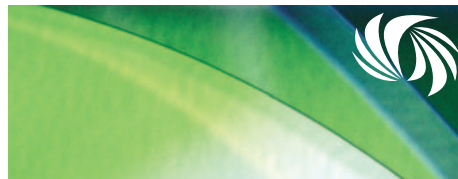




ANNUAL REPORT 2005-2006



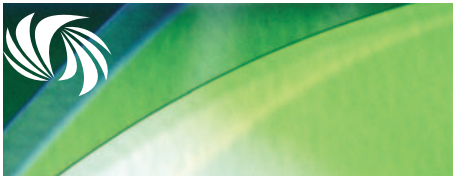
contents

2	message to our members
4	code of ethics
5	fei facts
6	value of membership
8	did you know
10	board of directors
financial reports	
13	responsibility for financial statements and internal controls
14	management's discussion and analysis (unaudited)
19	report of independent public accountants
20	statements of financial position
21	statements of activities
22	statements of cash flows
23	notes to financial statements



75th Anniversary

servicing fei members since 1931



a message to members



A handwritten signature in black ink, appearing to read 'R. Walker'.

Robert R. Walker
FEI Chairman, 2005-2006

This past fiscal year marked the accomplishment of several key initiatives, and 2006 also commemorates the 75th anniversary of our organization, having been founded in 1931 as the Controllers Institute of America. We began with 30 members, and their original purpose was to define their profession, exchange ideas about its practice, educate themselves and others, and to work with the government to improve the general economy. Their framework has stood the test of time, and today, our mission is largely the same, even with the remarkable changes in our economy and our profession.

We kicked off anniversary-related activities with a year-long series of articles in *Financial Executive* magazine; each article highlights major business trends and developments over the last 75 years. We added to our website a timeline of significant milestones in FEI history. A special historical exhibit was displayed at the 2006 Summit in San Francisco in April, and will be featured at the CFRI conference in New York in November. Our 75th anniversary activities will culminate in a commemorative dinner on November 15 in New York, at which FEI will congratulate the inaugural inductees into our newly established FEI Hall of Fame, designed to recognize the exceptional accomplishments of financial executives who have brought leadership, pride and credibility to the profession.

FEI remains the leading professional organization for senior financial executives. As validation, the cover story of the January *Business Finance* magazine, "60 Influencers in '06," included 16 FEI members (together with FEI President Colleen Cunningham) and recognized the influence of FEI's Committee on Corporate Reporting (CCR) in particular. Overall, FEI's technical committees continued to work closely with regulators and policy groups including the FASB, SEC, PCAOB, ISAB, the IRS and Congress to ensure the perspectives of financial executives is part of their deliberations.

Our Committee on Corporate Reporting continues to provide constructive input from preparers on financial reporting regulations. High on CCR's list of priorities is to work with rule makers and standard-setters to address the growing complexity of financial statements and rules.

- Our Committee on Private Companies developed content for our twice-annual Private Company Forums and is also addressing various tax policy issues and new accounting standards as they apply to private companies.
- Our Committee on Corporate Finance favored strong new disclosure requirements to better enable investors and issuers to understand how credit agencies operate.
- Our Committee on Taxation prepared comments on President Bush's Advisory Panel Report. COT believes the proposal still leaves the U.S. with the highest corporate tax rate among developed nations, and that the impact of some of the proposals on member companies will depend on details to be developed later.
- Our Committee on Benefits Finance worked in concert with the Pension Coalition, a group of like-minded associations and business groups, to address concerns over proposed pension funding target levels, credit balances and the effective date for new funding target rules.
- Our Committee on Finance and Information Technology, addressed enhancing the use of technology in financial reporting (including tagged data and XBRL), as well as CFO/CIO alignment, cyber-security and privacy issues.
- Our Committee on Government Business closely monitored a proposed FAR rule revision relating to Time-and-Material and Labor-Hour contracts that would preclude prime con-



tractor profit or fee on subcontracted effort. They also followed several bills drafted in the wake of Hurricanes Katrina and Rita that would subject contractors to added scrutiny, and the impact Iraq contracting issues are having on the procurement process.

Additionally, the newly created Small Public Company Task Force responded to the SEC's initiative to review the cost vs. benefit of various regulations impacting smaller public companies, in particular Section 404 of Sarbanes-Oxley.

For members, 2006 saw the launch of a new program - free access to research from Financial Executives Research Foundation (FERF). Since then, FERF has published practical reports and alerts that have been e-mailed directly to your desktop. FERF's Executive Reports now also come with CPE credits—providing an even greater value to existing and prospective members.

This year we convened a task force of members to examine our current dues structure and consider possible changes, if warranted. The scope included benchmarking vs. other associations, as well as considering new options for the structure of our dues. The discussion has been productive and is continuing through the remainder of 2006.

In June, we successfully converted to a new association management system, NetForum by Auctra. The system provides a vastly more nimble and deeper database, with improved data synching and data mining capabilities. We are now able to offer the individual FEI member, as well as our chapters, more personalized and coordinated data, faster turnarounds and better flexibility.

FEI continued to enhance professional development and conferences offering teleconferences and webcasts, including the twice-yearly joint conference with the National Association of Corporate Directors (NACD). Reflecting on our Current Financial Reporting Issues Conference last November, the event featured CNN's Lou Dobbs and FASB's Robert Herz and drew more than 900 attendees, an increase of 6% over the prior year. The event remains a "must-attend" for those responsible for preparing financial statements.

We completed a Membership Satisfaction survey in early 2006 to evaluate many of our current products and services, and suggest how we can improve. We are pleased that overall the results indicate that member satisfaction remains high. We gained a great deal of insight regarding member attitudes towards various aspects of FEI benefits and services, including our website, conferences, *Financial Executive* magazine, and FERG research, and we'll move forward in 2007 with actions based upon the trends reported in the survey.

In Closing

We sincerely thank the Area and Chapter officers, committee members and chairs, Executive Committee, FEI Canada officers and directors, Financial Executives Research Foundation officers and trustees, and all our other members and staff who have given so generously of their time and talents during the past year. Their efforts reinforce our commitment to provide quality programs and services to meet the needs of FEI members.

FEI can provide substantial value to you, our members, to help you meet your everyday challenges through networking, education, information and advocacy. We want to hear from you. Please feel free to contact us with ideas on how FEI can better serve you, your company and the corporate finance profession.

