

A large, stylized green logo consisting of several overlapping, curved, leaf-like shapes, set against a light green grid background. The logo is positioned in the upper half of the page.

Fiscal Year 2010

Annual Acknowledgement



ferf[®]

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Table of contents

2	Message to our supporters
3	Board of trustees
4	FERF supporters
8	Management reports
10	Report of independent public accountants
11	Statements of financial position
12	Statements of activities
13	Statements of cash flows
14	Notes to financial statements

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Message to our supporters:

The mission of Financial Executives Research Foundation is to advance the profession and practices of financial management through research and education. In short, FERF's research is developed by financial executives for financial executives. Every month, our research committee — comprised of practitioners like you — ensures our work can be applied in practice ... carrying on our 66-year tradition to deliver knowledge to the finance profession and to the members of Financial Executives International (FEI).

But how is this done? It occurs in variety of ways. Over the years, FERF has adapted its model to deliver relevant research in the timeliest manner. This year, FERF published 37 original, member-driven research reports and articles — delivered FREE to the desktops of all U.S. FEI members in PDF format. The delivery of survey results was expanded through online databases where customers can tailor survey results based on their company's demographics. In addition to PayCheck, there is also AuditFeeCheck. This year, FERF has also added webcasts to the product base ... offering an opportunity for financial executives to benefit from research and to obtain continuing professional education credits.

But more importantly, we at FERF have been broadening what we work on, increasing the variety of our research publication topics. In addition to the historical focus on financial reporting and accounting themes, we covered economics, taxation, information technology, treasury, mergers and acquisitions, enterprise risk management, anti-fraud initiatives and more.

And we've found that you've been responding! During fiscal 2010, there were more than 20,000 unique Web link views or downloads of FERF research, representing a 47 percent increase from last year.

All this is not possible, however, without the many voluntary contributions that support FERF's work. The development committee was focused on expanding FERF fundraising toward becoming a fully self-sustaining organization. New and improved campaigns to promote the value of contributing to the foundation have resulted in increased generosity from corporations and chapters. Additionally, the FEI Hall of Fame continues to be a major FEI brand-building and fundraising event for FERF by honoring inductee contributions to the finance profession.

We would like to thank our fellow FERF trustees and FEI officers and directors for their leadership during the past year. Special acknowledgement to Vice Chairs, Robert Scherba and Michael Simons, for chairing their respective committees. Finally, we would like to thank FY2010 Vice Chair Kim Gazzola for chairing the budget and investment committee as well as for assuming the board chair role for 2010-2011. Her background and perspective as a financial executive in higher education comes at the right time as we fine tune our vision for future research.

Thanks also to the staff, including Cheryl Graziano, Lorna Raagas, Bill Sinnett, Gloria Lamoureux and Tom Thompson who work tirelessly to continue improving our products and services.

Above all, FERF is thankful to all the FEI members and individual, corporate and chapter donors who support our research in so many ways. It is your generosity that makes our work possible.



Robert Walker
FERF Chair, 2009-2010



Marie Hollein
FERF President & CEO

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RESPONSIBILITY FOR FINANCIAL STATEMENTS
AND INTERNAL CONTROLS

The financial statements of Financial Executives Research Foundation, Inc. (FERF) were prepared by management, in conformity with accounting principles generally accepted in the United States of America.

FERF management is responsible for the integrity and objectivity of the financial statements, which are presented using the accrual basis of accounting and, accordingly, include some amounts based upon judgment and estimates.

FERF maintains a system of internal controls over financial reporting, including safeguarding of assets against unauthorized acquisition, use or disposition, which is designed to provide reasonable assurance to FERF's management and Board of Trustees regarding the preparation of reliable published financial statements and the safeguarding of assets. The accounting procedures and related system of internal controls are designed to assure that the books and records reflect the transactions of FERF, are in accordance with established policies and procedures, and implemented by qualified personnel. Even an effective internal controls system, no matter how well designed, has inherent limitations — including the possibility of the circumvention or overriding of controls — and, therefore, can provide only reasonable assurance with respect to financial statement preparation and such asset safeguarding. Further, because of changes in conditions, internal controls system effectiveness may vary over time.

