for all Americans.

A fourth initiative, the Identity Theft Prevention and Identity Management Standards Panel, was launched in September. The IDSP is a partnership between ANSI and the Better Business Bureau; we are working together to help deter and defend against a marketplace crisis that has victimized more than 18 million Americans over the past two years. Like our other panels, the IDSP will bring a cross-sector group of stakeholders together to identify existing standards and uncover areas where new standards or conformity assessment programs are needed.

ANSI is tapping into new networks and identifying activities that can derive benefit from our harmonization activities. This outreach is helping to cultivate a widespread understanding of the Institute, our brand, and our role as the focal point for the private sector standards and conformity assessment community. Our members—particularly the trade associations with their direct connections to industry—have been a great source of input. We have also been successful in fostering new and stronger relationships with our partners in government.

Today, ANSI is helping to bridge the interests of government and industry in order to build capacity in developing nations. These economies are the new markets for U.S. exporters. Members of the standards community need to become more actively engaged in trade policy activities. Standards influence an estimated \$8 trillion in global commerce every year worldwide; the cost is too great for us not to play an active role in helping to develop future trading partners.

ANSI is leveraging its membership in standards and conformity assessment organizations around the globe to advance American interests. We are promoting U.S. and North American candidates for leadership positions and encouraging greater U.S. participation in technical and policy activities.

These efforts help to improve our nation's competitiveness in the global marketplace. They are also aligned with the *United States Standards Strategy*. ANSI has been a champion of the *Strategy* since its approval last December. We are encouraging all of our members and constituents to support and carry forward its principles. It is a very powerful, yet very flexible tool for our community and I am pleased that ANSI is one of its leading advocates.

Building for strength means learning from what we've achieved and integrating that knowledge into our future planning and strategies. ANSI is in sound financial standing today. For the healthiest future, we will be working to minimize our reliance on a limited number of revenue streams. Diversification will give us greater flexibility and the capacity we need to do more for our members and be more effective.

Together we are building a stronger ANSI.

A handwritten signature in blue ink, appearing to read "S. Bhattacharya".

actions on top priorities

As coordinator of the U.S. voluntary consensus standards and conformity assessment system, ANSI is called upon to support a broad range of stakeholder needs and priorities. Input from ANSI members has helped to define a set of ten initiatives that have long-range strategic benefit for the Institute. A summary of initiatives underway during 2006, along with a synopsis of actions taken to date, is shown below:

■ revenue growth and diversification

ANSI is strengthening its financial integrity by building its reserves and diversifying its revenue streams. The Institute is maximizing its potential for revenue growth by leveraging new partnerships, associations, and other joint ventures.

■ outreach to broader constituencies

ANSI is enhancing its position as a focal point for the U.S. standards and conformity assessment community by representing a broader and more diverse business, industrial and consumer base. ANSI is also reaching out to new stakeholder groups, including the service economy and consumers in the growing aging population, to anticipate and meet their needs.

■ membership growth

ANSI is growing its membership by articulating firm value proposition statements and the reasons for active and ongoing engagement. Membership growth will continue to increase as new industry- and service sector-specific needs are identified and met.

■ interface with consortia and others

ANSI is embracing the activities of non-traditional standards developing groups such as consortia and other forums that are either now outside the Institute's usual network or that are minimally engaged. An Ad Hoc Advisory Group on Expanded Outreach, reporting to the ANSI Board of Directors, is spearheading this effort.

■ exploration of alternative recognition

ANSI is identifying and supporting the business needs of non-traditional standards developers. This is an opportunity to consider alternative recognition of processes and/or work products in new ways. Any actions taken will be orchestrated so as to avoid compromising the integrity of the ANSI brand or the American National Standard designation.

■ enhance conformity assessment portfolio

ANSI's Accreditation Services business line is expanding to include new markets in areas such as inspection, auditing and laboratory accreditation. Growth opportunities will include strategic partnerships with other organizations as well as the enhancement of services that ANSI currently offers.

■ education and training

ANSI is building the appreciation for standardization in the corner offices of America, on Capitol Hill, and in colleges and universities across the nation. For professional training, ANSI will expand training programs to meet professional needs up and down the value chain.

