Financial Statements

Responsibility for Financial Statements

The accompanying financial statements of Financial Executives Research Foundation, Inc. (the "Foundation") for the years ended June 30, 2004 and 2003, were prepared by management in conformity with accounting principles generally accepted in the United States of America.

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

The Foundation obtains accounting and administrative support services from Financial Executives International ("FEI"). FEI maintains a system of internal control over financial reporting, including safeguarding of assets against unauthorized acquisition, use or disposition, which is designed to provide reasonable assurance to the Foundation'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 the Foundation in accordance with established policies and procedures as implemented by qualified personnel. Even an effective internal control 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 control system effectiveness may vary over time.

The Board of Trustees of the Foundation, through its Audit Committee, Budget and Investment Committee and Treasurer, reviews the financial and accounting operations of the Foundation, 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.

Deloitte & Touche LLP, independent auditors, have audited the financial statements of the Foundation for the years ended June 30, 2004 and 2003, and their report is presented herein. 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 the Foundation.

Colleen Sayther

Colleen Sayther
President and Chief Executive Officer
September 8, 2004

financial Information

Independent Auditors' Report

The Board of Trustees of Financial Executives Research Foundation, Inc.:

We have audited the accompanying statements of financial position of Financial Executives Research Foundation, Inc. (the "Foundation") as of June 30, 2004 and 2003, and the related statements of activities and changes in net assets and of 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, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2004 and 2003, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8, the Foundation has restated the 2003 financial statements.

Deloitte & Touche LLP

September 8, 2004

Deloitte & Touche

Financial Executives Research Foundation, Inc.
Statements of Financial Position

As of June 30,	Notes	2004	2003 Restated
Assets			
Cash		$ 10,000	$ 37,000
Investments	1,2	1,168,000	1,138,000
Accounts receivable (net of allowance for doubtful accounts of $5,000 in 2004 and $8,000 in 2003)		38,000	105,000
Equipment (net of accumulated depreciation of $17,000 in 2004 and $11,000 in 2003)	1,3	25,000	24,000
Prepaid expenses and publications inventory		7,000	6,000
Other assets	7,8	6,000	6,000
Total assets		**$1,254,000**	**$1,316,000**
Liabilities and net assets			
Liabilities			
Accounts payable and accrued liabilities	4	$ 194,000	$ 170,000
Pension plan and other post-retirement benefits	7,8	223,000	274,000
Total liabilities		417,000	444,000
Net Assets			
Other	5,6	980,000	1,064,000
Minimum pension liability adjustment	7,8	(143,000)	(192,000)
Total net assets		837,000	872,000
Total liabilities and net assets		**$1,254,000**	**$1,316,000**

See notes to financial statements

Financial Executives Research Foundation, Inc.
Statements of Activities and Changes in Net Assets

Years ended June 30,	Notes	2004	2003 Restated
Revenues			
Contributions	1	$686,000	$ 669,000
Research publications sales:	4		
Books and executive reports		29,000	50,000
Articles and reports to FEI		45,000	45,000
Conference revenue		2,000	2,000
		76,000	97,000
Investment income – dividends and interest		33,000	34,000
Total revenues		**795,000**	**800,000**
Expenses			
Research and publishing:	1		
Research and production		408,000	439,000
Distribution		8,000	6,000
Marketing		69,000	113,000
		485,000	558,000
Fundraising		202,000	228,000
Administration and general		253,000	364,000
Total expenses		**940,000**	**1,150,000**
Expenses in excess of revenues		(145,000)	(350,000)
Net realized and unrealized gains (losses) on investments	1,2	61,000	(59,000)
Decrease in net assets		(84,000)	(409,000)
Net assets, beginning of year, previously reported		–	1,539,000
Adjustment	8	–	(69,000)
Net assets, beginning of year, as restated	**6**	**872,000**	**1,470,000**
Minimum pension liability adjustment	6,7	49,000	(189,000)
Net assets, end of year		**$837,000**	**$872,000**

