

Message/from the Treasurer

As IEEE Treasurer, I am proud to present the audited financial reports of the organization. Our Balance Sheet remains strong, despite negative investment returns for the year as reported in the Statement of Activities.

The IEEE Balance Sheet, the true indicator of financial position, reflected assets of US\$283.3 million at 31 December 2001. The US\$2.3 million decline from the previous year was due primarily to the reduction in the Investment Portfolio. However, the IEEE remains sound, and able to continue its not-for-profit mission to serve the educational and scientific needs of our members, and through them, society.

Operationally, 2001 was a very good year for the IEEE. The organization enjoyed a US\$8.5 million increase in revenues, despite the negative investment performance. Operational gains increased mainly with our electronic products; their acceptance continues strong and growing. Some softness in IEEE conferences was more than overcome by increased revenues from intellectual property sales as well as cost-containment programs. When 2001 budgets were set, continued returns on investments had been anticipated. Obviously, these budgeted returns were not realized, and when combined with the actual loss on the IEEE's portfolio, they contributed to almost the entire US\$29.3 million deficit.

The IEEE again received an unqualified or clean opinion from PricewaterhouseCoopers, L.L.P. Prior to issuing this opinion, the independent auditors meet with the IEEE Audit Committee to discuss the scope and results of their audit, their review of the adequacy of internal accounting controls, and the quality of the financial reporting. The IEEE is tax exempt under Section 501(c)(3) of the U.S. Internal Revenue Code. The IEEE Foundation is a separately incorporated affiliate of the IEEE; its audited financial statements are not included in the following documents.

I submit this report with the conviction that even in difficult times, the IEEE's financial well-being remains solid.



A handwritten signature in blue ink that reads "Dale C. Caston".

Dale C. Caston, P.E.

2001 IEEE TREASURER

Report/of/Independent Accountants

To the Board of Directors of The Institute of Electrical and Electronics Engineers, Inc.:

In our opinion, the accompanying balance sheet and the related statements of activities and cash flows present fairly, in all material respects, the financial position of The Institute of Electrical and Electronics Engineers, Inc. (the "Institute") at December 31, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institute's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers LLP".

Florham Park, New Jersey

May 6, 2002

Financial/Statements

Balance Sheet

As of December 31, 2001 and 2000	2001	2000
Assets		
Cash and cash equivalents	\$ 1,539,200	\$ 1,078,300
Accounts receivable, less allowance for doubtful accounts of \$1,271,500 in 2001 and \$1,040,000 in 2000	34,979,800	30,711,500
Inventories, prepaid expenses and other assets	10,294,500	11,998,500
Investments	201,841,700	210,115,300
Land, buildings and equipment, net of accumulated depreciation	34,670,100	31,683,100
Total assets	\$ 283,325,300	\$ 285,586,700
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 26,857,700	\$ 25,195,200
Deposits by sections and other	30,180,300	28,271,900
Trading liabilities	32,197,300	19,238,100
Debt obligations	14,569,000	16,044,300
Obligations under capital leases	2,736,900	3,420,200
Deferred income		
Dues and assessments	38,732,100	32,558,600
Subscriptions and other	45,702,000	39,182,300
Total liabilities	190,975,300	163,910,600
Net assets		
Unrestricted	90,228,100	118,791,900
Temporarily restricted	1,930,500	2,692,800
Permanently restricted	191,400	191,400
Total net assets	92,350,000	121,676,100
Total liabilities and net assets	\$ 283,325,300	\$ 285,586,700

Statement of Activities

For the Year Ended December 31, 2001	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Dues and assessments	\$ 37,732,900			\$ 37,732,900
Periodical subscriptions, other publication activities and educational products and services	104,864,300	\$ 663,900		105,528,200
Conventions, conferences and other technical activities	62,009,300	894,400		62,903,700
Investment income, net	(12,418,500)	5,000		(12,413,500)
Other income	5,527,800	51,600		5,579,400
Net assets released from restrictions	2,377,200	(2,377,200)		
Total revenue	200,093,000	(762,300)		199,330,700
Expenses				
Program services				
Publishing	103,188,400			103,188,400
Educational activities	3,452,200			3,452,200
Conventions, conferences and other technical activities	54,564,100			54,564,100
Services for and support of sections and branches	7,684,400			7,684,400
Membership records and services	51,615,600			51,615,600
Total program services	220,504,700			220,504,700
Supporting services				
General and administrative	7,248,500			7,248,500
Total expenses	227,753,200			227,753,200
Change in net assets before extraordinary item	(27,660,200)	(762,300)		(28,422,500)
Extraordinary item - one time cost related to the extinguishment of debt (see Note 6)	903,600			903,600
Change in net assets	(28,563,800)	(762,300)	—	(29,326,100)
Net assets, beginning of year	118,791,900	2,692,800	\$ 191,400	121,676,100
Net assets, end of year	\$ 90,228,100	\$ 1,930,500	\$ 191,400	\$ 92,350,000