The Board of Trustees — through the Office of the Chair, Budget and Investment Committee, Audit Committee and FERF's Treasurer — reviews the financial and accounting operations of FERF, including the review and discussion of periodic financial statements, the evaluation and adoption of budgets, and the basis of engagement and report of the independent auditors.

J.H. Cohn LLP, an independent public accounting firm, has audited the financial statements of FERF, and their report is included herein. The independent auditors were given unrestricted access to all financial and related data, including minutes of all meetings of the Board of Trustees. The auditors meet with the members of the Audit Committee, in the absence of management personnel, to discuss the results of their audit, and are afforded an opportunity to present their comments with respect to the adequacy of internal controls and the quality of the financial reporting of FERF.



Marie N. Hollein
President and CEO

September 14, 2010

Financial Executives Research Foundation, Inc. Supplemental information (Unaudited)

The Foundation's net assets increased by \$75,000 during fiscal year 2010 compared with a decrease of \$166,000 in 2009. The 2010 increase is due to \$124,000 increase from operations offset by \$49,000 pension related changes other than periodic pension cost. The 2009 decrease is due to \$32,000 decrease from operations and \$134,000 pension related changes other than periodic pension cost.

Revenues

Revenues totaled \$1,188,000 and \$1,215,000 in fiscal years 2010 and 2009, respectively. For the current year, contributions and special event revenues, underwriting and sponsorships totaled \$1,118,000, compared with \$1,142,000 for 2009.

Voluntary contributions are the principal source of revenues for the Foundation. Contributions and special event revenues totaled \$995,000 and \$959,000 for 2010 and 2009, respectively. The overall increase was mainly due to increase in special events revenues offset by decrease in corporate contributions. Of the 1,192 contributors this year, 199 were corporations and other organizations (same as in 2009), 61 were Financial Executives International (FEI) chapters (an increase of 1 or 1.7%) and 932 were individuals compared with 1,030 last year (a decrease of 98 or 9.5%).

Underwriting and sponsorships revenues of \$123,000 for 2010 decreased by \$50,000, or 29.0%, compared with 2009 due to completion dates of some sponsored research projects being moved to the next fiscal year.

Total research publications sales of \$20,000 were \$3,000 (13.0%) less than last year due to net decrease in publication sales and licensing offset by an increase in royalties to third parties. These included sales of Executive Reports, and Issues Alerts to non-FEI members, and royalties earned on third party agreements. Sales to FEI of \$50,000 included various newsletters, and other research services provided to FEI members in 2010 and 2009.

Expenses

Total expenses were \$1,153,000 in fiscal years 2010 and 2009.

Research and publishing expenses, which included the engagement of researchers, staff time, travel and the production, publication, distribution, and marketing processes, totaled \$520,000 for the year, compared with \$522,000 in 2009, a slight decrease of \$2,000. The decrease was due to reduction in staff time allocation, outside consulting staff and distribution costs partially offset by increased marketing expenses to promote FERF's 65th anniversary.

Fundraising, underwriting and sponsorships expenses totaled \$238,000 for fiscal years 2010 and 2009.

Administration and general expenses totaled \$252,000, which included travel, an allocated portion of senior management and staff support time and services provided by FEI. This increase of \$6,000 was mainly due to increase in staff time allocation.

Net realized and unrealized gains on investments

The unrealized gains (losses) on investments of \$59,000 and (\$56,000) in 2010 and 2009, respectively, were due to market fluctuations in the value of the investment portfolio.

Net assets and liquidity

The Foundation's net assets were \$984,000 and \$891,000 at June 30, 2010 and 2009, respectively. At June 30, 2010, the Foundation had cash and investments of \$1,613,000. These funds, excluding cash, were invested in 40% money market funds, 50% variety of mutual funds, and 10% fixed-income investments.

Report of Independent Public Accountants

The Board of Trustees
Financial Executives Research Foundation, Inc.