See notes to financial statements

Financial Executives Research Foundation, Inc.
Statements of Cash Flows

Years ended June 30,	2004	2003 Restated
Cash flows from operating activities:		
Decrease in net assets	$ (84,000)	$ (409,000)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	7,000	8,000
Non-cash effect of minimum pension liability adjustment and change in intangible assets	49,000	(189,000)
Non-cash contribution	(10,000)	(5,000)
(Gains) losses on investments	(61,000)	59,000
Loss on disposal of assets	2,000	9,000
Change in assets and liabilities:		
Accounts receivable, prepaid expenses and publications inventory	66,000	(10,000)
Accounts payable and accrued liabilities	24,000	17,000
Pension plan and other post-retirement benefits	(51,000)	188,000
Net cash used in operating activities	(58,000)	(332,000)
Cash flows from investing activities:		
Net decrease in money market funds	(76,000)	(34,000)
Proceeds from sales and maturities of fixed income and equity mutual funds - net	107,000	358,000
Net cash provided by investing activities	31,000	324,000
Net decrease in cash	(27,000)	(8,000)
Cash, beginning of year	37,000	45,000
Cash, end of year	**$ 10,000**	**$ 37,000**
Supplemental disclosure of cash flow information:		
Non-cash contribution	**$ 10,000**	**$ 5,000**

See notes to financial statements

1. Basis of presentation and significant accounting policies

a. Financial Executives Research Foundation, Inc. (the "Foundation") is a non-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, and contributions to it are tax deductible within the limitations prescribed by such regulations. The Foundation serves as the research affiliate of Financial Executives International ("FEI"), which is a non-profit membership organization in the United States and Canada. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

b. Equity securities with readily determinable fair values and all investments in debt securities are carried at fair value in the statements of financial position, with unrealized gains (losses) included in the statements of activities and changes in net assets.

c. Contributions are recorded and recognized in the period the donor makes the formal commitment. Accounts receivable include pledges outstanding as of June 30, 2004, less an estimate for pledges not expected to be collected.

d. Depreciation of equipment is provided on a straight-line basis over the estimated useful lives of the assets.

e. 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 of SFAS 116, "Accounting for Contributions Received and Contributions Made."

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

   Research and production expenses include the engagement of researchers, staff time, and the production, publication, and distribution processes. These expenses are recorded upon completion of identifiable segments of the project and, with respect to publications, in the period in which they are sold. Contracts awarded to individuals or organizations for research services provided to the Foundation are funded on a percentage of completion basis.

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

   Marketing includes costs related to the development of publication sales and includes staff time and the printing and mailing of publications guides.

   Fundraising includes the costs of the annual support campaign and includes staff time and the printing and mailing of solicitation brochures.

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

2. Investments

At June 30, investments consisted of the following:

	2004	2003
Money market funds	$ 184,000	$ 33,000
Fixed income funds and securities	471,000	677,000
Equity mutual funds	408,000	334,000
Balanced mutual fund	105,000	94,000
Total investments	$ 1,168,000	$1,138,000

The mutual funds are managed by a subsidiary of a major bank. Under terms of the Foundation's investment policy, certain longer-term funds may be invested in equity funds. Net gains and losses on investments include unrealized gains of $60,000 and $91,000 in 2004 and 2003, respectively.

3. Fixed Assets

At June 30, fixed assets consisted of the following:

	2004	2003
Furniture and fixtures	$ 5,000	$ 5,000
Computer software and hardware	37,000	30,000
Total	42,000	35,000
Less: Accumulated depreciation	(17,000)	(11,000)
Net book value	$ 25,000	$ 24,000

4. Related party transactions

The Foundation shares office facilities with FEI and bears its own administrative expenses. In 2004, 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 $192,000 in 2004 and $230,000 in 2003, and have been allocated to the appropriate expense categories in the statement of activities and changes in net assets.

The Foundation is included under FEI's employee benefit plans, including health care and life insurance; a qualified defined benefit pension plan and certain 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 approximately $150,000 and $115,000 in 2004 and 2003, respectively.