■ enhanced presence in Washington

ANSI is proactive in keeping policymakers apprised of key issues related to the standards community. The Institute continues to promote more government agency involvement in standards and conformity assessment activities.

■ balancing international participation

The Institute is advocating the principles of the *United States Standards Strategy* and the views of U.S. stakeholders in all its international and regional activities. As the nation's official member body, ANSI provide ongoing access to the standards development processes of the International Organization for Standardization (ISO) and, through the U.S. National Committee, to the International Electrotechnical Commission (IEC).

■ standards panels

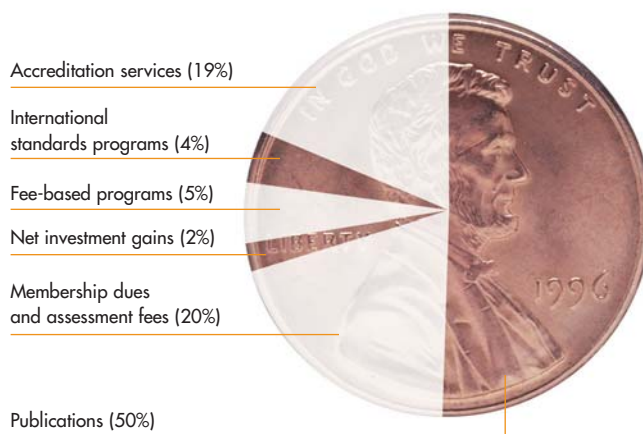
ANSI's four standards panels are meeting the critical standardization needs of the nation, embracing emerging technologies and protecting consumer interests. The Institute is continuing to look for areas where panels can provide standards-based solutions to critical national priorities.

description of organization

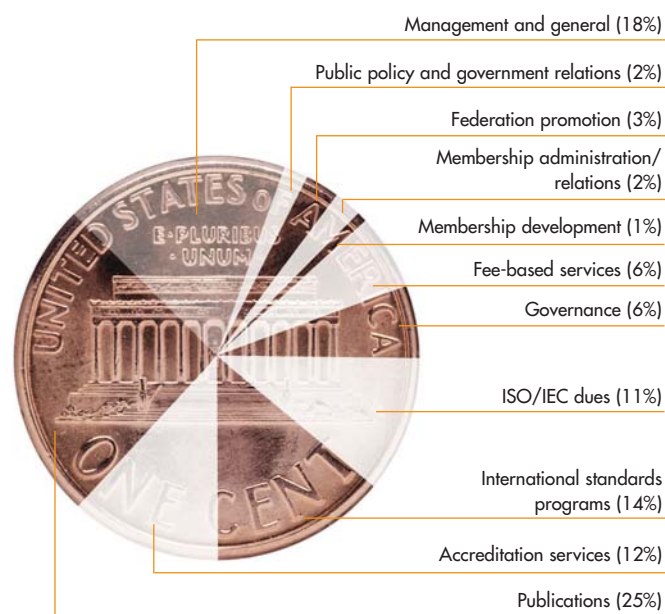
The American National Standards Institute (ANSI) is a 501(c)3, not-for-profit organization that coordinates the development of U.S. voluntary consensus standards and standards policy. In fulfilling its mission, ANSI:

- Serves as the policy forum for the U.S. standards and conformity assessment communities and is recognized by both the public and private sectors as such.
- Approves standards as American National Standards (ANS) and safeguards the integrity and value of the ANS designation by requiring openness, balance, due process, consensus and transparency to all directly and materially affected interests in the private and public sectors.
- Is the official U.S. representative to non-treaty, regional and international standards and conformity assessment organizations and, as such, facilitates access by U.S. interests to those organizations and promotes U.S. interests abroad.
- Provides a means for assessing the need for new standards activities and conformity assessment programs and promotes the resolution of identified needs.
- Accredits standards developers, U.S. Technical Advisory Groups (TAGs) to ISO and conformity assessment programs.
- Serves as an interface with U.S. and other governments on standards and conformity assessment issues.
- Provides a central resource, using the most modern means available, for timely, relevant and easily accessible information and education on standards, conformity assessment programs and related activities in the U.S. and abroad.
- Coordinates the efforts of companies and consumers to make products and systems safe, efficient and globally relevant.

support and revenue



expenses



For more information, please refer to the Statement of Activities shown on page 12.

Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	TOTAL	
			2005	Summarized Information 2004
Assets				
Cash and cash equivalents	\$ 3,381,218	\$ 1,317	\$ 3,382,535	\$ 4,716,945
Receivables				
Publications and royalties	1,309,169		1,309,169	1,153,815
Dues (net of allowance for doubtful accounts of \$242,000 for 2005 and 2004)	4,820,893		4,820,893	2,890,729
Other				5,831
Investments — marketable securities	6,144,179	217,378	6,361,557	6,484,453
Investments in ANAB	1,050,866		1,050,866	
Prepaid expenses and other assets	191,809		191,809	163,082
Property and equipment, net	1,601,959		1,601,959	1,383,279
Total assets	\$ 18,500,093	\$ 218,695	\$ 18,718,788	\$ 16,798,134
Liabilities				
Accounts payable and accrued expenses	\$ 2,286,695		\$ 2,286,695	\$ 2,010,22
Deferred dues and fee income	5,431,509		5,431,509	4,919,948
Deferred rent	594,413		594,413	539,736
Total liabilities	\$ 8,312,617		\$ 8,312,617	\$ 7,469,906
Net assets				
Unrestricted net assets:				
Operating fund	\$ 3,740,239	\$	\$ 3,740,239	\$ 2,721,673
Board-designated permanent reserve	5,600,832		5,600,832	5,600,832
Specific-purpose funds	846,405		846,405	794,437
Temporarily restricted net assets		218,695	218,695	211,286
Total net assets	\$ 10,187,476	\$ 218,695	\$ 10,406,171	\$ 9,328,228
Total liabilities and net assets	\$ 18,500,093	\$ 218,695	\$ 18,718,788	\$ 16,798,134

statement of activities

year ended December 31, 2005

	Unrestricted	Temporarily Restricted	TOTALS			
			2005	%	Summarized Information 2004	%
Support and revenue						
Membership dues and assessment fees	\$ 4,145,187	\$	\$ 4,145,187	20%	\$ 4,050,166	25%
Publications	10,657,828		10,657,828	50%	10,516,442	55%
Accreditation services	3,966,595		3,966,595	19%	2,758,808	11%
International standards programs	764,313		764,313	4%	652,206	3%
Fee-based programs	1,070,471		1,070,471	5%	855,128	4%
Net investment gains	316,687	7,409	324,096	2%	331,628	2%
Total support and revenue	\$ 20,921,081	\$ 7,409	\$ 20,928,490	100%	\$ 19,191,378	100%
Expenses						
Program expenses:						
Publications	\$ 5,160,155		\$ 5,160,155	25%	4,316,703	23%
Accreditation services	2,415,125		2,415,125	12%	2,559,867	9%
International standards programs	2,705,385		2,705,385	14%	2,648,949	14%
ISO/IEC dues	2,091,877		2,091,877	11%	1,882,182	10%
Governance	1,241,763		1,241,763	6%	1,102,767	6%
Fee-based services	1,103,072		1,103,072	6%	1,032,605	5%
Total program expenses	14,717,377		14,717,377		13,543,073	
Management and general:						
Membership development	152,411		152,411	1%	312,817	2%
Membership administration/relations	484,113		484,113	2%	630,945	3%
Federation promotion	504,468		504,468	3%	493,544	3%
Public policy and government affairs	468,136		468,136	2%	389,649	2%
Other management and general	3,524,042		3,524,042	18%	3,506,704	18%
Total management and general	5,133,170		5,133,170		5,333,659	
Total expenses	\$ 19,850,547		\$ 19,850,547	100%	\$ 18,876,732	100%
Increase in net assets	\$ 1,070,534	\$ 7,409	\$ 1,077,943		\$ 314,646	
Net assets, beginning of year	9,116,942	211,286	9,328,228		9,013,582	
Net assets, end of year	\$ 10,187,476	\$ 218,695	\$ 10,406,171		\$ 9,328,228	

accounting policies

basis of financial statement presentation

The American National Standards Institute, Incorporated (the "Institute"), is a not-for-profit service organization, founded in 1918. It is the coordinating organization for the United States' national standards system. The Institute does not develop standards. It provides the means for determining the need for standards and ensures that organizations competent to fill these needs undertake the standards development work. The programs of the Institute are carried out by the Board of Directors. The Institute is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws.

