

from the chairman

To risk an understatement this has been a most challenging year.

Fiscal 2002 was marked by devastating world events and economic aftershocks that reverberated through markets, industries and companies. In addition, within our own profession, we witnessed high-profile corporate wrong-doing and the ensuing, often contentious debate as to how best to restore trust and ensure ethical practices going forward.

In this environment, the Research Foundation delivered information that captured more than just the headlines. It addressed the relevant issues and challenges faced by our members during the course of the year. The Research staff provided practical information, benchmarking data, and opportunities for member feedback.

Beginning in late September, the Foundation worked with FEI on a three-part open-mike forum that allowed members to discuss their most-pressing issues post 9/11. What followed were several electronic reports dealing with global uncertainties.

When the Enron story broke, our Research staff released several very targeted reports: *Special Purpose Entities: Understanding the Guidelines*, *Enron: An Accounting Analysis* and *Enron and the Powers Report*. Related reports included *Are We Ready for Principles-Based Accounting?*, *Promoting Ethical Conduct* and a two-part series on Audit Committees (*Financial Literacy* and *Trends and Tools*).

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Under the category of keeping up with the regulators, Research produced a number of reports related to new or revised standards, including *Financial Reporting Complexity*, *Press Releases and Pro Forma*, *Regulation FD One Year Later*, *Valuing Intangibles*, *MD&A Trends and Techniques*, *M&A Post 141/142*, and *Pro Forma Before and After the SEC's Warning*.

The Research Foundation also distributed either in hard copy or as online downloads several reports designed to help our members learn more about specific topics in order to make more informed decisions for their companies. Among those releases were *Retirement Savings Plans*, *Access to Credit*, *Solutions for Better Planning*, *Risk Management*, and *Determining the True Cost of Retirement Services*. Many of these reports were done in collaboration with FEI's Strategic Partners and other expert sources.

In volume and content, the Foundation's research output in fiscal 2002 was significantly different from past years. In fiscal 2002, the research staff introduced short, topical *Issue Alerts*, usually 4 to 8 pages, and longer, more detailed *Executive Reports*, ranging from 12 to 100 pages in length. In addition, the Foundation began publishing five electronic newsletters, whose circulation has grown to more than 10,000 subscribers each.

These e-letters include *Global Update*, published quarterly; *Treasurers*, published bimonthly; and three monthlies: *Private Net*, aimed at small and privately held companies; *TechKnowledge*, which provides a heads-up on new and emerging products and trends; and *What's New in Research*, a timely reminder of new products and offerings from the Foundation.

In fiscal 2002, Research responded to members' requests for more electronic content. Following the introduction of e-letters, the Foundation made several *Issue Alerts* and *Executive Reports* available free to members online. This is a practice that will expand significantly in the coming year.

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Another increasingly important offering during fiscal 2002 was *Ask an FEI Researcher*. This online service allows members and donors to ask our researchers questions on a wide range of topics. Users can expect to receive an answer within 48 hours. Responses may include links to relevant web sites, articles, even, at times, the names of experts to contact. It's a very dynamic service no canned answers or rote replies.

The transformation the Research Foundation embarked on 18 months ago brought change and experimentation. The Foundation looked at new ways to identify research ideas; engaged in new partnerships to develop surveys, conference content and studies; identified new distribution outlets such as amazon.com and Financial Times Prentice Hall, which reissued three Research titles under the FT Business Book series; and reconnected with our members at the chapter level.

Of all the Foundation's new initiatives, reestablishing a dialogue with FEI members was the most significant. At area leadership meetings, FEI conferences, technical committee meetings and individual chapter meetings, the research staff asked, listened and took action to develop the material most relevant to our members.

This ongoing dialogue has helped us determine the Foundation's course going forward. In fiscal 2003, for example, Research will increase its electronic offerings, introduce *Topic Briefs* (one- or two-paragraph electronic updates), develop a significant full-length study, and reconfigure the Research Council to include broader member representation. In the course of one year, we have made significant progress toward our vision of being *the* source for financial information.

Paralleling the activity on the research side were our fundraising efforts. The outcome reflected a delayed fall campaign launch and the inevitable impact of a souring economy on many companies' ability to direct discretionary dollars to philanthropic causes. Nevertheless, we were heartened by the number of companies, chapters and individuals able to support the Foundation in fiscal 2002, as well as by the many contributors who vowed to "be back" when business conditions improve.

We closed fiscal 2002 with contributions totaling \$613,062 versus \$634,924 in the prior year. Despite this 4% shortfall, there were a number of positive trends during the year: 58 FEI chapters contributed to the Foundation, the best response since 1997. Among corporate donors, the President's Circle of contributors (\$5,000 or more) expanded to 35 from 29 in the prior year. Within this group, five contributed \$10,000 or more, up from three in fiscal 2001.

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Among individual donors, we doubled the percentage of contributors among FEI members, although the number stands at just 2%. With the increasing flow of free research products and services to members and the fact that FEI dues do not support the separate nonprofit affiliate, we believe we can make a strong case for broader support in the coming year.

Eighteen months ago, the trustees decided to utilize some of the Foundation's accumulated reserves to fund the organization's transition. We continue to believe that this investment, along with prudent stewardship of the Foundation's resources, will yield positive results. We are hopeful, too, that the coming year will be marked by improving market and business conditions a situation that will allow the Foundation to reach its full potential.

It has been an honor to serve as chairman of the Research Foundation's board of trustees this past year. I have enjoyed working with my fellow trustees and with Marla Markowitz Bace, the Foundation's EVP and COO, and her talented staff. I am pleased as well to continue as a member of the board, supporting incoming chairman Dave Taggart of The Coca Cola Company. I would like to thank retiring trustees Denny Beresford of the University of Georgia and Fred Choi of New York University for their many years of service.

As we begin our new fiscal year, I would like to welcome four new trustees: Raj Aggarwal of Kent State University, Scott Boggs of Microsoft, George Boyadjis of American TeleCare, and Joan Netzel of SunTrust Banks. In addition, I would like to thank returning trustees Lawrence Davenport of Hale House Center and Donella Rapier of the Harvard Business School for their continuing commitment.

Finally, I would like to express my gratitude to the close to 1,000 financial supporters of the Foundation's work in fiscal 2002. These corporations, chapters and individual members helped us through a very challenging period, allowing us to improve the way we serve our members *and* our profession. We consider them our partners, not just our patrons.



Katharine B. Stevenson
Chairman



Take note: The pages that follow include just a few of the highlights of the past year. A visit to our website at www.fei.org/rf will give you the complete picture.