

# **The Chinese Economist Society (CES) Annual Fiscal Report**

November 1, 2001 – October 31, 2002

Finance Committee  
October 15, 2003

- I. Report by the Finance Committee
- II. Statement of Assets, Liabilities and Equity
- III. Statement of Revenues and Expenses Paid
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Dear CES members:

On behalf of the Finance Committee (FC), I report CES financial activities and status from November 1, 2001 through October 31, 2002 (FY00-01). This year's fiscal report is delayed because Kevin P. Martin & associates, P.C., the accounting firm that works for CES, postponed our tax return till June 2003. This report includes 7 sections: 1) assets, 2) contribution to the CES core account, 3) FC expenses, 4) president compensation, 5) accounting system, 6) FC memberships, and 7) Chow family fund.

## 1. Assets

As of October 31, 2002, the value of total CES assets was \$154,738, reduced from \$203,096 on October 31, 2001. This reduction was due to two main factors. First, the CES FY2002 president, professor David Li, was in Hong Kong. To simplify accounting matters, CES activities during FY02 were financed separately in Hong Kong as an independent CES branch. Therefore, funds raised in Hong Kong during FY02 were not included in the CES main account. The second factor was the decline of the US stock market during FY02. The value of our stock investment was down 13.7 percent from \$80,597 on October 31, 2001 to \$69,539 on October 31, 2002. As of October 31, 2002, 65 percent of our stock investment was in S&P 500 market index fund and market growth fund, 28 percent in small or mid-cap valued stock funds, and 6 percent in technology fund.

From November 2001 through October 2002, the following officials operated CES financial transactions:

Shuanglin Lin	President, 2002-2003
David Li	President, 2001-2002
Aimin Chen	President, 2000-2001
James Wen	President, 1999-2000
Wei Yu	Chair of Finance Committee

In the section of Supplemental Information, we report financial transactions separately for each CES executive board and the finance committee. Please note that the surplus or deficit reported in the Statement of Revenue and expenses for each term reflects financial transactions only within FY2002 (November 1, 2001 – October 31, 2002).

## 2. Contribution to the CES core account

The surplus of each term is contributed to the CES core account. Because FC's regular operating costs are around \$4,000 per year, a president's contribution to the CES core account is important, particularly for the past few years when our investment in stock market has negative returns. Contributions from each president since FY1996 are listed below:

President	Term	Contribution
Xinghai Fang	1996-97	\$6,351
Jason Yin	1997-98	\$7,382
Baizhu Chen	1998-99	\$8,608
James Wen	1999-00	\$7,167
Aimin Chen	2000-01	\$5,000

### **3. FC expenses**

FC currently pays for bookkeeping, tax return, auditing, and president compensation. The total FC expenses during FY2002 were \$7,297. Of the \$7,297, \$3,000 was lent to President David Li to pay the honorary for a conference speaker (it has been returned in the following fiscal year), \$1,570 was for accounting fees, \$2,689 listed in the travel and entertainment category was for presidents' compensations, and \$38 was for postage and supplies. In general, more than half of the presidents' contribution is to cover CES regular costs incurred at FC.

### **4. President compensation**

The CES president receives a compensation for his/her costs of traveling for CES business meetings and of miscellaneous business activities after completing his/her term. The president's compensation is currently consists of two parts: basic compensation and contribution compensation. The basic compensation is \$800 and the contribution compensation is 6% of the net contribution to the CES core account.

### **5. Accounting system**

The CES started a new accounting system since 1997. Under the new system, all CES financial transactions (bank statements and used checks) are recorded by Kevin P. Martin & Associates, P.C., an accounting firm (Ronald A. Gacicia, our accountant joined this company in 2002). Kevin P. Martin & Associates keeps records of every CES financial transaction, prepares an annual report, and files a tax return for CES. The new accounting system has substantially improved CES accounting standard.

On August 1, 2003, an amendment to FC bylaws was passed in the CES business meeting at University of Michigan. The amendment extended the term of FC chair from 3 years to 5 years and clarified FC's funding protocol and tasks. In the Michigan CES business meeting, members also reviewed the CES accounting regulations proposed by FC. Because of time limit, the regulation was not voted at the business meeting. Members decided to post this regulation on CES network for further discussion. FC posted the new regulation on CES network for 30 days in August 2003 for comments. The accounting regulations become effective on October 1, 2003.

### **6. FC membership**

According to the bylaws, FC members are elected and have no term limit. This membership structure may have potential problems of keeping FC effective in the long run. Given the nature of financial management, however, a frequent membership turnover is also not practical. In the coming year, FC is going to review this and propose a new membership structure. If you have any suggestions, please contact me ([wyu2@stanford.edu](mailto:wyu2@stanford.edu)) or any of the FC members: Drs. Gene Chang ([gchang3@utoledo.edu](mailto:gchang3@utoledo.edu)), Ping Chen ([pchen@physics.utexas.edu](mailto:pchen@physics.utexas.edu)), Guoqiang Tian ([gtian@tamu.edu](mailto:gtian@tamu.edu)), and Jason Yin ([yinjason@shu.edu](mailto:yinjason@shu.edu)).