accrual basis of accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit entities.

use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

cash and cash equivalents

The Institute considers all highly liquid investments with original maturities of less than three months to be cash equivalents, except for such amounts held in the Institute's investment portfolio, which are considered to be held for long-term purposes. The carrying amount approximates the fair value because of the short maturity of these investments. Sometimes deposits have been pledged as collateral for a letter of credit and for foreign exchange transactions.

investments

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair values, with realized and unrealized gains and losses included in the accompanying statements of activities. Net investment income is recorded as unrestricted and restricted, in accordance with donor intent.

property and equipment

Property and equipment are stated at their costs at the dates of acquisition. Leasehold improvements are also capitalized, whereas costs of repairs and maintenance are expensed as incurred.

Depreciation of furniture and equipment is provided using the straight-line method, over the estimated useful lives of the respective assets, ranging from three to ten years. Likewise, depreciation of leased assets is computed using the straight-line method over the life of the assets. Leasehold improvements are amortized over the lesser of the estimated useful life of the specific asset or the term of the applicable lease.

revenue recognition

Revenue from publication sales is recognized when the customer purchases an electronic copy of the publication through the Institute's E-commerce website or when the order was fulfilled by third party resellers. Membership dues and fee-based programs are credited to income over the period to which they apply. Recognition of revenue from membership dues and fee-based programs relating to a future year is deferred until that year.

deferred rent liability

Rent expense is recognized using the straight-line method over the terms of the lease. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, is reported as a deferred rent liability in the statements of financial position.

net assets

The net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted net assets represent those resources that have no donor restrictions as to their use. In 1969, the Board of Directors designated a *permanent reserve fund* for the establishment of new standards programs and to fund future operating deficits. The *permanent reserve* is funded by the operating fund and invested subject to approval by the Board's finance committee. In 1973, the Board of Directors established a special-purpose, *international fund* to assist the Institute in its international standardization and related activities. Expenditures from the income of the fund must be authorized by the board of trustees of the international fund.

Temporarily restricted net assets consist of resources, the use of which has been restricted by donors to specific purposes. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by the donor.

The Peralta Charitable Remainder Unitrust was established in 1993. Upon the death of the Unitrust beneficiaries, the principal and income of the trust will be distributed to the Institute to be used for educational purposes.

The USNC/IEC Fund was established in 1981, upon receipt of assets from the members of the United States National Committee ("USNC"). Expenditures from the fund must be authorized by the executive committee of the USNC of the International Electrotechnical Commission ("IEC"), and the Institute's finance committee.

board of directors — 2006

chairman of the board

Mr. Robert W. Noth



Manager,
Engineering Standards,
Deere & Company

vice chairmen

Mr. Arthur E. Cote, PE



Executive Vice
President,
National Fire
Protection Association

Dr. Mary C. McKiel



Standards Executive,
U.S. Environmental
Protection Agency

Mr. Stephen P. Oksala



Vice President,
Standards,
Society of Cable
Telecommunications
Engineers

Mr. Ronald F. Silletti



Corporate Program
Director of Standards,
Intellectual Property
and Licensing,
IBM Corporation

immediate past chairman

Dr. George W. Arnold



Deputy Director,
Technology Services,
National Institute
of Standards and
Technology

board members

Dr. Norris E. Alderson

Associate Commissioner
for Science, U.S. Food and
Drug Administration

Mr. Dan Bart

Senior Vice President,
Standards & Special Projects,
Telecommunications Industry
Association

Mr. Marc R. Bussan

Vice President, Global
Product Development, Cleaning,
Whirlpool Corporation

Ms. Joan Walsh Cassedy

Executive Director,
American Council of
Independent Laboratories

Mr. Colin B. Church

Voluntary Standards and
International Activities
Coordinator, U.S. Consumer
Product Safety Commission

Mr. Steven J. Cole

President and CEO,
Council of Better Business
Bureaus

Dr. Belinda L. Collins

Director, Technology Services,
National Institute of Standards
and Technology

Dr. Donald R. Deutsch

Vice President, Standards
Strategy and Architecture,
Oracle

Dr. Lester F. Eastwood, Jr.