Sincerely,

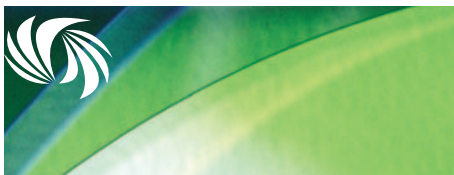
Robert R. Walker | FEI Chairman, 2005-2006

Colleen Cunningham | FEI President & CEO



Colleen Cunningham

Colleen Cunningham
FEI President & CEO



code of ethics

FEI's mission includes significant efforts to promote ethical conduct in the practice of financial management throughout the world. Senior financial officers hold an important and elevated role in corporate governance. While members of the management team, they are uniquely capable and empowered to ensure that all stakeholders' interests are appropriately balanced, protected and preserved. This Code provides principles to which members are expected to adhere and advocate.

They embody rules regarding individual and peer responsibilities, as well as responsibilities to employers, the public, and other stakeholders. Violations of FEI's Code of Ethics may subject the member to censure, suspension or expulsion under procedural rules adopted by FEI's Board of Directors.

All members of FEI will:

- Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
- Provide constituents with information that is accurate, complete, objective, relevant, timely and understandable.
- Comply with applicable rules and regulations of federal, state, provincial, and local governments, and other appropriate private and public regulatory agencies.
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of one's work will not be used for personal advantage.
- Share knowledge and maintain skills important and relevant to constituents' needs.
- Proactively promote ethical behavior as a responsible partner among peers, in the work environment and the community.
- Achieve responsible use of and control over all assets and resources employed or entrusted.
- Report known or suspected violations of this Code in accordance with the FEI Rules of Procedure.
- Be accountable for adhering to this Code.



fei facts

FEI is the professional association of choice for senior-level corporate financial executives. Our membership comprises more than 15,500 members from companies of all sizes, both public and private, crossing all industries.

Titles include:

6,800	CFO/EVP/VPs of Finance
1,700	Controllers
500	Treasurers
800	CEO/CIO/CAO/COOs
5,700	Other financial executive positions, Academics and Audit Committee Members

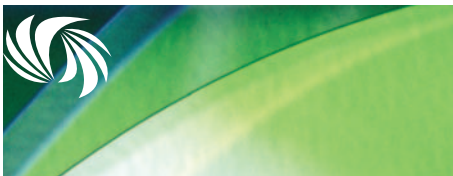
Public/Private company ratio is 50%/46%
(4% not-for-profit/other)

Male/Female ratio is 85%/15%

FEI is represented in 70% of the
Fortune 1000 companies

We have 85 chapters, 74 U.S., 11 Canadian

Our total operating budget for FY'06
was \$9.8 million



the value of membership

FEI provides members with beneficial networking opportunities and information to stay current. A powerful advocate for the profession, FEI is known as the voice of corporate finance.

networking | connecting you with your peers

- 15,500 – CFOs, VPs-Finance, Treasurers, Controllers, Tax Executives, Academics
- Companies large and small, public and private, cross-industry
- Chapter meetings, conferences, teleconferences, webcasts, publications, online member database and email-based discussion forums

knowledge | insights for informed decisions

- emerging issues and market trends
- regulatory and legislative updates
- practical research, benchmarking and case studies from Financial Executives Research Foundation (FERF)

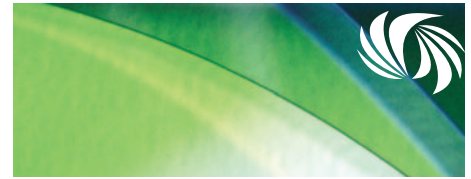
advocacy | authoritative representation for your interests

- respected voice for corporate finance issues
- advocating the views of financial executives before the SEC, FASB, PCAOB, IASB and Congress

ethical leadership | advancing the profession

- FEI's code of ethics is a model for the finance profession
- dedicated to promoting responsible, ethical financial management





FEI members enjoy a wealth of benefits.

Our Website | fei.org ■ content connecting you to your peers: technical articles, practical research, membership database, chapter programs, event registration & more

Conferences and webcasts ■ professional development programs tailored to the needs of financial executives

CPEs ■ earn unlimited credits with 24/7 access to CPE offerings throughout the year

Financial Executive magazine ■ our award-winning strategic business magazine

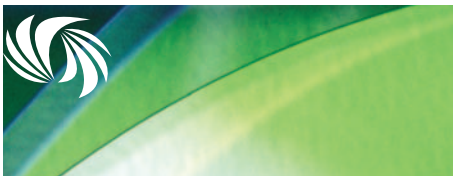
FEI Express ■ email delivery of the latest news and insights

Career Center ■ web tools to manage your career advancement, plus exclusive job listings

Financial Executives Research Foundation (FERF) ■ current research topics offered through newsletters, online reference library and published reports, plus “Ask FERG”, which provides prompt responses to your research needs and questions.

FELIX (Financial Executives List Exchange) ■ moderated online discussion forums





did you know

That FEI's Committee on Corporate Reporting is a leader in the dialogue with the FASB and the SEC to reduce complexity in financial reporting? CCR believes that it is feasible to reduce the complexity of financial reporting by making accounting standards easier and less costly to find, understand, remember and implement. But, to do so will require a concerted effort among all financial reporting stakeholders and leadership. FEI president Colleen Cunningham has also testified to Congress providing recommendations on how to achieve improved transparency and simplify financial reporting.

That the Private Company Standards Subcommittee has begun to have an open dialogue with the FASB and the IASB on private company accounting issues? The Subcommittee plans to have regular meetings with both bodies in order to remain influential with the organizations.

That the Private Company Policy Subcommittee is working on relevant legislative issues? The CPC Policy Subcommittee has identified the reform of the estate tax as their top priority along with health care reform for small businesses and S Corp reform legislation.

That FEI continues to influence the discussion and improve the implementation of Section 404 through input from FEI's Committee on Corporate Reporting (CCR) and FEI's participation with COSO and the SEC's Advisory Committee on Smaller Public Companies? CCR held two all-day brainstorming sessions with the Section 404 project leaders from their companies; their recommendations became the subject of two FERF reports. CCR also provided feedback to the SEC, and several members participated in the 2006 SEC-PCAOB Section 404 round-table. Additionally, FEI's Small Public Company Task Force has provided comment to the SEC regarding the impact of 404's implementation on smaller public companies. FEI has also testified to Congress on this subject as well.

That FEI's Committee on Finance & Information Technology (CFIT) and FERF has taken a lead in educating the preparer community about eXtensible Business Reporting Language (XBRL)? XBRL is a form of "interactive data" promoted by the SEC. CFIT has co-sponsored a series of FEI chapter presentations on XBRL. FERF Executive Reports on XBRL are available at the FERF Bookstore <http://www.fei.org/rfbookstore/>

That FEI's Committee on Corporate Finance successfully modified the credit rating agency reform legislation (H.R. 2990) to include a provision to minimize conflicts of interest in the credit rating marketplace? The provision directs the SEC to examine the issue, and to enact prohibitions on specific credit rating agency practices that might be viewed as conflicts of interest. FEI's efforts also included testimony by president Colleen Cunningham before the Senate Banking Committee.