The accompanying notes are an integral part of these financial statements.

Statement of Activities

For the Year Ended December 31, 2000	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Dues and assessments	\$ 38,024,800			\$ 38,024,800
Periodical subscriptions, other publication activities and educational products and services	95,896,800	\$ 881,200		96,778,000
Conventions, conferences and other technical activities	47,496,800	945,700		48,442,500
Investment income, net	794,200	27,200		821,400
Other income	6,606,600	118,100		6,724,700
Net assets released from restrictions	1,365,800	(1,365,800)		
Total revenue	190,185,000	606,400		190,791,400
Expenses				
Program services				
Publishing	92,155,200			92,155,200
Educational activities	3,480,300			3,480,300
Conventions, conferences and other technical activities	42,350,000			42,350,000
Services for and support of sections and branches	7,184,500			7,184,500
Membership records and services	48,092,800			48,092,800
Total program services	193,262,800			193,262,800
Supporting services				
General and administrative	7,482,000			7,482,000
Total expenses	200,744,800			200,744,800
Change in net assets	(10,559,800)	606,400		(9,953,400)
Net assets, beginning of year	129,351,700	2,086,400	\$ 191,400	131,629,500
Net assets, end of year	\$ 118,791,900	\$ 2,692,800	\$ 191,400	\$ 121,676,100

Statement of Cash Flows

For the Years Ended December 31, 2001 and 2000	2001	2000
Operating activities		
Change in net assets	\$ (29,326,100)	\$ (9,953,400)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Extraordinary item	903,600	—
Depreciation and amortization expense	5,652,500	4,832,600
Change in assets and liabilities		
Increase in accounts receivable	(4,268,300)	(5,791,300)
Decrease (increase) in inventories, prepaids and other assets	800,400	(2,437,300)
Increase in accounts payable and accrued expenses	2,768,500	811,200
Increase in deferred income	12,693,200	3,345,700
Increase in deposits	1,908,400	1,662,500
Net realized and unrealized losses from investments	21,234,900	5,942,900
Net cash provided by (used in) operating activities	12,367,100	(1,587,100)
Investing activities		
Proceeds from sale of investments	803,991,500	654,067,800
Purchase of land, buildings and equipment	(7,693,400)	(6,067,700)
Purchases of investments	(803,993,600)	(653,064,700)
Net cash used in investing activities	(7,695,500)	(5,064,600)
Financing activities		
(Payment of) proceeds from short-term borrowings	(5,500,000)	5,500,000
Cash overdraft	(1,106,000)	956,600
Payment of debt obligations	(6,850,300)	(635,300)
Issuance of new debt	10,875,000	—
Payment of capital lease obligations	(1,629,400)	(1,251,800)
Net cash (used in) provided by financing activities	(4,210,700)	4,569,500
Net increase (decrease) in cash	460,900	(2,082,200)
Cash and cash equivalents at beginning of year	1,078,300	3,160,500
Cash and cash equivalents at end of year	\$ 1,539,200	\$ 1,078,300
Supplemental data		
Interest paid	\$ 2,676,900	\$ 1,834,900
Non-cash items		
Acquisition of equipment through capital lease obligation	\$ 946,100	\$ 1,415,000

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Operations

The objectives of The Institute of Electrical and Electronics Engineers, Inc. (the "Institute" or "IEEE") are (a) scientific and educational, directed toward the advancement of the theory and practice of electrical engineering, electronics engineering, computer engineering, computer sciences, and the allied branches of engineering and related arts and sciences and (b) professional, directed toward the advancement of the standing of the members of the profession it serves.