### **7. Chow family fund**

In FY2002, CES received a donation of \$208,000 from Gregory Chow's family to support scholarly research that promotes free-market economics in China. Professor David Li, the former CES president, contributed a great effort to establish the Gregory and Paula Chow

endowment. An appendix to the CES bylaws for the Chow family fund was passed in the CES business meeting on August 1, 2003 at University of Michigan, Ann Arbor, Michigan. The fund is managed by a five-member board including Gregory Chow, a member of the Chow family, the most recent past CES president, the current CES president, and the Chair of the Finance Committee. The board funded \$12,000 to support research and teaching during fiscal year 2003.

Wei Yu  
Chair of CES Finance Committee

Chinese Economists Society, Inc.  
Statement of Assets, Liabilities and Net Assets  
Modified Cash Basis  
As of October 31, 2002

	<u>Oct 31, 2002</u>
ASSETS	
Current Assets	
Cash	\$ 85,199
Total Cash	<u>85,199</u>
Total Current Assets	85,199
Other Assets	
Investments at FMV	69,539
Total Investments at FMV	<u>69,539</u>
Total Other Assets	<u>69,539</u>
TOTAL ASSETS	<u>\$ 154,738</u>
LIABILITIES & NET ASSETS	
Total Net Assets	<u>\$ 154,738</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 154,738</u>

See accompanying accountants' compilation report

Chinese Economists Society, Inc.  
Statement of Revenues and Expenses Paid  
Modified Cash Basis  
For the Year Ended October 31, 2002

Unrestricted assets		
Revenue Collected		
Contributions, Gifts, & Grants	\$	27,649
Membership Income		3,040
Interest Income		968
Unrealized losses on investments		<u>(11,058)</u>
Total revenue collected		<u>20,599</u>
Expenses paid		
Program Expenses		62,219
Management and General Expenses		<u>6,738</u>
Total expenses paid		<u>68,957</u>
Increase in unrestricted net assets		(48,358)
Net assets - beginning		<u>203,096</u>
Net assets - ending	\$	<u>154,738</u>

See accompanying accountants' compilation report

Chinese Economists Society, Inc.  
 Detail Schedule of Functional Expenses  
 Modified Cash Basis  
 For the Year Ended October 31, 2002

	<u>Administrative</u>	<u>Program Services</u>	<u>Total</u>
<b>Conference Costs</b>			
Annual Conference	\$ -	\$ 2,000	\$ 2,000
Ford Teaching	-	2,000	2,000
Hong Kong Meeting	-	23,100	23,100
Operating Expenses	-	11,006	11,006
Xiamen Conference Expense	-	17,389	17,389
Xiamen Photos	-	68	68
Total Conference Costs	<u>-</u>	<u>55,563</u>	<u>55,563</u>
<b>Printing &amp; Publications Expenses</b>			
Book Editing	-	174	174
Globalization Book Editing	-	3,748	3,748
Total Printing & Publications Expenses	<u>-</u>	<u>3,922</u>	<u>3,922</u>
Professional Development Expense	<u>3,000</u>	<u>-</u>	<u>3,000</u>
<b>Other Expenses</b>			
Bank service charges	180	-	180
Professional Fees	1,570	-	1,570
Check orders	13	-	13
Miscellaneous	276	-	276
Supplies	8	-	8
Postage & Delivery	164	-	164
Service Payments	1,527	-	1,527
Total Other Expenses	<u>3,738</u>	<u>-</u>	<u>3,738</u>
<b>Travel Expenses</b>			
Meals	-	45	45
Other Expenses	-	2,689	2,689
Total Travel Expenses	<u>-</u>	<u>2,734</u>	<u>2,734</u>
<b>TOTAL EXPENSES</b>	<u>\$ 6,738</u>	<u>\$ 62,219</u>	<u>\$ 68,957</u>

Chinese Economists Society, Inc.  
Statement of Revenue and Expenses - Modified Cash Basis  
For the Year Ended October 31, 2002