We have audited the accompanying statements of financial position of Financial Executives Research Foundation, Inc. as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years 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 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 financial statements are free of material misstatement. An 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 audits provide 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 Financial Executives Research Foundation, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

 J.H. Cohn LLP

Roseland, New Jersey
September 14, 2010

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009
(In Thousands)**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 14	\$ 20
Investments	1,210	1,338
Accounts receivable, net of allowance for doubtful accounts of \$2	24	23
Prepaid expenses	<u>10</u>	<u>12</u>
Total current assets	1,258	1,393
Long-term investments	403	129
Equipment, net	<u>4</u>	<u>8</u>
Totals	<u>\$1,665</u>	<u>\$1,530</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 193	\$ 144
Deferred revenues	<u>78</u>	<u>79</u>
Total current liabilities	271	223
Pension plan and other post-retirement benefits	<u>410</u>	<u>398</u>
Total liabilities	<u>681</u>	<u>621</u>
Net assets:		
Unrestricted	1,416	1,292
Pension liability adjustment	<u>(432)</u>	<u>(383)</u>
Total net assets	<u>984</u>	<u>909</u>
Totals	<u>\$1,665</u>	<u>\$1,530</u>

See Notes to Financial Statements.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2010 AND 2009
(In Thousands)**

	<u>2010</u>	<u>2009</u>
Revenues:		
Contributions	\$ 709	\$ 738
Special event revenues	286	221
Underwriting and sponsorships	123	173
Net assets released from temporary restrictions	<u>-</u>	<u>10</u>
	<u>1,118</u>	<u>1,142</u>
Research publications sales:		
Executive reports	20	23
Articles and reports to FEI	<u>50</u>	<u>50</u>
	<u>70</u>	<u>73</u>
Totals	<u>1,188</u>	<u>1,215</u>
Expenses:		
Research and publishing:		
Research and production	439	445
Distribution	6	12
Marketing	<u>75</u>	<u>65</u>
	<u>520</u>	<u>522</u>
Fundraising, underwriting and sponsorships	238	238
Special event expenses	143	147
Administration and general	<u>252</u>	<u>246</u>
Totals	<u>1,153</u>	<u>1,153</u>
Excess of operating revenues over expenses	<u>35</u>	<u>62</u>
Non-operating revenues:		
Investment income - dividends and interest	30	50
Realized losses on sale of investments	-	(78)
Unrealized gains (losses) on investments	<u>59</u>	<u>(56)</u>
Total non-operating revenues	<u>89</u>	<u>(84)</u>
Change in unrestricted net assets	124	(22)
Net assets released from temporary restrictions	<u>-</u>	<u>(10)</u>
Increase (decrease) in net assets before pension related changes other than periodic pension cost	124	(32)
Pension related changes other than periodic pension cost	<u>(49)</u>	<u>(134)</u>
Increase (decrease) in net assets	75	(166)
Net assets, beginning of year	<u>909</u>	<u>1,075</u>
Net assets, end of year	<u>\$ 984</u>	<u>\$ 909</u>

See Notes to Financial Statements.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009
(In Thousands)**

	<u>2010</u>	<u>2009</u>
Operating activities:		
Increase (decrease) in net assets	\$ 75	\$(166)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	4	5
Unrealized (gains) losses on investments	(59)	56
Realized losses on sale of investments	-	78
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	1	40
Accounts payable and accrued liabilities	49	(12)
Deferred revenues	(1)	15
Pension plan and other post-retirement benefits	<u>12</u>	<u>115</u>
Net cash provided by operating activities	<u>81</u>	<u>131</u>
Investing activities:		
Proceeds from sales and maturities of fixed income and equity investments	245	149
Purchases of investments	(332)	(298)
Purchases of equipment	<u>-</u>	<u>(4)</u>
Net cash used in investing activities	<u>(87)</u>	<u>(153)</u>
Net decrease in cash	(6)	(22)
Cash, beginning of year	<u>20</u>	<u>42</u>
Cash, end of year	<u>\$ 14</u>	<u>\$ 20</u>

See Notes to Financial Statements.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (In Thousands)

Note 1 - Business and summary of significant accounting policies:

Business:

Financial Executives Research Foundation, Inc. (the "Foundation") serves as the research affiliate of Financial Executives International ("FEI"), which is a nonprofit membership organization in the United States of America.