Implementation of the Institute's objectives is primarily performed through regions, sections, branches, societies, and councils. For purposes of the IEEE audited financial statements, sections and branches are unincorporated geographical subdivisions of the Institute. The financial results of societies, councils and regions are incorporated in the Institute's audited financial statements. These units were formed to serve the specialized technical interests of members and to coordinate these with the local activities of the sections and the broader activities of the Institute. The societies and councils promote the technical interests of their members through symposia, conferences and various publications.

2. Summary of Significant Accounting Policies

Reporting Entity

The financial statements include the accounts of the societies, councils and regions. The books and records of the sections and branches are maintained by the respective treasurers of each unit and are not included in the accompanying financial statements.

The financial statements of the Institute should be read in conjunction with the financial statements of the IEEE Foundation, a related organization. (See Note 14.)

Financial Statements

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Such assets primarily include the Institute's permanent endowment funds. The principal of these endowments cannot be expended and only the income earned can be used as designated by the donor.

Temporarily Restricted - Net assets whose use by the Institute is subject to donor-imposed stipulations that can be fulfilled by actions of the Institute pursuant to those stipulations or that expire by the passage of time. These temporarily restricted net assets are designated principally for awards, medals and specific projects.

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Unrestricted net assets can be utilized to carry out any of the purposes of the Institute.

Expenses are generally reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted net assets are reported as reclassifications. Temporarily restricted revenues received and expended during the same fiscal year are recorded as unrestricted revenues and expenses in the statement of activities.

Revenue Recognition

Revenue from membership dues and yearly periodical subscriptions is recognized during the year to which it pertains. Amounts received in advance are included in deferred income. The Institute's share of revenue and expense from conferences is recognized principally when financial reports are submitted by societies and councils.

Revenue from contributions is recorded at its fair value in the period received including unconditional promises to give and is classified based upon the existence or absence of donor-imposed restrictions.

Contributions received by the Institute are primarily private and governmental grants containing donor-imposed restrictions as to their use. These restrictions are usually fulfilled within a two-year period by satisfying the respective restrictions.

Investments

Investments are carried at fair value which is generally determined on the basis of quoted market prices. (See Notes 3 and 12). Realized gains and losses on sales of investments are determined on an average cost basis.

Option transactions are accounted for as contractual commitments, recorded on a trade date basis, and carried at market value or, when market prices are not readily available, estimated fair value, based on the use of valuation models.

Securities sold under agreements to repurchase are recorded at their contracted resale or repurchase amounts, plus accrued interest.

Inventories

Inventories consist of periodicals published by the Institute and are stated at the lower of average cost or net realizable value.

Land, Buildings and Equipment

Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Buildings, furniture and equipment are depreciated over periods ranging from three to thirty-five years. Assets under capital leases are depreciated over the shorter of the lease terms or the useful lives of the assets. Building improvements are amortized over twenty years.

Upon retirement or other disposition of fixed assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses, if any, are reflected in operations.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments purchased with original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

3. Investments

Investments and trading liabilities at December 31, 2001 and 2000 consist of the following:

Investments	2001 Cost	2001 Fair Value	2000 Cost	2000 Fair Value
Short-term investments				
Commercial paper and bankers acceptances	\$ 6,900,000	\$ 6,900,000		
Money market and mutual funds	706,600	706,600	\$ 822,200	\$ 822,200
	7,606,600	7,606,600	822,200	822,200
Equity investments				
Equity securities	73,823,900	84,551,700	84,970,800	106,567,600
Investments in emerging markets	35,396,300	35,004,600	27,493,800	32,494,900
Money market and mutual funds	3,178,700	3,178,700	3,201,300	3,201,300
Due from (to) brokers and accrued interest and fees	1,031,300	1,031,300	1,325,600	1,325,600
	113,430,200	123,766,300	116,991,500	143,589,400
Fixed income investments				
U.S. Government obligations	31,263,900	31,639,800	32,801,500	33,783,400
Corporate obligations	3,469,600	3,564,800	5,259,100	5,309,100
Money market and mutual funds	34,639,600	34,681,800	26,138,000	25,966,400
Due from (to) brokers and accrued interest	582,400	582,400	615,800	644,800
	69,955,500	70,468,800	64,814,400	65,703,700
Total investments	190,992,300	201,841,700	182,628,100	210,115,300
Trading liabilities				
Equity investments				
Due to brokers and accrued fees	(492,600)	(492,600)	(785,600)	(785,600)
Fixed income investments				
Amounts due under reverse repo agreements	(25,000,000)	(25,000,000)	(10,000,000)	(10,000,000)
Derivative contracts	(6,016,600)	(6,687,500)	(829,300)	(891,600)
Due to brokers and accrued fees	(16,900)	(17,200)	(7,560,900)	(7,560,900)
Total trading liabilities	(31,526,100)	(32,197,300)	(19,175,800)	(19,238,100)
Net investments	\$ 159,466,200	\$ 169,644,400	\$ 163,452,300	\$ 190,877,200