That FEI's Tax Committee is working to persuade Congress not to adopt legislative language that would eliminate LIFO inventory accounting? The Senate Finance Committee continues to examine the feasibility of repealing LIFO accounting for inventory items. A broad coalition of business organizations, including FEI's Tax Committee, has worked diligently to keep this proposal from being adopted.



That FEI's Tax Committee has continued to keep CEO certification of companies' federal income tax filings from being adopted by Congress? If enacted, the provision would require corporate CEOs, most of whom are not tax professionals, to certify the extensive information contained in their Form 1120 filings.

That the Committee on Benefits Finance has been actively involved with the Pension Coalition, which is working hard to ensure that any changes made to the pension funding laws are acceptable from the employer's perspective? The Coalition has worked closely with Congressional leaders to improve several aspects of the bill, including the treatment of credit balances; the use of credit ratings; the hybrid plan design; interest rate smoothing; and transition timetables.

That the Committee on Government Business (CGB) makes available on the FEI website quarterly updates on federal procurement policy issues? The updates, which provide a wealth of information on recent legislative, regulatory, and legal developments in the federal contracting community, can be accessed in the advocacy section of the FEI website, www.fei.org/advocacy.

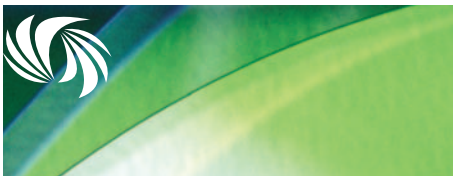
That FEI is actively involved with the FASB, IASB, PCAOB, SEC and Congress to represent the interests of corporate finance, and that our President, Colleen Cunningham, sits on the advisory councils of both the FASB and the IASB? Did you know that Cunningham, along with 15 other FEI members, has been named as one of the "2006 Influencers: 60 Authoritative Voices" by Business Finance magazine.

That FEI continues to be the source within the preparer community for regulators when putting together advisory groups and task forces? FEI members are represented on the PCAOB's Standing Advisory Group, the FASB's Small Business Advisory Committee, the IASB/FASB international working group on performance reporting, the COSO Internal Control Forum Task Force, the Financial Accounting Standards Advisory Council, International Standards Advisory Council and the Financial Accounting Foundation.

That FELIX (Financial Executives List Exchange), the FERF-moderated, e-mail-based discussion forum, has over 3,000 private company subscribers, who use FELIX to network with their peers and get experience-based answers to their unique questions and issues? Visit FELIX at www.fei.org/felix

That Financial Executives Research Foundation (FERF) is the research affiliate of FEI, and gets ideas for new research projects from FEI's Technical Committees and chapters?

That as a member benefit FERF Executive Reports and Financial Executive magazine qualify for CPE credits? Visit the CPE Center at www.fei.org/cpe.



board of directors

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Vice Chair

Richard Schrader | Executive Vice President
and CFO | Parsons Brinckerhoff, Inc.

President

Colleen Cunningham | President & CEO |
Financial Executives International

Vice President -at-Large

M. Alexis Dow | Metro Auditor | Metro

Vice President -at-Large

Joseph DiLorenzo | Co-Founder and
Manager | M/D Group, LLC

Secretary

Jeffrey Curtiss | Senior Vice President
and CFO | Service Corporation International

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and Compliance | The Hershey Company

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Corporate Reporting

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Taylor Hawes | Controller, Global Platforms
& Operation | Microsoft Corporation

Government Business

William Romenius | Director | International
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& Admin. | The Corporation of the County of
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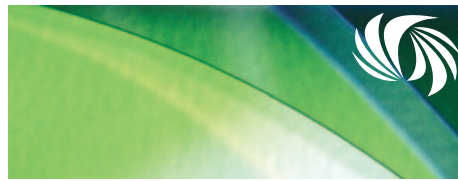


2005-2006



financial reports

june 2005 & june 2006



responsibility for financial statements and internal controls

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

FEI 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.

FEI 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 FEI's management and Board of Directors 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 FEI, 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.

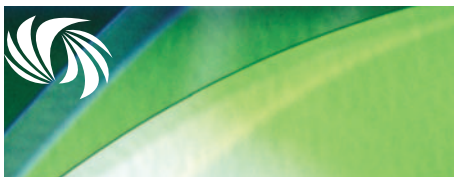
The Board of Directors — through the Office of the Chair, Budget and Finance Committee, Audit Committee and FEI's Treasurer — reviews the financial and accounting operations of FEI, including the review and discussion of periodic financial statements, the evaluation and adoption of budgets, and the basis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

J.H. Cohn LLP, an independent public accounting firm, has audited the financial statements of FEI, 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 Directors. 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 FEI.

Colleen Cunningham
President and CEO

Paul W. Chase
Vice President and Chief Financial Officer

September 8, 2006



management's
discussion
and
analysis
(unaudited)

2006
compared
with
2005

SUMMARY:

Overall, net assets increased \$1,013 thousand for the year ended June 30, 2006. Results from operations accounted for \$485 thousand of the increase, compared with an increase of \$804 thousand in 2005. Total revenues of \$10,170 thousand were \$347 thousand, or 3.5%, higher than 2005's \$9,823 thousand. Total expenses in 2006 were \$9,685 thousand, an increase of \$666 thousand, or 7.4%, from 2005. Other comprehensive income attributable to the decrease in the pension plan minimum liability adjustment was \$528 thousand in 2006, compared with an increase in the pension plan liability adjustment of \$51 thousand in 2005.

REVENUES:

Membership dues and initiation fees increased \$91 thousand, or 1.8%, to \$5,211 thousand from \$5,120 thousand in 2005. This increase is a result of more members in the Active class of membership and fewer members transferring to lower fee classes, such as Career Services and Retired. Overall for the year, 1,385 members were accepted or reinstated, 2 less than in 2005, and cancellations of 1,693 in 2006 were 399 higher than 2005. Membership dues and initiation fees continue as FEI's major source of revenue, comprising 51.2% of total revenues in 2006 compared with 52.1% in 2005. One of FEI's strategic goals is to decrease the percentage of membership dues and initiation fees to total revenue through additional non-dues revenue sources.