Director, Architecture
and Standards Strategy,
Motorola, Inc.

Dr. Richard J. Forselius

Manager, Engineering Records,
United Technologies Corp.,
Hamilton Sundstrand

Ms. Linda F. Golodner

President,
National Consumers League

Ms. Judith Gorman

Managing Director, Standards
Activities, Institute of Electrical
and Electronics Engineers

Ms. Barbara B. Gregg

Maryland Consumer Rights
Coalition, Inc.

Dr. William E. Kelly

Professor of Civil Engineering,
The Catholic University of
America

Mr. Frank K. Kitzantides

Senior Vice President and
Chief Technical Officer,
National Electrical Manufacturers
Association

Mr. Kevan P. Lawlor

President and CEO,
NSF International

Ms. June Ling

Associate Executive Director,
Codes and Standards,
ASME International

Mr. James E. Matthews III

Director, Technical Standards and
Standards Policy,
Corning Incorporated

Dr. Nina I. McClelland

Nina I. McClelland, LLC

Mr. Alexander McMillan

Director, Global Standards
and Trade, Rockwell Automation

Dr. Celia Merzbacher

Office of Science and Technology
Policy, Executive Office of the
President of the United States

Ms. Susan M. Miller

President and CEO,
Alliance for Telecommunications
Industry Solutions

Ms. Mary J. Mitchell

Deputy Associate Administrator
for Technology Strategy, Office of
Governmentwide Policy, General
Services Administration

Mr. Raymond A. Morris, CAE

Executive Vice President
and Chief Operating Officer,
SAE International

Dr. Barbara L. Nichols

Chief Executive Officer
Commission on Graduates of
Foreign Nursing Schools

Mr. James T. Pauley

Vice President, Industry and
Government Relations,
Square D Co./Schneider Electric,
North American Division

Dr. R. David Pittle

Consumer Representative

Mr. William Primosch

Senior Director, International
Business Policy, National
Association of Manufacturers

Mr. Gregory E. Saunders

Director, Defense Standardi-
zation Program Office, U.S.
Department of Defense

Ms. Mary H. Saunders

Chief, Standards Services
Division, National Institute of
Standards and Technology

Ms. Sharon K. Stanford

Director, Standards
Administration, American
Dental Association

Ms. Joan E. Sterling

Director, Government Relations,
Intertek Testing Services
ETL/SEMKO Division

Mr. William G. Sutton

President and CEO,
Air-Conditioning and
Refrigeration Institute

Mr. James A. Thomas

President, ASTM International

Ms. Kathleen A. Thuner

National Association of
Consumer Agency Administrators

Mr. Andrew Updegrove

Partner, Gesmer Updegrove LLP

Mr. Richard H. Weinstein

Office of the Chief Engineer,
NASA Headquarters

staff and facilities

senior management team

Mr. S. Joe Bhatia

President and CEO

Ms. Frances E. Schrotter

*Senior Vice President and
Chief Operating Officer*

Mr. Bob Feghali

*Vice President, Business Development
and Chief Information Officer*

Ms. Patricia A. Griffin

Vice President and General Counsel

Mr. Lane Hallenbeck

Vice President, Accreditation Services

Ms. Margaret Jensen

*Vice President, Finance and Administration
and Chief Financial Officer*

vacant

Vice President, Public Policy and Government Affairs

Mr. Gary W. Kushnier

Vice President, International Policy

facilities

Headquarters

1819 L Street, NW,
Sixth Floor
Washington, DC 20036
202.293.8020

Primary Functions in this office include:

Office of the President and CEO;
Accreditation Services for Product and Personnel Certification Bodies;
International and Regional Policy Programs, including the China Program;
and Public Policy and Government Affairs Programs

Operations

25 West 43rd Street
Fourth Floor
New York, NY 10036
212.642.4900

Primary Functions in this office include:

Administrative Operations; Domestic Standards Facilitation Programs;
International Standards Facilitation Programs; Membership Services;
Publication Sales





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