4. Investment Income

Net investment income for the years ended December 31, 2001 and 2000 consisted of the following:

	2001	2000
Interest and dividends	\$ 8,821,400	\$ 6,764,300
Realized (losses) gains, net	(3,988,200)	22,236,000
Change in net unrealized gains	(17,246,700)	(28,178,900)
	\$ (12,413,500)	\$ 821,400

5. Land, Buildings and Equipment

Fixed assets, carried at cost, and the related accumulated depreciation at December 31, 2001 and 2000 consists of the following:

	2001 Cost	2001 Accumulated Depreciation	2000 Cost	2000 Accumulated Depreciation
Buildings	\$ 18,733,600	\$ 6,855,600	\$ 18,625,500	\$ 6,315,600
Furniture and equipment	35,500,700	21,445,600	32,063,600	19,463,400
Building improvements	8,505,300	1,741,900	5,955,300	1,155,900
	62,739,600	30,043,100	56,644,400	26,934,900
Land	1,973,600		1,973,600	
Total	\$ 64,713,200	\$ 30,043,100	\$ 58,618,000	\$ 26,934,900

Included within the cost of furniture and equipment is \$6,478,050 of assets under capital leases as of December 31, 2001. Approximate annual rentals are:

2002	\$ 1,657,600
2003	1,022,700
2004	541,500
2005	269,400
2006	56,700
Total minimum lease payments	3,547,900
Less: amount representing interest imputed at an average rate of 6.2%	811,000
Present value of minimum lease payments	\$ 2,736,900

6. Debt Obligations

Debt obligations at December 31, 2001 and 2000 consist of the following:

	2001	2000
New Jersey Economic Development Authority ("NJEDA") Bonds, average coupon of 6.3%, annual principal and sinking fund payments through April 1, 2004; collateralized by irrevocable direct-pay letter of credit issued by First Union Bank.	\$ 1,275,000	\$ 8,045,000
New Jersey Economic Development Authority ("NJEDA"), Series A Bonds, average coupon of 4.55%, annual principal and sinking fund payments through April 1, 2014; collateralized by irrevocable direct-pay letter of credit issued by First Union National Bank.	7,212,700	
New Jersey Economic Development Authority ("NJEDA"), Series B Bonds, average coupon of 4.34%, annual principal and sinking fund payments through April 1, 2014; collateralized by irrevocable direct-pay letter of credit issued by First Union National Bank.	3,862,700	
Note payable to First Union Bank, bearing interest at 6.99%, payable monthly through 2006, collateralized primarily by fixed income investments.	1,901,600	1,925,500
Note payable to First Union Bank, bearing interest at 6.49%, payable monthly through 2003, collateralized primarily by fixed income investments.	317,000	573,800
Short-term borrowing		5,500,000
	\$ 14,569,000	\$ 16,044,300

Interest expense amounted to approximately \$654,600 for 2001, and \$779,600 for 2000.

On January 16, 1998, the Institute re-financed a 6.7% term loan, which had a balloon payment that was due March 1, 1998, by entering into a \$1,324,200 term loan agreement with First Union Bank. The Institute entered into an interest rate swap agreement, which fixed the interest rate on this term loan. Under this agreement, the Institute pays to First Union Bank interest at 6.49% on the current principal, and First Union Bank pays to the Institute interest based on LIBOR plus 0.25%, on the principal. The principal of the swap amortizes through February 3, 2003 and was \$309,000 and \$573,800 as of December 31, 2001 and 2000, respectively. Amounts receivable or payable under the swap agreement are reflected as a reduction of, or addition to, interest expense. The estimated fair value of the swap reflects a liability of approximately \$8,000 and \$2,800 at December 31, 2001 and 2000, respectively.