Revenues from conferences and professional development programs increased \$89 thousand, or 4.0%, to \$2,316 thousand, from \$2,227 thousand in 2005. Conferences held in 2006 included the Financial Executives Summit and the Current Financial Reporting Issues (CFRI) conference. Also, in 2006, FEI continued a twice-yearly joint conference with the National Association of Corporate Directors (NACD), broadened the scope of the Private Companies Forum, and held over 40 webcasts and teleconferences. The increase in conference revenue year-over-year is mainly attributable to higher registration, exhibit and sponsor revenue for the CFRI conference, and the growth of the Private Company Forums offset by the discontinuation of the Committee on Finance and Information Technology (CFIT) conference.

Strategic partnership and sponsor revenues were \$1,540 thousand in 2006 compared with \$1,539 thousand in 2005. Revenues from marketing relationships, FEI Express, a bi-weekly e-newsletter, and website sponsors were \$364 thousand in 2006, an increase of \$81 thousand, or 28.6%, from 2005. In 2005, FEI began to offer customized marketing relationships to organizations that didn't require the full range of services offered under the Strategic Partnership program. Marketing relationship revenues increased to \$188 thousand in 2006 from \$122 thousand in 2005, an increase of \$66 thousand, or 54%. FEI Express sponsor revenues of \$128 thousand remained at the same level as that of 2005, when revenues were \$129 thousand. Website sponsorships, including banner ads and white paper postings, were \$48 thousand in 2006, an increase of \$16 thousand over 2005. Revenues from strategic partnerships, including Financial Management Network (FMN) royalties, were \$1,176 thousand in 2006, a decrease of \$80 thousand, or 6.4%, from the revenues of \$1,256 thousand in 2005. The decrease resulted primarily from lower average revenue per partner contract due to changing partnership categories from exclusive to non-exclusive in addition to the strategic shift towards more specific sponsorships rather than partnerships.

Publications revenue includes advertising, subscriptions, and incidental revenues, related to the *Financial Executive* magazine. Revenues were \$647 thousand in 2006 or \$12 thousand, 1.8%, lower than 2005. Advertising revenues of \$522 thousand in 2006 were \$38 thousand, or 6.8%, lower than the \$560 thousand in 2005. The decrease in revenue occurred in the second half of the year due to fewer print advertising contracts. We have seen a shift to more website advertising in the past year and expect that this source of revenue will continue to grow. Article reprints, non-member subscriptions and other magazine-related revenues of \$125

thousand were \$26 thousand, or 26.3%, higher than the \$99 thousand in 2005.

The investment portfolio consists of money market accounts, certificates of deposit and corporate debt issues. Due to higher interest rates, investment income totaled \$228 thousand in 2006 or \$59 thousand, 34.9%, higher than in 2005. The investment income also includes unrealized losses of \$9 thousand in 2006 and \$15 thousand in 2005.

Other income totaled \$228 thousand in 2006, an increase of \$119 thousand, or 109.2%, compared with 2005. This category includes the revenue from our expanded services to both chapters and members. FEI National provided administrative services to thirteen chapters for total fees of \$91 thousand. FEI's CPE Center was launched in 2005 and now 20 chapters use this service, an increase of eight over 2005. Revenues from the CPE Center totaled \$8 thousand. FEI's Career Services revenue is comprised of both job postings and the sponsorships of the Career Toolkit and Executive Career Briefcase on FEI's website. Job postings totaled \$94 thousand in 2006, an increase of \$34 thousand, or 56.7%, compared with 2005, due primarily to an increase of over 90 jobs posted. Career Services sponsorships, new revenue for FY 2006, brought in an additional \$8 thousand. Other miscellaneous revenues of \$27 thousand increased \$12 thousand over 2005.

EXPENSES:

Total expenses of \$9,685 thousand were \$666 thousand, or 7.4%, higher than in 2005. This discussion will include analysis of expenses by activity and by account.

EXPENSES BY ACTIVITY:

For financial reporting purposes, FEI assigns expenses to program services and supporting activities which fulfill its mission. Expenses relating to more than one program or supporting activity are allocated utilizing several factors and estimates.

Expenses for conferences and professional development activities totaled \$2,764 thousand in 2006, an increase of \$171 thousand, or 6.6%, from 2005, and included the design, development and delivery of conferences and professional development programs. Direct out-of-pocket expenses related to individual conferences and seminars totaled \$1,920 thousand in 2006, an increase of \$95 thousand, or 5.2%, from 2005. This increase in expense is mainly attributable to the increased hotel, food and beverage expenses for the Summit conference and the expansion of Private Companies Forums from one to two events; partially offset by the CFIT conference not being held in 2006. Allocated expenses totaled \$844 thousand in 2006, an increase of \$76 thousand, or 9.9%, from 2005.

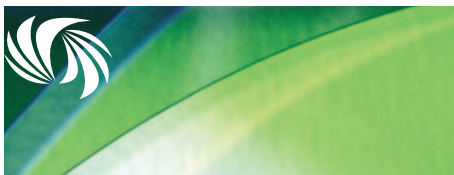
Communication activities are directly related to FEI's Financial Executive (FE) magazine, bi-weekly FEI Express, annual leadership directory, and other communications to members and the public, including FERF research and publications, FEI's web site (www.fei.org), and public relations programs. Total 2006 costs of \$2,099 thousand for these activities were \$187 thousand, or 9.8%, higher than 2005. Costs of communication activities, other than the magazine, were \$1,296 thousand in 2006, or \$154 thousand, 13.5%, higher than the \$1,142 thousand in 2005. As an additional member benefit, FERF research and publications were made available to members at no cost. This increased the purchases from FERF in 2006. The direct editorial, advertising, production and distribution costs of the magazine were \$803 thousand in 2006, which was \$33 thousand, or 4.3%, higher than in 2005. These increased expenditures in 2006 are attributable mainly to the increase in personnel costs year-over-year. In 2006, FE magazine published 10 issues during the year.

Member services and chapter relations activities totaled \$1,784 thousand in 2006, \$114 thousand, or 6.8%, more than 2005. The increase in this category is attributable to the implementation of the new AMS as well as the increased technology support for website services for



continued management's discussion and analysis (unaudited)

2006
compared
with
2005



**continued
management's
discussion
and
analysis
(unaudited)**

2006
compared
with
2005

the chapters, database maintenance, and membership reporting. Also, the chapter administrative services provided by National were expanded in 2006.

The cost of technical committee support services increased by \$93 thousand, or 8.3%, to \$1,207 thousand in 2006. FEI has seven technical committees supported by staff in the Florham Park and Washington, D.C., offices. Committee activities include various advocacy efforts while representing members' interests before accounting standard-setting, governmental and other regulatory agencies. Each committee generally meets in full session four times a year, supplemented by subcommittee meetings and other activities.