Basis of accounting:

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk:

Financial instruments that expose the Foundation to concentrations of credit risk consist primarily of cash and accounts receivable. The Foundation places its cash with a high-credit quality financial institution. At times, such amounts may exceed Federally insured limits.

The Foundation closely monitors the extension of credit to its donors and sponsors while maintaining allowances for potential credit losses. On a periodic basis, the Foundation evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit considerations.

Investments:

Marketable securities consist of U.S. Treasury bonds, corporate bonds, mortgage-backed securities and common stocks. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value with gains and losses included in the statements of activities. Certificates of deposit ("CD's") are carried at cost, which is considered fair value due to the nature of the investment, including the insured feature of the issuing depository institutions for CDs. Investments are currently held in accounts insured under the Securities Investors Protection Corporation ("SIPC"). At June 30, 2010, the Foundation has amounts invested exceeding these insured limits in the amount of approximately \$1,113.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (In Thousands)

Note 1 - Business and summary of significant accounting policies (continued):

Equipment:

Equipment is recorded at cost if purchased, or at fair value on date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Revenue recognition:

Contributions:

Contributions are recognized in the period the donor makes the formal commitment. Accounts receivable include pledges outstanding as of June 30, 2010, less an estimate for pledges not expected to be collected.

Restricted contributions:

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Special event revenues:

Special event revenues represent monies and gifts in-kind received as a result of the annual FEI Hall of Fame. The FEI Hall of Fame provides recognition to senior financial executives who have epitomized the performance, leadership and integrity of the most exemplary financial professionals throughout their careers, and in doing so, have made significant contributions to the betterment of their respective organizations and to the finance profession as a whole. All proceeds from the annual FEI Hall of Fame Gala benefit the work of the Foundation.

Underwriting and sponsorships:

Underwriting and sponsorships are recognized in the period in which the related research report is published.

Deferred revenues:

Deferred revenues consist of monies received from donations and research project sponsorships. These monies, collected in advance of the period to which they apply, will be recognized as income in the following year.

Contributed services:

The Foundation does not record the monetary value of services contributed to it by members of the Foundation's Board of Trustees and its committees, or companies and organizations that participate in the research process, because such services do not meet the recognition criteria under the guidance relating to "Accounting for Contributions Received and Contributions Made".

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 1 - Business and summary of significant accounting policies (continued):

Expenses:

Expenses are assigned to activities that fulfill the Foundation's objectives as a nonprofit organization. Expenses that are assigned to more than one activity are allocated utilizing a variety of factors and estimates.

Research and production:

Research and production expenses include the engagement of researchers, staff time, and the production and distribution processes. These expenses are recorded upon completion of identifiable segments of the project. Contracts awarded to individuals or organizations for research services provided to the Foundation are recognized on a percentage of completion basis.

Distribution:

Distribution includes postage and handling arising from the shipping of publications.

Marketing:

Marketing includes personnel costs related to the promotion of research.

Special event expenses:

Special event expenses include direct costs that benefit the donor such as dinner and other related expenses incurred in marketing and managing the event.

Administration and general:

Administration and general includes an allocated portion of senior management and staff support time and administrative services provided by FEI.

Income taxes:

The Foundation has been recognized as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, revenue earned on activities which are unrelated to the Foundation's exempt purpose is taxable. The Foundation had no unrelated business income in 2010 and 2009.

The Foundation adopted the new accounting for uncertainty in income taxes guidance on July 1, 2009. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and the Foundation has no unrecognized tax benefits at June 30, 2010. The Foundation's U.S. Federal and state income tax returns prior to fiscal years 2007 and 2006, respectively, are closed and management continually evaluates changes in tax law and new authoritative rulings.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (In Thousands)

Note 1 - Business and summary of significant accounting policies (concluded):

Reclassification:

Certain amounts in the 2009 financial statements have been reclassified to conform with the 2010 presentation.