The Institute entered into a \$2,200,000 term loan agreement with First Union Bank on December 23, 1996. The proceeds of this term loan were used to finance the purchase and renovation of two buildings in Orange County, CA. The Institute entered into an interest rate swap agreement, which fixed the interest rate on this term loan. Under this agreement, the Institute pays to First Union National Bank interest at 6.99% on the current principal, and First Union National Bank pays to the Institute interest based on LIBOR plus 0.25%, on the principal. The principal of the swap amortizes through December 1, 2006, and was \$1,760,000 and \$1,848,000 as of December 31, 2001 and 2000, respectively. Amounts receivable or payable under the swap agreement are reflected as a reduction of, or addition to, interest expense. The estimated fair value of the swap reflects a liability of approximately \$141,600 and \$74,700 at December 31, 2001 and 2000, respectively.

The Institute finalized an agreement with the NJEDA to refund the existing 1994 bonds and refinance the outstanding non-callable debt on May 10, 2001 to take advantage of lower interest rates. The portion of the debt that is not callable, \$6,390,000, was extinguished and refinanced with variable rate bonds. The amount of moneys necessary to cause the defeasance of the bonds was \$6,895,800. This included principal, interest through April 1, 2004 and a call premium of \$127,800. Funds were placed with The Bank of New York, the Escrow Agent. As a result of the defeasance of the bonds, the corresponding payment obligations of the Institute under the bond agreement relating to the defeased bonds were legally discharged. The one time cost related to the extinguishment of debt is presented as an extraordinary item on the statement of activities for the year ended

December 31, 2001. The remaining 1994 NJEDA Bonds, with a principal balance of \$1,275,000, are collateralized by an irrevocable direct-pay letter of credit issued by First Union Bank, for which the Institute entered into a Letter of Credit and Reimbursement Agreement with First Union Bank dated April 1, 1994. The amount of the letter of credit at December 31, 2001 and 2000 was \$1,323,300 and \$8,350,000, respectively, which represents the outstanding principal and accrued interest thereon. The NJEDA issued a new series of bonds in aggregate principal amount of \$7,065,000 identified as the Series A Bonds. The Institute entered into a swap agreement with First Union National Bank on April 24, 2001, thereby fixing the Institute's rate on the bonds at 4.55%. The estimated fair value of the swap reflects a liability of approximately \$147,700 at December 31, 2001. The new bonds, Series A bonds, are payable through 2014. These bonds will be collateralized through May 2011 with an irrevocable standby letter of credit from First Union National Bank.

The Institute finalized an additional agreement with the NJEDA on September 28, 2001, permanent financing for the New Data Center, in the form of additional bonds, Series B Bonds. The proceeds of \$3,810,000 were used by the Institute to fund the renovation of a 15,000 sq. ft. warehouse facility into a new computer center and related equipment purchases and installations. The Institute entered into a swap agreement with First Union National Bank on August 22, 2001, thereby fixing the Institute's rate on the bonds at 4.34%. The estimated fair value of the swap reflects a liability of approximately \$52,700 at December 31, 2001. These new bonds, Series B bonds, are payable through 2014. The irrevocable standby letter of credit dated May 1, 2001, from First Union National Bank was amended on September 1, 2001 to include both Series A and Series B loans. At December 31, 2001, the total letter of credit amount collateralizing both Series A and Series B loans is \$11,039,500.

Under the amended and restated letter of credit and reimbursement agreement, the Institute cannot permit the ratio of its Unrestricted Net Marketable Securities (Less deposits by sections, and other) to Total Liabilities (Less deposits by sections, and other) to be less than 1.00 to 1.00, at any time. At December 31, 2001 the Institute was in compliance with the new restrictive financial covenant. The ratio at December 31, 2001 was 1.09:1.0. This replaces the four debt covenants from the 1994 issue. At December 31, 2000 the Institute was in compliance with all but the most restrictive covenant contained in the Letter of Credit and Reimbursement Agreement. Under this covenant the Institute is required to maintain a debt service coverage ratio of no less than 1.75:1.0. The Institute obtained a waiver from First Union Bank forever waiving violations at December 31, 2000 and March 31, 2001.