The cost of administration, general and membership acquisition activities was \$1,831 thousand in 2006, which was \$101 thousand, or 5.8%, higher than 2005. The increase in this category is largely attributed to higher membership recruiting and higher operating costs.

EXPENSES BY CATEGORY:

Salaries and benefits account for 51.0% of all expenses of FEI, and totaled \$4,943 thousand in 2006, an increase of \$124 thousand, or 2.6%, from \$4,819 thousand in 2005. The annual salary merit increase averaged 3.9% in 2006.

Other expenses, which represent all other non-salary-related expenses — including operating costs, functional expenses, occupancy costs, etc. — totaled \$4,741 thousand in 2006, \$542 thousand, or 12.9%, higher than the \$4,199 thousand in 2005. Such expenses comprised 49.0% of total expenses in 2006.

Direct out-of-pocket expenses related to conferences and professional development programs, which are included in both of the above categories, totaled \$1,920 thousand in 2006, as discussed above, and accounted for 19.8% of total expenses, a decrease of 0.4% compared with 2005.

BALANCE SHEET:

Net assets totaled \$1,908 thousand, an increase of \$1,013 thousand, or 113.1%, in 2006. Operating results contributed \$485 thousand to the increase in net assets and other comprehensive income attributable to the minimum pension liability adjustment accounted for \$528 thousand of the increase. The other comprehensive income resulted from lower pension benefit obligations and increased pension assets.

Assets, overall, increased by \$44 thousand, or 0.5%, to \$8,148 thousand in 2006. Investments decreased \$26 thousand, or 0.4%, to \$6,566 thousand in 2006 primarily due to contributions made into the pension fund and capital costs for the new AMS system, which was partially offset by invested operating earnings. Accounts receivable, less reserves for doubtful accounts of \$622 thousand, decreased \$90 thousand, or 12.7% in 2006 primarily due to lower membership dues receivable. Equipment and leasehold improvements, less accumulated depreciation, increased \$197 thousand, or 52.2%, due to the addition of the new AMS system. Other assets, consisting primarily of deposits and prepaid expenses, decreased \$17 thousand, or 4.6%, to \$353 thousand in 2006 due to lower prepaid conference expenses.

Accounts payable, accrued expenses and other liabilities stayed level with the prior year at \$1,225 thousand. Unearned membership dues decreased \$137 thousand, or 4.6%, to \$2,834 thousand in 2006 due to fewer members paying prior to the start of their membership term and an increase in the number of members severed at year end. Unearned partnership, sponsorship, magazine subscription and conference revenue increased \$132 thousand, or 21.5% due to higher unearned sponsor revenue from marketing relationships and website advertising and higher unearned conference revenue from the November 2006 Hall of Fame event. Pension plan and other post-retirement benefits decreased \$964 thousand, or 40.3%, to \$1,431 thousand in 2006 primarily due to higher contributions into the pension plan fund.

From a cash flow perspective, net cash provided by operations was \$251 thousand in 2006, a

decrease of \$456 thousand from 2005, primarily due to the change in pension plan and other post-retirement benefits. Net cash used in investing activities was \$271 thousand and \$696 thousand in 2006 and 2005, respectively. Overall, the net decrease in cash was \$20 thousand in 2006, as compared with the decrease of \$46 thousand in 2005.

LIQUIDITY:

The average month-end cash and investment balance was approximately \$7.0 million in 2006 and \$6.3 million in 2005. In 2006, month-end cash and investments were highest at December 31, 2005 (\$7.3 million) and lowest at June 30, 2006 (\$6.6 million).

FORWARD LOOK TO 2007:

FEI is honored to be the professional association of choice for senior-level corporate finance executives and we continue to focus on enhancing the products and services offered to members. In 2007, we will seek more new ways to strengthen the value of membership and our connection with members. We will embark on fresh approaches, not only to increase FEI membership, but also to focus on retaining the members we currently serve. In addition, we will continue our role as vigorous advocate on behalf of members before the SEC, FASB, PCAOB, IASB and Congress on regulatory and legislative issues.

FEI has established a strategic focus for 2007 that reflects our commitment to delivering value to the membership. Our goals are detailed below:

- Continue to enhance support to chapters.
- Continue to enhance membership and leadership diversity.
- Provide greater individual choice of services and programs for members.
- Continue to enhance international influence.
- Leverage new AMS system for increased efficiencies and membership services.
- Enhance the value and relevancy of FERF research.
- Review FEI brand during the 75th anniversary year.
- Continue advocacy role as the voice of financial executives via FEI Committees.

Continue to enhance support to chapters.

We understand the increasing demands on financial professionals and their volunteer time, and are working to develop additional services for the FEI chapters. In the coming year, FEI is committed to providing more assistance to chapter leaders relative to programming, membership recruitment and retention and overall improved communications. The FEI national staff currently serves as the primary chapter administrator for 13 chapters, and with the implementation of the new AMS system, FEI is offering training to chapter leaders and administrators to ensure a smooth transition in the year ahead. We will redesign recruiting brochures to assist chapters in their membership campaigns, and we will continue to automate many administrative tasks, including the CPE program management.

Continue to enhance membership and leadership diversity.

We are committed to continuing to enhance diversity in FEI membership, and look to create new ways to improve diversity within FEI in 2007.

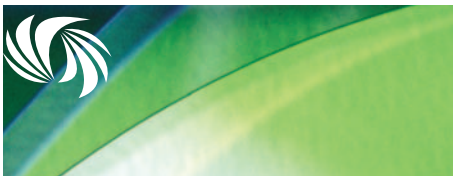
Provide greater individual choice of services and programs for members.

A survey of the FEI membership was conducted and provided feedback on which services are of most value to members. While 93% of respondents scored FEI high in member satisfaction, we believe we need to continue to create programs that address individual member requirements in 2007. We will strive to produce live conferences for private and public company members, and enhance the opportunity for online CPE credits, keeping focus upon developing programs that address the interest levels of our members and their learning convenience. FEI is



**continued
management's
discussion
and
analysis
(unaudited)**

2006
compared
with
2005



**continued
management's
discussion
and
analysis
(unaudited)**

2006
compared
with
2005

also implementing software enhancements that will allow members to enrich their experience when visiting the FEI website (www.fei.org).

Continue to enhance international influence.

FEI continues to be active on the global stage, taking part in opportunities to be an international policy leader where appropriate. In addition to our existing relationships with Australia and Mexico, we will be pursuing discussions with organizations in Italy and Korea to co-host bilateral conferences on emerging international financial reporting issues.

Leverage new AMS system for increased efficiencies and membership services.