Subsequent events:

The Foundation has evaluated subsequent events through September 14, 2010 which is the date the financial statements were available to be issued.

Note 2 - Fair value measurements:

The Foundation values its financial assets and liabilities 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 is established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets carried at fair value at June 30, are classified in the tables below in one of the three categories described above:

<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 294			\$ 294
Other fixed income securities	107			107
Certificates of deposit	530			530
Mortgage backed securities		\$22		22
Equity mutual funds	<u>660</u>	<u>—</u>	<u>—</u>	<u>660</u>
Total assets at fair value	<u>\$1,591</u>	<u>\$22</u>	<u>\$ -</u>	<u>\$1,613</u>

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 2 - Fair value measurements (concluded):

<u>2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 480			\$ 480
Fixed income funds and securities	471	\$30		501
Equity mutual funds	<u>486</u>	<u>—</u>	<u>—</u>	<u>486</u>
Total assets at fair value	<u>\$1,437</u>	<u>\$30</u>	<u>\$ -</u>	<u>\$1,467</u>

Investments in money market funds, other fixed income securities, certificates of deposit and equity mutual funds are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Mortgage backed securities are designated as Level 2 instruments and valuations are obtained from readily available pricing sources for comparable instruments. There has been no changes in the methodologies used at June 30, 2010 and 2009.

Note 3 - Investments:

Investments consist of the following:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 294	\$ 480
Other fixed income securities	107	94
Certificates of deposits	530	377
Mortgage backed securities	22	30
Equity mutual funds	<u>660</u>	<u>486</u>
Totals	<u>\$1,613</u>	<u>\$1,467</u>

Under terms of the Foundation's investment policy, certain longer-term funds may be invested in equity funds. Net gains (losses) on investments include unrealized gains of \$59 and losses of (\$56) in 2010 and 2009, respectively. There were no investment sales in 2010. Realized losses amounted to \$78 in 2009.

Note 4 - Equipment:

Equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Furniture and fixtures	\$ 6	\$ 7
Computer software and hardware	<u>36</u>	<u>36</u>
Totals	42	43
Less accumulated depreciation	<u>(38)</u>	<u>(35)</u>
Net book value	<u>\$ 4</u>	<u>\$ 8</u>

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 5 - Related party transactions:

The Foundation shares office facilities with FEI and bears its own administrative expenses. In 2010 and 2009, the Foundation and FEI continued their agreement as to charges for administrative support costs, occupancy and computer services. Charges to the Foundation from FEI amounted to \$194 and \$168 in 2010 and 2009, respectively, and have been allocated to the appropriate expense categories in the statements of activities.

The Foundation is included under FEI's employee benefit plans, including health care and life insurance benefits for retired employees. The Foundation reimburses FEI for costs of these plans related to its employees. Payments made to FEI for these plans were \$43 and \$44 in 2010 and 2009, respectively.

The Foundation provides magazine articles, newsletters and other research services to FEI for distribution to its members. Such sales totaled \$140 and \$160 for the years ended June 30, 2010 and 2009, respectively. The Foundation believes the terms of these sales would be consistent with sales to third party customers.

The Foundation has a net payable to FEI of approximately \$15 and \$5 in 2010 and 2009, respectively.

Note 6 - Net assets:

Net assets consist of the following:

	<u>Operations</u>	<u>Pension Liability Adjustment</u>	<u>Total</u>
Balance, July 1, 2008	\$1,324	\$(249)	\$1,075
Decrease in net assets	(32)		(32)
Pension liability adjustment	<u> </u>	<u>(134)</u>	<u>(134)</u>
Balance, June 30, 2009	1,292	(383)	909
Increase in net assets	124		124
Pension liability adjustment	<u> </u>	<u>(49)</u>	<u>(49)</u>
Balance, June 30, 2010	<u>\$1,416</u>	<u>\$(432)</u>	<u>\$ 984</u>

Note 7 - Pension plan and other post-retirement benefits:

Qualified plan:

FEI sponsors a noncontributory defined benefit pension plan for qualifying employees of FEI, the Foundation and FEI Canada ("FEIC"), collectively ("The Group Pension Plan"). The amount to be paid at normal retirement date is based on credited service, which varies based on dates of hire. The qualified pension plan was amended to close the plan to new employees hired after March 1, 2005 of FEI, the Foundation and FEIC.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 7 - Pension plan and other post-retirement benefits (continued):

Qualified plan (concluded):

After an extensive study of future benefit obligations and pension costs, the plan was amended to provide no further benefit accruals after October 1, 2009. A curtailment of the defined benefit pension plan of approximately \$665 was recognized as of June 30, 2009. The curtailment was recognized pursuant to guidance on accounting for settlements and curtailments of defined benefit plans.

Expected contributions for fiscal year ending June 30, 2011 are \$416, which includes FEI, the Foundation and FEI Canada ("FEIC").

Other post-retirement benefits:

FEI provides healthcare benefits to a limited group of retired employees of FEI and the Foundation. The plan requires FEI to provide reimbursement for individual supplemental medical plans. The amount of the contribution is limited and FEI does not anticipate increases in its contributions. The post-retirement benefit plan is not funded.

FEI also provides a limited life insurance benefit to employees when their pension benefit commences. This plan was closed to new entrants effective March 1, 2005.

Weighted-average assumptions:

Assumptions used to determine the projected benefit obligation and the net periodic benefit costs for the fiscal years ended June 30 are as follows:

	<u>2010</u>	<u>2009</u>
Discount rate	5.75%	6.25%
Rate of compensation increase	4.00%	4.00%
Expected long-term rates of return on plan assets (defined benefit pension plan)	7.50%	7.75%

The Foundation uses the expected long-term rate of return on plan assets to compute the expected return on assets. For the pension plan, the Foundation estimates the expected long-term return by utilizing a portfolio return calculator model that produces the expected return for a portfolio.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 7 - Pension plan and other postretirement benefits (continued):

Obligations and funded status:

Change in benefit obligation:

	<u>Qualified Pension</u>	<u>Retiree Medical</u>
Benefit obligation at July 1, 2008	\$1,075	\$19
Service cost	29	
Interest cost	65	1
Actuarial loss (gain)	141	(2)
Benefits paid	(58)	(1)
Curtailments	<u>(188)</u>	<u>—</u>
Benefit obligation at June 30, 2009	1,064	17
Service cost	11	
Interest cost	64	1
Actuarial loss (gain)	142	3
Benefits paid	<u>(62)</u>	<u>(2)</u>
Benefit obligation at June 30, 2010	<u>\$1,219</u>	<u>\$19</u>
Change in plan assets:		
Fair value of plan assets at July 1, 2008	\$ 827	
Actual return on plan assets	(150)	
Employer contributions	62	
Benefits paid	<u>(58)</u>	
Fair value of plan assets at June 30, 2009	681	
Actual return on plan assets	140	
Employer contributions	67	
Benefits paid	<u>(61)</u>	
Fair value of plan assets at June 30, 2010	<u>\$ 827</u>	
Funded status at June 30, 2010	<u>\$ (392)</u>	<u>\$(19)</u>
Funded status at June 30, 2009	<u>\$ (383)</u>	<u>\$(17)</u>
Unrestricted net assets - actuarial loss (gain) at June 30, 2010	<u>\$ 431</u>	<u>\$ (1)</u>
Unrestricted net assets - actuarial loss (gain) at June 30, 2009	<u>\$ 403</u>	<u>\$ (2)</u>

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Note 7 - Pension plan and other postretirement benefits (continued):
Obligations and funded status (concluded):

Change in net unrecognized loss during 2010 is as follows:

June 30, 2009, net unrecognized actuarial loss included in unrestricted net assets	\$ 381	\$ 2
Net loss	52	
Amortization of net loss	(24)	
Reclassifications	<u>25</u>	<u>(4)</u>
Net unrecognized actuarial loss included in unrestricted net assets	<u>\$ 434</u>	<u>\$(2)</u>
2011 actuarial loss amortization	<u>\$ 123</u>	