Future principal repayments required under the NJEDA Bond Agreements, and the First Union National Bank term loans, are as follows:

2002	\$	1,317,800
2003		857,200
2004		863,000
2005		898,000
2006		2,253,000
Thereafter		8,380,000
	\$	14,569,000

At December 31, 2001, the Institute had a total of \$35,000,000 of uncommitted short-term lines of credit available to it for short-term borrowing. The Institute has a \$20,000,000 uncommitted short-term line of credit with First Union National Bank, and a \$15,000,000 uncommitted short-term line of credit with The Bank of New York. A \$15,000,000 uncommitted short-term line of credit with Mellon Bank expired October 31, 2001. This line was not renewed. For short-term borrowings with terms of thirty days or more, these lines of credit bear interest at rates approximately equivalent to LIBOR. There are no service fees charged on the unused portions of these lines of credit. Interest expense resulting from the utilization of these short-term lines of credit during 2001 and 2000 amounted to approximately \$783,000 and \$786,000, respectively. At December 31, 2001, there were no outstanding borrowings against these lines of credit and at December 31, 2000 there was \$5,500,000 in outstanding borrowings with First Union National Bank. At December 31, 2001 the Institute signed a Loan Commitment with First Union National Bank for a \$50,000,000 senior credit facility. First Union National Bank will be the Administrative Agent and provide

9. Pension and Other Postretirement Benefits

The Institute sponsors two qualified and one non-qualified pension plan and other postretirement benefit plans for its employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2001, and a statement of the funded status as of December 31 of both years:

	Pension Benefits 2001	Pension Benefits 2000	Other Benefits 2001	Other Benefits 2000
Reconciliation of benefit obligation				
Obligation at January 1	\$ 39,715,900	\$ 33,747,700	\$ 1,384,600	\$ 1,330,600
Service Cost	2,883,100	2,381,000	76,600	48,900
Interest Cost	2,847,200	2,512,000	124,100	94,500
Plan amendments	622,000		388,500	
Actuarial (gain) loss	4,767,100	2,953,800	63,500	22,600
Benefit payments	(2,587,300)	(1,878,600)	(81,800)	(112,000)
Obligation at December 31	\$ 48,248,000	\$ 39,715,900	\$ 1,955,500	\$ 1,384,600
Reconciliation of fair value of plan assets				
Fair value of plan assets at January 1	\$ 45,941,100	\$ 47,590,500		
Actual return on plan assets	(1,795,700)	(312,000)		
Employer contributions	1,143,500	541,200	\$ 81,800	\$ 112,100
Benefit payments	(2,587,300)	(1,878,600)	(81,800)	(112,100)
Fair value of plan assets at December 31	\$ 42,701,600	\$ 45,941,100	\$ —	\$ —
Funded status				
Funded status at December 31	\$ (5,546,500)	\$ 6,225,200	\$ (1,955,600)	\$ (1,384,600)
Unrecognized transition (asset) obligation		(299,100)	594,900	640,700
Unrecognized prior service cost	807,400	362,100	355,300	
Unrecognized (gain) loss	7,281,200	(3,410,200)	284,800	226,000
Net amount recognized - prepaid (accrued) benefit cost	\$ 2,542,100	\$ 2,878,000	\$ (720,600)	\$ (517,900)

\$27,500,000 of principal; The Bank of New York will act as the Documentation Agent and provide \$22,500,000 of principal. The facility closed on February 28, 2002.

At December 31, 2001, the Institute had an irrevocable standby letter of credit in the amount of \$583,000 with First Union National Bank, which services as security deposit as required by the terms of its lease agreement with Park Avenue Building Company, LLC.

7. Commitments

At December 31, 2001, minimum rental commitments under noncancelable operating leases for office space and computer equipment are as follows:

2002	\$	2,197,400
2003		1,285,200
2004		859,600
2005		657,400
2006		638,000
Thereafter		3,934,400
Total	\$	9,572,000

The leases for the office space are subject to escalation. Total rent expense for noncancelable operating leases amounted to \$3,115,500 and \$2,908,000 in 2001 and 2000, respectively.

8. Transactions with Sections, Branches and Others

The investments include deposits by certain sections, branches and others which participate in the income therefrom. In addition, the Institute paid \$2,120,100 and \$2,021,200 in 2001 and 2000, respectively, to sections and branches for financial support of their activities.