FEI successfully implemented a new association management system. This new system contains features to facilitate administrative efficiencies and to improve communication and coordination between national, areas and chapters. By offering a shared database, the new system benefits members with one point of contact for self-service record changes, and assists chapters by reducing inaccuracies and redundancies caused by maintaining multiple systems.

Enhance the value and relevancy of FERF research.

FEI members currently receive free access to research reports from Financial Executives Research Foundation (FERF). Many of FERF's publications currently carry the ability to earn continuing professional education (CPE) credits, thus providing an even greater value. All FERF research emanates from input and participation from FEI members and technical committees, who offer guidance on potential content, ensuring that topics are timely and reflect real world priorities. The Financial Executives List Exchange (FELIX) represents another value-added service by providing a widely-used forum for peer information exchange.

Looking ahead in 2007, in continuing to enhance the relevancy of the research, FERF will seek feedback from FEI chapters to ensure that topics are germane to the broader FEI membership. FERF also plans surveys on technology issues and executive compensation which will have broad appeal to all.

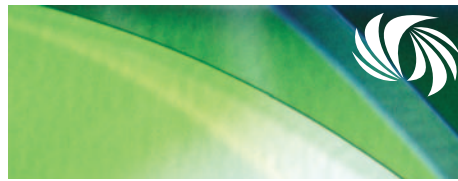
Review FEI brand during the 75th Anniversary year.

In the year ahead, we will evaluate the strength of the FEI brand by completing a brand assessment study. We hope to gain a better understanding of both internal and external perceptions of FEI, and position the association in a way that generates interest in, and enhances the features and benefits of FEI membership.

Continued advocacy role as the voice of financial executives.

FEI Technical Committees will move forward in 2007 with a full agenda of priorities, and continue to influence legislation and support the views of financial executives. The Technical Committees are:

- Committee on Corporate Finance
- Committee on Corporate Reporting
- Committee on Taxation
- Committee on Finance and Information Technology
- Committee on Private Companies
- Committee on Benefits Finance
- Committee on Government Business



**report of
independent
public
accountants**

The Board of Directors
Financial Executives International

We have audited the accompanying statements of financial position of Financial Executives International as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 International as of June 30, 2006 and 2005, 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. Cohen LLP

Roseland, New Jersey
August 3, 2006



statements of
financial position
june 30, 2006 and 2005
(in thousands)

	ASSETS	<u>2006</u>	<u>2005</u>
Current assets:			
Cash		\$ 32	\$ 52
Investments		6,566	6,592
Accounts receivable, less reserves for doubtful accounts of \$59 and \$66		<u>622</u>	<u>712</u>
<i>Total current assets</i>		7,220	7,356
Equipment and leasehold improvements, net		575	378
Other assets		<u>353</u>	<u>370</u>
Totals		<u>\$8,148</u>	<u>\$8,104</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable, accrued expenses and other liabilities		\$1,225	\$1,225
Unearned membership dues		2,834	2,971
Unearned partnership, sponsorship, magazine subscription and conference revenue		<u>750</u>	<u>618</u>
<i>Total current liabilities</i>		4,809	4,814
Pension plan and other post-retirement benefits		<u>1,431</u>	<u>2,395</u>
<i>Total liabilities</i>		<u>6,240</u>	<u>7,209</u>
Commitments and contingencies			
Net assets - unrestricted:			
Other		2,679	2,194
Minimum pension liability adjustment		<u>(771)</u>	<u>(1,299)</u>
<i>Total net assets</i>		<u>1,908</u>	<u>895</u>
Totals		<u>\$8,148</u>	<u>\$8,104</u>

See Notes to Financial Statements.



statements of activities

years ended
june 30, 2006 and 2005
(in thousands)

	<u>2006</u>	<u>2005</u>
Revenues:		
Membership dues and initiation fees	\$5,211	\$5,120
Conferences and professional development	2,316	2,227
Strategic partnerships and sponsors	1,540	1,539
Publications	647	659
Investment income	228	169
Other	228	109
Totals	<u>10,170</u>	<u>9,823</u>
Activities and expenses:		
Conferences and professional development	2,764	2,593
Communications	2,099	1,912
Member services and chapter relations	1,784	1,670
Technical committee services	1,207	1,114
Administration, general and membership acquisition	1,831	1,730
Totals	<u>9,685</u>	<u>9,019</u>
Increase in net assets before minimum pension liability adjustment	485	804
Minimum pension liability adjustment	528	(51)
Increase in net assets	1,013	753
Net assets, beginning of year	895	142
Net assets, end of year	<u>\$1,908</u>	<u>\$ 895</u>

See Notes to Financial Statements.



statements of cash flows

years ended
june 30, 2006 and 2005
(in thousands)

	<u>2006</u>	<u>2005</u>
Operating activities:		
Increase in net assets	\$1,013	\$ 753
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Depreciation and amortization	89	109
Reserve for doubtful accounts	(7)	6
Amortization of investment premium	2	5
Unrealized loss on investments	9	15
Loss on disposal of fixed assets	-	6
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	97	(118)
Accounts payable and accrued liabilities	-	218
Pension plan and other post-retirement benefits	(964)	(68)
Unearned membership dues, partnership, sponsorship, magazine subscription and conference revenue	(5)	(90)
Other assets	17	(129)
Net cash provided by operating activities	<u>251</u>	<u>707</u>
Investing activities:		
Proceeds from redemption of investments	1,765	1,326
Purchases of investments	(1,750)	(1,877)
Purchases of fixed assets	(286)	(145)
Net cash used in investing activities	<u>(271)</u>	<u>(696)</u>
Financing activities - principal payments of capital lease	-	(57)
Net decrease in cash	(20)	(46)
Cash, beginning of year	52	98
Cash, end of year	<u>\$ 32</u>	<u>\$ 52</u>

See Notes to Financial Statements.



notes to

financial statements

(in thousands)

NOTE 1 | Business and summary of significant accounting policies

BUSINESS

Financial Executives International's ("FEI" or the "Organization") major purpose, through chapter and national activities, is to inform its members of evolving financial, economic and related technological issues; to help prepare members to successfully address these issues; to provide forums for peer interaction and discussion of issues; to promote ethical practices in conformance with FEI's Code of Ethics; to represent the views of members before legislative and regulatory bodies and the public; and to enhance public recognition, understanding and support for FEI and its membership.

FEI provides computer and administrative support services to the Financial Executives Research Foundation (the "Foundation"), which serves as the research affiliate of FEI. The Foundation is a not-for-profit Section 501(c)(3) organization.