	Aimin Chen	Baizhu Chen	David Li	James Wen	Shuanglin Lin	Wei Yu	TOTAL
Revenue							
Contributions	-	-	22,980	-	-	-	22,980
Donations	-	-	4,669	-	-	-	4,669
Membership & CER Subscriptions	200	-	-	-	-	-	200
Membership fees	-	-	2,840	-	-	-	2,840
Investment Income							
Fidelity-Blue Chip Growth							
Blue Chip-Dividends	-	-	-	-	-	30	30
Blue Chip-LT Capital Gains	-	-	-	-	-	167	167
Blue Chip-Unrealized G (L)	-	-	-	-	-	(3,037)	(3,037)
Total Fidelity-Blue Chip Growth	-	-	-	-	-	(2,840)	(2,840)
Fidelity-Contrafund							
Contrafund-Dividends	-	-	-	-	-	48	48
Contrafund-Unrealized G(L)	-	-	-	-	-	256	256
Total Fidelity-Contrafund	-	-	-	-	-	304	304
Fidelity-Low Priced Stock							
Low Priced Stock-Dividends	-	-	-	-	-	31	31
Low Priced Stock-LT Cap Gains	-	-	-	-	-	61	61
Low Priced Stock-ST Cap Gains	-	-	-	-	-	75	75
Low Priced Stock-Unrealized G(L)	-	-	-	-	-	356	356
Total Fidelity-Low Priced Stock	-	-	-	-	-	522	522
Fidelity-Select Electronics							
Select Electronics-Dividends	-	-	-	-	-	(943)	(943)
Select Electronics Unrealized G	-	-	-	-	-	(943)	(943)
Total Select Electronics-Dividends	-	-	-	-	-	(943)	(943)
Total Fidelity-Select Electronics	-	-	-	-	-	(943)	(943)
Fidelity-Select Technology							
Unrealized Gain (Loss)	-	-	-	-	-	(1,783)	(1,783)
Total Fidelity-Select Technology	-	-	-	-	-	(1,783)	(1,783)
Income-Vanguard 500 Portfolio							
Vangrd 500 Port-Dividends	-	-	-	-	-	203	203
Vangrd 500 Port-Unrealized G/L	-	-	-	-	-	(3,387)	(3,387)
Total Income-Vanguard 500 Portfolio	-	-	-	-	-	(3,184)	(3,184)
Income-Vanguard Growth							
Vangrd Growth-Dividends	-	-	-	-	-	137	137
Vangrd Growth-Unrealized G/L	-	-	-	-	-	(3,272)	(3,272)
Total Income-Vanguard Growth	-	-	-	-	-	(3,135)	(3,135)
Interest Income							
Bank of America	-	3	-	-	-	-	3
Div-Fidelity cash reserves	-	-	-	-	-	81	81
Terre Haute Savings Bank	467	-	-	-	-	-	467
Interest Income - Other	312	-	-	105	-	-	417
Total Interest Income	780	3	-	105	-	81	969
Total Investment Income	780	3	-	105	-	(10,978)	(10,090)
Total Revenue	980	3	30,489	105	-	(10,978)	20,599

Supplemental information

Exhibit D

Chinese Economists Society, Inc.  
Statement of Revenue and Expenses - Modified Cash Basis  
For the Year Ended October 31, 2002

	Aimin Chen	Baizhu Chen	David Li	James Wen	Shuanglin Lin	Wei Yu	TOTAL
<b>Expenses</b>							
<b>Conferences, Conventions, Meet</b>							
Annual Conference	-	-	-	-	2,000	-	2,000
Ford teaching	2,000	-	-	-	-	-	2,000
Hong Kong Meeting	-	-	23,100	-	-	-	23,100
Operating Expenses	6,856	-	4,149	-	-	-	11,005
Xiamen Conference							
Conference expense	17,389	-	-	-	-	-	17,389
Photo's	68	-	-	-	-	-	68
Total Xiamen Conference	<u>17,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,457</u>
Total Conferences, Conventions, Meet	26,313	-	27,249	-	2,000	-	55,562
<b>Printing &amp; Publications</b>							
<b>Book Editing</b>							
Books	-	-	-	174	-	-	174
Total Book Editing	<u>-</u>	<u>-</u>	<u>-</u>	<u>174</u>	<u>-</u>	<u>-</u>	<u>174</u>
<b>Globalization book</b>							
Editing	-	-	-	3,748	-	-	3,748
Total Globalization book	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,748</u>	<u>-</u>	<u>-</u>	<u>3,748</u>
Total Printing & Publications	-	-	-	3,922	-	-	3,922
<b>Professional Development</b>							
<b>Regular Operating Cost</b>							
Bank Service Charges	60	-	40	80	-	-	180
Check Orders	-	-	-	-	12	-	12
Miscellaneous	276	-	-	-	-	-	276
Postage and Delivery	55	-	-	80	-	30	165
Professional Fees	-	-	-	-	-	1,570	1,570
Supplies	-	-	-	-	-	8	8
Total Regular Operating Cost	<u>391</u>	<u>-</u>	<u>40</u>	<u>160</u>	<u>12</u>	<u>1,608</u>	<u>2,211</u>
Service Payments	1,527	-	-	-	-	-	1,527
<b>Travel &amp; Ent</b>							
Meals	-	-	-	-	46	-	46
Travel & Ent - Other	-	-	-	-	-	2,689	2,689
Total Travel & Ent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>	<u>2,689</u>	<u>2,735</u>
Total Expenses	<u>28,231</u>	<u>-</u>	<u>27,289</u>	<u>4,082</u>	<u>2,058</u>	<u>7,297</u>	<u>68,957</u>
Excess Revenue over Expenses (Expenses over Revenue)	<u>(27,251)</u>	<u>3</u>	<u>3,200</u>	<u>(3,977)</u>	<u>(2,058)</u>	<u>18,275</u>	<u>48,358</u>