The Institute's nonqualified pension plan was the only pension plan with an accumulated benefit obligation in excess of plan assets. The plan's accumulated benefit obligation was \$123,400 at December 31, 2001 and \$118,800 at December 31, 2000. There are no plan assets in the nonqualified plan due to the nature of the plan. All of the Institute's plans for post-retirement benefits other than pensions also have no plan assets. The aggregate benefit obligation for those plans is \$1,955,600 as of December 31, 2001 and \$1,384,600 as of December 31, 2000.

The following table provides the components of net periodic benefit cost for the plans for 2001 and 2000:

	Pension Benefits 2001	Pension Benefits 2000	Other Benefits 2001	Other Benefits 2000
Service cost	\$ 2,883,100	\$ 2,381,000	\$ 76,600	\$ 48,900
Interest cost	2,847,200	2,512,000	124,100	94,500
Expected return on plan assets	(4,133,400)	(4,228,000)		
Amortization of transition (asset) obligation	(299,100)	(299,100)	45,800	45,800
Amortization of prior service cost	176,700	154,600	33,200	
Amortization of net loss	4,800	(653,700)	4,800	1,700
Net periodic benefit cost	\$ 1,479,300	\$ (133,200)	\$ 284,500	\$ 190,900

The prior service costs are amortized on a straight line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The Institute has multiple non-contributory nonpension postretirement benefit plans.

The assumptions used in the measurement of the Institute's benefit obligation are shown in the following table:

Weighted average assumptions as of December 31	Pension Benefits 2001	Pension Benefits 2000	Other Benefits 2001	Other Benefits 2000
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets	9.00%	9.00%	N/A	N/A
Rate of compensation increase	6.25%	6.25%	N/A	N/A

The healthcare plan benefits are a flat dollar reimbursement to the retirees toward healthcare premiums. No increase in the reimbursement amount is assumed.

10. 401(K) Savings and Investment Plan

The Institute has a defined contribution 401(K) Savings and Investment Plan for eligible employees. Employees are eligible to participate in the Plan after the start of the next pay period following thirty days of employment. Under the Plan, employees may generally contribute from 2% to 16% of their salary, however, not in excess of IRS limitations. The Institute provides a 100% matching contribution up to 4% of each employee's salary. The Institute contributed \$1,862,400 and \$1,639,800 to the Plan in 2001 and 2000, respectively.

11. Tax Status

The Institute is qualified under section 501(c)(3) of the Internal Revenue Code as an organization exempt from Federal income taxes.

12. Financial Instruments and Risk Management

Cash

The Institute maintains cash balances which, at times, are in excess of the Federal Deposit Insurance Corporation insured amounts. The Institute mitigates this risk by placing its cash in high quality financial institutions.

Debt Obligations

The fair value of the Institute's debt obligations (including current installments) is estimated based on quoted market prices for similar debt of the same remaining maturities. At December 31, 2001 and 2000, the estimated fair value of the Institute's debt was \$13,442,400 and \$15,859,500, respectively. The Institute utilizes interest rate swap agreements to manage the risk on interest rates associated with its debt obligations.

Investments

On January 1, 2001 the Institute adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The adoption of this statement did not have a material effect on the Institute's statements of financial condition or the results of operations. The statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments

embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the statement of financial condition and measure those instruments at fair value. The accounting for changes in the fair value of a derivative instrument depends on its intended use and the resulting designation.

The Institute's derivative transactions are entered into for trading purposes. The Institute uses derivatives in its trading activities to facilitate transactions and as a means of risk management. Risk exposures are managed through diversification and by controlling position sizes. Gains and losses on derivatives used for trading purposes are generally included in "Net investment income" on the Statement of Activities.

In the normal course of business, the Institute engages in a variety of derivative and non-derivative financial instrument transactions in connection with its market risk management and its principal trading activities. Derivative financial instruments include future and option contracts committing the Institute to purchase or deliver other instruments at specified future dates and price, or to make and receive payments based on notional amounts.

In connection with its market risk management and principal trading activities, the Institute may enter into a derivative contract to manage the risk arising from other financial instruments or to take a position based upon expected future market conditions. These contracts are valued at market, and unrealized gains and losses are reflected in the financial statements. There were ninety-eight open commitments at December 31, 2001 with a net market value of (\$6,687,500) and there were twenty-seven open commitments at December 31, 2000 with a net market value of (\$862,500).