FEI members contribute services to, and receive benefits from, national and international activities through representation on the Board of Directors, participation on technical, bylaw and administrative committees, attendance at FEI conferences, as well as through other activities. While these contributions of services are significant to the operations of FEI, no monetary value has been assigned to them in FEI's financial statements. FEI's *Financial Executive* magazine and other publications are distributed to members and interested third parties. Local chapters, while operating under charters granted by FEI's headquarters, are not included in FEI's financial statements. Net assets at FEI are unrestricted as to time and use.

BASIS OF ACCOUNTING

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

The Organization closely monitors the extension of credit to its customers while maintaining allowances for potential credit losses. On a periodic basis, the Organization 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

FEI's investments in money market accounts and certificates of deposit ("CDs") 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. Government and corporate debt issues are carried at fair value estimates provided by a major brokerage firm. Investment income includes revenue earned from investments and any unrealized gain or loss on these investments.

FEI's investment objectives are, in order, to: (1) maintain sufficient liquidity to meet cash needs, (2) preserve capital and (3) maximize income. Based on these objectives, FEI classifies its money market accounts as investments, rather than cash equivalents. Under FEI's investment policy, investments are made with the intent to hold to maturity.



continued
notes to
financial statements
(in thousands)

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements are recorded at cost if purchased or at fair value on the date of donation. Depreciation is provided on the straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the expected life of the lease or the useful life of the asset, whichever is shorter.

REVENUE RECOGNITION

Membership dues and initiation fees:

Membership dues and initiation fees revenue includes all general membership dues and fees for new members. Annual dues are recognized as income evenly over the twelve-month membership period. Any portion of such dues not recognized is included in unearned membership dues at year-end. Initiation fees are recognized as income in the month when the new membership begins. No allocation is made of membership dues and fees to other revenue categories.

Conferences and professional development:

Conferences and professional development revenue includes registration fees and event sponsorship receipts related to conferences, seminars, programs, teleconferences and other developmental meetings. Registration fees and event sponsorship receipts for conferences, seminars and other meetings are recognized as income at the time the meeting is held.

Strategic partnerships and sponsors fees:

Strategic partnership fees include income from FEI's Strategic Partners Program and other sponsorship arrangements. Partnership fees are recognized as income over the contract period, which is generally for twelve months. Any portion of such fees not recognized is included in unearned revenue at year-end. A portion of the fees is allocated to publication revenue and conferences. Sponsorship fees are typically for a specific event and the revenue is recognized at the time of the event.

Publications:

Publications revenue includes advertising revenue for the magazine, net of agency commissions, recognized upon publication; subscriptions, recognized ratably over the subscription term, generally one year; and other incidental revenues related to the publications, recognized upon delivery or performance of service.

Other:

Other income includes Career Services job postings, chapter administrative services and other miscellaneous revenue.

ACTIVITIES AND EXPENSES

FEI assigns expenses to program services and supporting activities that fulfill its mission. Expenses relating to more than one program or supporting activity are allocated utilizing a variety of factors and estimates.

CONFERENCES AND PROFESSIONAL DEVELOPMENT

Conferences and professional development activities include the design, development and delivery of FEI's conferences and professional development programs.

COMMUNICATIONS

Communications activities are related to FEI's magazine, *Financial Executive*, semi-monthly FEI Express, FEI's website (www.fei.org), periodic leadership directory, public relations activities and other communications to members and the public.



continued

notes to
financial statements

(in thousands)

MEMBER SERVICES AND CHAPTER RELATIONS

Member services and chapter relations activities relate to services and support provided to members and their chapters, other than those described above.

TECHNICAL COMMITTEE SERVICES

Technical committee services support FEI's technical committee activities, which include representation with accounting standard-setters and governmental and regulatory agencies in the United States.

ADMINISTRATION, GENERAL AND MEMBERSHIP ACQUISITION

Administration, general and membership acquisition includes activities of oversight, finance, information systems, increasing FEI membership, obtaining and servicing strategic partners and related activities of FEI.

INCOME TAXES

FEI has been recognized as an organization exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code (the "Code"). However, revenue earned on activities which are unrelated to the Organization's exempt purpose is taxable. The Organization had no unrelated business income tax in 2006 or 2005.

RECLASSIFICATIONS

Certain amounts in the 2005 financial statements have been reclassified to conform with the 2006 presentation.

NOTE 2 | Investments:

Investments consist of the following:

	<u>2006</u>	<u>2005</u>
Money market accounts	\$ 817	\$1,104
Certificates of deposit	5,449	5,288
Corporate debt issues	<u>300</u>	<u>200</u>
Totals	<u>\$6,566</u>	<u>\$6,592</u>

FEI's investments in money market accounts are held in custody by a major brokerage firm. FEI does not require collateral or a custodial arrangement for its investments, as it believes risks are not significant. For the years ended June 30, 2006 and 2005, FEI's unrealized loss was \$(9) and \$(15), respectively.

NOTE 3 | Equipment and leasehold improvements:

Equipment and leasehold improvements consist of the following:

<u>2006</u>	ASSET COST	ACCUMULATED DEPRECIATION & AMORTIZATION	NET
Computer equipment and software	\$688	\$(313)	\$375
Furniture and fixtures	345	(196)	149
Leasehold improvements	98	(49)	49
Telephone equipment	<u>83</u>	<u>(81)</u>	<u>2</u>
Totals	<u>\$1,214</u>	<u>\$(639)</u>	<u>\$575</u>



continued

notes to
financial statements

(in thousands)

2005	ASSET COST	ACCUMULATED DEPRECIATION & AMORTIZATION	NET
Computer equipment and software	\$ 475	\$ (334)	\$ 141
Furniture and fixtures	341	(171)	170
Leasehold improvements	98	(35)	63
Telephone equipment	84	(80)	4
Totals	<u>\$ 998</u>	<u>\$ (620)</u>	<u>\$ 378</u>

NOTE 4 | Net assets:

Net assets consist of the following:

	OPERATIONS	MINIMUM PENSION LIABILITY ADJUSTMENT	TOTAL
Balance, July 1, 2004	\$1,390	\$(1,248)	\$ 142
Increase in net assets	804	-	804
Minimum pension liability adjustment	<u>-</u>	<u>(51)</u>	<u>(51)</u>
Balance, June 30, 2005	2,194	(1,299)	895
Increase in net assets	485	-	485
Minimum pension liability adjustment	<u>-</u>	<u>528</u>	<u>528</u>
Balance, June 30, 2006	<u>\$2,679</u>	<u>\$ (771)</u>	<u>\$1,908</u>

NOTE 5 | Pension plans and other post-retirement benefits:

QUALIFIED PLAN:

The qualified defined benefit pension plan covers substantially all of the employees of FEI, the Foundation and FEI Canada ("FEIC"). FEI currently funds its pension trust in amounts determined under the Projected Unit Credit Funding Method. It is FEI's policy to fund contributions to the plan as they are due. Expense related to the plan is accrued accordingly.