The Foundation sells magazine articles and customized research to FEI for distribution to its members. Such sales totaled $45,000 for each of the years ended June 30, 2004 and 2003. The terms of these sales are not different from those afforded to third party customers.

The Foundation had a payable to FEI, included in accounts payable and accrued liabilities of $46,000 and $38,000 at June 30, 2004 and 2003, respectively.

5. Appropriations, commitments, and contingencies

The Board of Trustees appropriates amounts for operating expenses annually. At June 30, 2004, appropriated net assets totaled $902,000, and at June 30, 2003, appropriated net assets totaled $1,056,000.

The Board of Trustees of the Foundation approves expenditures for research services and projects conducted by third-party individuals and organizations. Payments are subject to the full satisfaction of the Foundation and the completeness of the related project.

6. Net Assets

Changes in net assets were as follows:

	Operations	Minimum Pension Liability Adjustment	Total
Balance, June 30, 2002	$1,473,000	$ (3,000)	$1,470,000
Decrease in net assets	(409,000)	-	(409,000)
Minimum pension liability adjustment	-	(189,000)	(189,000)
Balance, June 30, 2003	1,064,000	(192,000)	872,000
Decrease in net assets	(84,000)	-	(84,000)
Minimum pension liability adjustment	-	49,000	49,000
Balance, June 30, 2004	$980,000	$ (143,000)	$837,000

7. Pension Plan

Qualified Plan - The qualified defined benefit pension plan covers substantially all of the employees of the Foundation, FEI and FEI Canada (“FEIC”). The pension plan is administered by FEI which engages the investment manager and consulting actuary. FEI’s Pension and Investment Committee determines the policies and guidelines for the pension plan’s assets and funding. Certain liabilities and assets are allocated to the Foundation.

The Foundation currently funds its pension trust in amounts determined under the Projected Unit Credit Funding Method. It is the Foundation's policy to fund contributions to the plan as they are due. Expense related to the plan is accrued accordingly.

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

	2004	2003	2002
Discount rate	6.50%	6.00%	7.25%
Rate of compensation increase	3.00%	3.00%	4.00%
Expected long-term rates of return on plan assets (defined benefit pension plan)	7.50%	8.50%	9.00%

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

A summary of plan operations and costs follows:

Year ended June 30, 2004	Qualified Pension
Plan benefit cost	$ 46,000
Cash contributions – employer only required	46,000
Benefits paid	54,000
Year ended June 30, 2003	
Plan benefit cost	$ 17,000
Cash contributions – employer only required	17,000
Benefits paid	43,000

A summary of other financial information of the plans follows:

As of June 30, 2004	Qualified Pension
Benefit obligations	$ 894,000
Plan assets (at fair value)	630,000
Funded status	$ (264,000)
Accrued costs	$ 223,000
Accumulated benefit obligations	$ 845,000
As of June 30, 2003	
Benefit obligations	$ 922,000
Plan assets (at fair value)	603,000
Funded status	$ (319,000)
Accrued costs	$ 274,000
Accumulated benefit obligations	$ 867,000

Plan Assets

The Group Pension Plan asset allocations at May 31 by asset category is as follows:

Asset Category	2004	2003
Equities	58.7 %	46.7 %
Bonds	33.1	52.2
Real Estate	5.5	0.0
Cash	2.7	1.1
Total	100.0 %	100.0 %

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 fiscal year ending June 30, 2005:	$ 45,000

Expected Benefit Payments for the Foundation, FEI and FEI Canada

Fiscal Year Ending June 30	Amount
2005	$ 374,534
2006	376,766
2007	385,713
2008	397,065
2009	422,276
2010-2014	$2,250,127

8. Restatement

Subsequent to the issuance of the 2003 financial statements, the Foundation determined a minimum pension liability had not been recorded. In addition, the accrued pension costs recorded on the balance sheet of FEI reflected the liability of FEI and FERF. As a result, the Foundation has restated the statements of financial position as of June 30, 2003 and the related statements of activities and of cash flows for the year ended June 20, 2003. Following is the effect of the restatement:

	2003	
	As Previously Reported	As Restated
At June 30:		
Accrued pension liabilities	$ -	$ 274,000
Other assets	-	6,000
Minimum pension liability adjustment	-	(192,000)
Net assets at beginning of year	1,539,000	1,470,000
Net assets at end of year		$ 872,000
For the year ended June 30:		
Minimum pension liability adjustment	$ -	($189,000)

Financial Executives Research Foundation, Inc.
SUPPLEMENTAL INFORMATION (UNAUDITED)

The Foundation's net assets decreased by $35,000 during the fiscal year 2004 compared to a decrease of $598,000 in 2003. The decrease in net assets in fiscal year 2004 was a combination of a decrease of $84,000 from operations and an increase of $49,000 due to a minimum pension plan adjustment. The decrease in net assets in fiscal year 2003 resulted from decreases from operations and a minimum pension plan adjustment of $409,000 and $189,000, respectively.

Revenues were $145,000 less than expenses for the current year, compared to $350,000 last year.

Revenues

Revenues totaled $795,000 and $800,000 in fiscal years 2004 and 2003 respectively. Voluntary contributions are the principal source of revenues for the Foundation. For the current year, contributions totaled $686,000, compared to $669,000 for 2003, an increase of $17,000 (2.5%). This increase is attributable to new fundraising initiatives such as, underwriting of research projects, more personalized solicitations, and continued increased awareness of the Foundation's research value which led to increased corporate and individual support. Of the 1,217 contributors this year, 651 were corporations and other organizations (an increase of 26 or 4.2%), 65 were Financial Executives International (FEI) chapters (a decrease of 11 or 14.5%), and 501 were individuals (a decrease of 357 or 41.6%). Of the total contributions of $686,000, $555,000 was received from 651 corporations and other organizations. The average corporate contribution was $853, a decrease of $21 from that of 2003. Contributions from 65 FEI chapters totaled approximately $52,000, for an average of $796, an increase of $217 from 2003, and contributions from 501 individuals totaled $79,000, for an average of $157, an increase of $73 from 2003.

Total research publication sales of $29,000 were $21,000 (42.0%) less than last year due to decreases in piece-meal publications purchases and royalties of $13,000 and $8,000, respectively. These include sales to others of Executive Reports, Issues Alerts, and royalties earned on third party agreements. Sales to FEI of $45,000 relates to the purchase of nine magazine articles for both 2004 and 2003.

There was only one conference held for each of 2004 and 2003.

Expenses

Total expenses were $940,000 in fiscal year 2004 compared to $1,150,000 in 2003 or a decrease of $210,000 (18.3%). These decreases reflected decreases in allocated staff time and expenses due to the elimination of two positions and continued control over spending. Research and publishing expenses, which include the engagement of researchers, staff time, and the production, publication, distribution, and marketing processes, totaled $485,000 for the year, compared to $558,000 in 2003, a decrease of $73,000 (13.1%). Fundraising expenses totaled $202,000, compared to $228,000 for 2003, a decrease of $26,000 (11.4%). Administration and general expenses, which include an allocated portion of senior management and staff support time and services provided by FEI, decreased by $111,000, or 30.5%.

Net realized and unrealized gains on investments

The net gains on investments of $61,000 and net losses of $59,000 in 2004 and 2003, respectively were due to the fluctuations in the value of the investment portfolio. These include unrealized gains of $60,000 in 2004 and $91,000 in 2003.

Net assets and liquidity

The Foundation's net assets were $837,000 at June 30, 2004, compared to $872,000 last year. At June 30, 2004, the Foundation had cash and investments of $1,178,000. These funds are invested in a variety of mutual funds, which excluding money market funds consisted of approximately 44% in equity investments and 56% in fixed-income investments.

Summary

Going forward, the Board of Trustees has approved a Strategic Plan that is intended to enhance the quality of products and services to members, increase the Foundation's visibility, and provide long-term financial stability.