	<u>Qualified Pension</u>	<u>Retiree Medical</u>
Accumulated benefit obligation at June 30, 2010	<u>\$1,219</u>	<u>\$ 19</u>
Accumulated benefit obligation at June 30, 2009	<u>\$1,064</u>	<u>\$ 17</u>

Amounts recognized in the statement of financial position consist of:

	<u>Qualified Pension</u>	<u>Retiree Medical</u>
June 30, 2010:		
Current liabilities		\$ 1
Noncurrent liabilities	<u>\$392</u>	<u>18</u>
Totals	<u>\$392</u>	<u>\$19</u>
June 30, 2009:		
Current liabilities		\$ 2
Noncurrent liabilities	<u>\$383</u>	<u>15</u>
Totals	<u>\$383</u>	<u>\$17</u>

Components of net periodic benefit cost and other amounts recognized in other changes in net assets:

Net periodic benefit cost:		
Service cost	\$11	
Interest cost	64	\$1
Expected return on plan assets	(51)	
Amortization of loss	<u>24</u>	
Net periodic benefit cost year ended June 30, 2010	<u>\$48</u>	<u>\$1</u>
Net periodic benefit cost:		
Service cost	\$29	
Interest cost	65	\$1
Expected return on plan assets	(60)	
Amortization of loss	<u>9</u>	
Net periodic benefit cost year ended June 30, 2009	<u>\$43</u>	<u>\$1</u>

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 7 - Pension plan and other post-retirement benefits (continued):

Plan assets:

Plan assets for The Group Pension Plan, carried at fair value at June 30, are classified in the table below in one of the three categories as described in Note 2.

<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Equities and fixed income:</u>				
Equity Securities-U.S.	\$2,358			\$2,358
Equity Securities- Non-U.S.	491			491
Fixed income bond funds	1,981			1,981
Real estate funds		\$210		210
Cash and cash equivalents	<u>100</u>	<u>—</u>		<u>100</u>
Total assets	<u>\$4,930</u>	<u>\$210</u>	<u>\$ -</u>	<u>\$5,140</u>

2009

Equities and fixed income:

Equity Securities-U.S.	\$2,111			\$2,111
Equity Securities-Non-U.S.	193			193
Fixed income bond funds	1,783			1,783
Real estate funds		\$133		133
Cash and cash equivalents	<u>133</u>	<u>—</u>		<u>133</u>
Total assets	<u>\$4,220</u>	<u>\$133</u>	<u>\$ -</u>	<u>\$4,353</u>

The expected long-term rate of return for the Plan's assets is based on the expected return of each of the asset categories weighted based on the mean of the target allocation of the class.

The Group Pension Plan asset allocations at June 30, by asset category, are as follows:

<u>Asset Category</u>	<u>2010</u>	<u>2009</u>
Equities	55.4%	52.8%
Bonds	38.6	40.9
Real estate	4.1	3.1
Cash	<u>1.9</u>	<u>3.2</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

Investment strategy:

The plan's assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling pension expense volatility and future contributions. Plan assets are diversified among U.S. equities, international equities, U.S. fixed income investments and real estate. The strategic target allocation is approximately 50% U.S. equities, 10% international equities, 35% fixed income, 5% real estate.

FINANCIAL EXECUTIVES RESEARCH FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
(In Thousands)**

Note 7 - Pension plan and other postretirement benefits (concluded):

Expected benefit payments:

Estimated future benefit payments reflecting expected future service for each of the five years subsequent to June 30, 2010 and in the aggregate for the four years thereafter for FEI, the Foundation and FEIC are as follows:

<u>Fiscal Year Beginning July 1,</u>	<u>Defined Benefit Plan</u>
2010	\$ 416
2011	418
2012	414
2013	425
2014	435
2015-2019	2,518

401(k) plan:

Effective January 1, 1997, the Foundation maintains a deferred arrangement 401(k) plan whereby employees can contribute a percentage of their earnings on a tax-deferred basis. The Foundation contributed \$17 and \$16 to the 401(k) plan in 2010 and 2009, respectively.