SUPPLEMENTAL PLAN:

The supplemental defined benefit, a non-qualified plan, currently covers certain retired FEI executives and is not funded.

OTHER POST-RETIREMENT BENEFITS:

FEI provides certain healthcare benefits for retired employees of FEI, the Foundation and FEIC. The plan requires FEI to contribute to individual supplemental medical plans, up to the specified limit. FEI does not anticipate increases in its contributions to the supplemental medical plan in the foreseeable future, and the post-retirement benefit plan is not funded. FEI also provides a limited life insurance benefit to employees when their pension benefit commences.

In January 2005, the qualified pension plan was amended to close the plan to the employees of FEI, the Foundation and FEIC hired subsequent to March 1, 2005. Also in January 2005, the retiree life insurance program was amended to close the program to new entrants effective March 1, 2005.



continued

notes to
financial statements

(in thousands)

ASSUMPTIONS:

Assumptions used to determine the benefit obligations at June 30 were as follows:

	<u>2006</u>	<u>2005</u>
Discount rate	6.75%	5.75%
Rate of compensation increase	4.00%	4.00%
Expected long-term rates of return on plan assets (defined benefit pension plan)	7.75%	7.75%

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

OPERATIONS AND COSTS: A summary of plan operations and costs follows:

	QUALIFIED PENSION	SUPPLEMENTAL PENSION	RETIREE MEDICAL
Year ended June 30, 2006			
Plan benefit cost	\$364	\$117	\$11
Attributable to FEI	283	117	9
Cash contributions - employer only required	859	137	15
Benefits paid	366	137	15
Year ended June 30, 2005:			
Plan benefit cost	\$359	\$106	\$13
Attributable to FEI	293	106	12
Cash contributions - employer only required	440	137	17
Benefits paid	376	137	17

OPERATIONS AND FUNDED STATUS: A summary of other financial information of the plans follows:

	QUALIFIED PENSION	SUPPLEMENTAL PENSION	RETIREE MEDICAL
As of June 30, 2006:			
Benefit obligations	\$ 4,355	\$ 1,097	\$ 180
Plan assets (at fair value)	<u>3,914</u>	<u> </u>	<u> </u>
Funded status	<u>\$ (441)</u>	<u>\$(1,097)</u>	<u>\$(180)</u>
Accrued costs	<u>\$ 156</u>	<u>\$ 1,097</u>	<u>\$ 178</u>
Accumulated benefit obligations	<u>\$ 4,070</u>	<u>\$ 1,097</u>	<u>\$ 180</u>
As of June 30, 2005:			
Benefit obligations	\$ 4,729	\$ 1,204	\$ 198
Plan assets (at fair value)	<u>3,325</u>	<u> </u>	<u> </u>
Funded status	<u>\$(1,404)</u>	<u>\$(1,204)</u>	<u>\$(198)</u>
Accrued costs	<u>\$ 1,010</u>	<u>\$ 1,204</u>	<u>\$ 181</u>
Accumulated benefit obligations	<u>\$ 4,335</u>	<u>\$ 1,204</u>	<u>\$ 198</u>



continued
notes to
financial statements
(in thousands)

PLAN ASSETS:

The Group Pension Plan for Employees of Financial Executives International asset allocations at June 30, by asset category, are as follows:

Asset Category	<u>2006</u>	<u>2005</u>
Equities	52.7%	57.9%
Bonds	30.9	34.1
Real Estate	4.2	5.3
Cash	<u>12.2</u>	<u>2.7</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 and 5% real estate.

CASH FLOWS:

Expected contributions for 2007 are \$350, which includes FEI, the Foundation and FEIC.

EXPECTED BENEFIT PAYMENTS:

Estimated future benefit payments reflecting expected future service for each of the five years subsequent to June 30, 2006 and in the aggregate for the five years thereafter are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 362
2008	380
2009	396
2010	418
2011	410
2012-2016	2,162

401(K) PLAN:

Effective January 1, 1997, FEI adopted a deferred arrangement 401(k) plan, where employees can contribute a percentage of their earnings on a tax-deferred basis. FEI contributed \$84 and \$44 to the plan in 2006 and 2005, respectively.

NOTE 6 | Related party transactions:

The Foundation is a separately incorporated not-for-profit organization, exempt from income tax under section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation and its employees are included in FEI's Defined Benefit Pension Plan and FEI's Life, AD&D and LTD insurance policies. The Foundation is also included in FEI's general business and D&O liability insurance policies. FEI and the Foundation periodically update their agreement covering charges for administrative support costs, occupancy and computer services, as approved by both Boards. Charges to the Foundation from FEI for such services amounted to \$167 and \$180 in 2006 and 2005, respectively.

FEI purchased \$210 and \$100 of magazine articles, newsletters and other research services from the Foundation for distribution to its members in 2006 and 2005, respectively. The Organization believes the terms of these purchases are the same as the Organization would extend to any third-party customer.



continued

notes to
financial statements

(in thousands)

FEI had a net receivable, included in accounts receivable, from the Foundation of approximately \$22 and \$47 in 2006 and 2005, respectively.

FEIC and its employees are included in FEI's Defined Benefit Pension Plan and FEI's Life, AD&D and LTD insurance policies. Charges to FEIC for this coverage amounted to \$38 in both 2006 and 2005. In FY 2006, FEI began to charge FEIC for the printing and postage costs of *Financial Executive* magazine sent to FEIC members. These charges totaled \$24 in FY 2006. In addition, FEI provides FEIC other services free of charge, including website and human resources support. FEIC members receive all member benefits free of charge, including Career Services, other communications and publications and member discounts to FEI events.

Net revenue and expense from certain partners in FEI's Strategic Partnership Program are allocated to FEIC. Net proceeds to FEIC from the Partnership Program amounted to \$9 and \$61 in 2006 and 2005, respectively.

NOTE 7 | Commitments and contingencies:

OPERATING LEASES:

FEI rents its Florham Park, N.J. and Washington, D.C. premises under operating leases expiring at various dates. FEI recognizes expense, including the effects of rent holidays, on a straight-line basis over the expected terms of the leases. For the years ended June 30, 2006 and 2005, rental expense was \$586 and \$568, respectively.

FEI leases copiers and other office equipment for use in the Florham Park and Washington offices. For the years ended June 30, 2006 and 2005, equivalent rental expense was \$65 and \$42, respectively.

Minimum rental payments due on the above leases in years subsequent to June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 610
2008	595
2009	502
2010	<u>297</u>
Total minimum payments	<u>\$2,004</u>