Set forth below are the gross contract or notional amounts of derivative instruments and fair value of the related assets and liabilities at December 31, 2001 and 2000, as well as the average fair value of those assets and liabilities for the year ended 2001 and 2000. Fair value represents the cost of replacing these instruments. Future changes in interest rates or the fair values of the financial instruments or commodities underlying these contracts ultimately may result in cash settlements exceeding fair value amounts recognized in the statement of activities. Assets represent unrealized gains on purchased exchange-traded contracts. Liabilities represent net amounts owed to counterparties.

Year-End Gross Notional/Contract Amount	2001		2000	
Options	\$	160,000,000	\$	20,000,000
Futures and options		92,500,000		40,000,000
	\$	252,500,000	\$	60,000,000

	Assets		Liabilities	
	2001	2000	2001	2000
Fair values				
Options	\$	—	\$	5,444,700
Futures and options		29,000		1,242,800
	\$	29,000	\$	6,687,500
Average fair values				
Options	\$	—	\$	1,588,600
Futures and options		28,200		434,400
	\$	28,200	\$	2,023,000

The gross notional or contract amounts of these instruments are indicative of the Institute's degrees of use of derivatives for trading purposes but do not represent the Institute's exposure to market or credit risk. Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. The Institute believes the ultimate settlement of the transactions outstanding at December 31, 2001 will not have a material effect on the Institute's financial condition.

The Institute's principal transaction losses from fixed income securities contracts including futures and options written and purchased were \$2,378,900 for the year ended December 31, 2001. Principal transaction revenue includes realized gains and losses in the fair value of the derivative and other financial instruments.

The Institute monitors and controls its risk exposure on a daily basis through financial reporting systems and, accordingly, believes that it has effective procedures for evaluating and limiting the market risks to which it is subject.

13. Net Assets

December 31,	2001	2000
Temporarily Restricted Net Assets consist of		
Grant funds held for specific purposes	\$ 1,564,200	\$ 2,279,500
Funds held for awards, medals and other specific purposes	366,300	413,300
	\$ 1,930,500	\$ 2,692,800
Permanently Restricted Net Assets consist of		
Endowment principal	\$ 191,400	\$ 191,400

14. Related Parties

IEEE Foundation, Incorporated

The Institute transacts with the IEEE Foundation, Incorporated (the "Foundation"), a related organization. The Foundation performs activities in support of the scientific and educational functions and programs of the Institute. The Institute provides certain accounting and administrative services ("contributed services") which are not reimbursed by the Foundation total contributed services recorded by the Foundation were \$90,000 and \$82,300 in 2001 and 2000,

respectively. The Institute solicits contributions on behalf of the Foundation through its annual member renewal process. Total contributions solicited were \$461,600 and \$473,800 in 2001 and 2000, respectively. The Institute has on deposit \$16,851,500 and \$18,476,400 from the Foundation at December 31, 2001 and 2000. These amounts are invested by the IEEE on behalf of the Foundation. Receivables due from the Foundation were \$33,500 and \$26,500 at December 31, 2001 and 2000, respectively. Payables due to the Foundation were \$185,100 and \$199,200 in 2001 and 2000.

Summarized financial data of the Foundation for 2001 and 2000 are as follows:

	2001	2000
Total assets	\$ 23,986,300	\$ 26,279,000
Total liabilities	1,012,500	1,387,400
Net assets	\$ 22,973,800	\$ 24,891,600
Revenues	\$ (12,000)	\$ 1,176,700
Expenses	\$ 1,905,700	\$ 2,670,500

IEEE — Industry Standards and Technology Organization

The Institute enters into transactions with the IEEE-Industry Standards and Technology Organization ("IEEE-ISTO"), a related organization. The IEEE-ISTO is an organization operating for the development of industry standards. The Institute provides certain professional services and facilities that are reimbursed by the IEEE-ISTO. Total combined revenues from these transactions were \$124,500 and \$74,900 for 2001 and 2000 accordingly. Receivable due from the IEEE-ISTO at December 31, 2001 and 2000 are \$743,400 and \$716,900, respectively.

Summarized financial data of the IEEE-ISTO for 2001 and 2000 are as follows:

	2001	2000
Total assets	\$ 806,900	\$ 452,500
Total liabilities	1,302,800	1,021,400
Net assets	\$ (495,900)	\$ (568,900)
Revenues	\$ 2,669,900	\$ 1,543,000
Expenses	\$ 2,596,800	\$ 1,731,200