



message from the treasurer

I am pleased to present the audited financial statements of the IEEE. These statements indicate that the overall financial health of the organization continues to be strong.

The Institute's statement of financial position showed total assets of US\$247.5 million at 31 December 2003. This is a 3.7 percent increase from 2002, while the Institute's total liabilities decreased by 10.7 percent over the same time period. Overall, the Institute's Net Assets ("Reserves") grew to US\$102.6 million from US\$76.2 million reported in 2002.

In 2003, the Institute had revenues of US\$246.5 million, an increase of US\$46.7 million from 2002 as shown by the Statement of Activities. The increase in revenue was primarily due to the following:

1. Dues and Assessments revenue increased US\$3.3 million, despite a drop in membership, primarily resulting from a dues increase for both members and students.
2. Periodical subscriptions and other publication activities revenue increased US\$2.2 million primarily due to the sale of electronic products, including IEL whose gross revenue grew US\$7.3million. This growth was partially offset by decreases in revenue from print publications and a decrease in advertising revenue. This reduction in print revenue was anticipated as more of our customers migrate to our electronic products.
3. Conference revenue increased US\$7.1 million despite some early difficulties relating to SARS and the remaining effects of 9/11.
4. Net revenue from investments was US\$18.9 million in 2003 versus (US\$15.9M) in 2002, a US\$34.8 million improvement.
5. Other revenue decreased US\$0.7 million.

The operational surplus in 2003 was US\$7.5 million. The surplus was further enhanced by the net investment gains of US\$18.9 million for 2003. The total net surplus including operations and investment gains in 2003 was US\$26.4 million.

The IEEE received an unqualified or clean opinion from Ernst & Young, L.L.P. in the Report of Independent Auditors. The independent auditors meet with the IEEE Audit Committee to discuss the scope and results of their audit, their review on the adequacy of internal accounting controls, and the quality of financial reporting prior to issuing their opinion.

The IEEE is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The IEEE Foundation is a separately incorporated affiliate of the IEEE; accordingly, its audited financial statements are not included in the accompanying documents.

I submit these statements with the certainty that the IEEE continues to be a financially sound organization.

Pedro A. Ray
2003 IEEE Treasurer

report of independent auditors

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

We have audited the statement of financial position of The Institute of Electrical and Electronics Engineers, Inc. (the "Institute") as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. 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 audit. The financial statements of the Institute for the year ended December 31, 2002 were audited by other auditors whose report dated May 23, 2003 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the financial position of The Institute of Electrical and Electronics Engineers, Inc. at December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Iselin, New Jersey
May 12, 2004

financial statements

Statements of Financial Position

December 31, 2003 and 2002	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 921,700	\$ 1,278,100
Accounts receivable, less allowance for doubtful accounts of \$1,538,700 in 2003 and \$1,143,300 in 2002	40,710,800	38,038,200
Inventories, prepaid expenses and other assets	13,508,600	11,312,300
Investments	155,585,900	151,979,200
Total current assets	210,727,000	202,607,800
Prepaid pension and other assets	4,508,400	2,249,300
Long-term investments	191,400	191,400
Land, buildings and equipment, net of accumulated depreciation	32,113,600	33,547,900
Total assets	\$ 247,540,400	\$ 238,596,400
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 18,887,700	\$ 20,819,600
Deposits by IEEE Foundation, sections and other	15,344,200	30,050,700
Trading liabilities	396,100	2,747,200
Current portion of debt obligations	775,000	2,039,100
Current portion of capital lease obligations	1,065,100	1,215,600
Deferred income:		
Dues and assessments	37,615,000	35,947,700
Subscriptions and other	58,656,400	56,224,600
Total current liabilities	132,739,500	149,044,500
Long-term debt:		
Debt obligations, less current portion	10,759,100	12,394,000
Obligations under capital leases, less current portion	1,445,500	926,300
Total liabilities	144,944,100	162,364,800
Net assets:		
Unrestricted	101,251,000	74,932,900
Temporarily restricted	1,153,900	1,107,300
Permanently restricted	191,400	191,400
Total net assets	102,596,300	76,231,600
Total liabilities and net assets	\$ 247,540,400	\$ 238,596,400

Statement of Activities

Year Ended December 31, 2003	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Dues and assessments	\$ 43,077,300		\$	43,077,300
Periodical subscriptions, other publication activities and educational products and services	112,693,400	\$ 882,800		113,576,200
Conventions, conferences and other technical activities	62,107,000	309,100		62,416,100
Investment income, net	18,861,900	41,100		18,903,000
Other income	8,531,000	32,500		8,563,500
Net assets released from restrictions	1,218,900	(1,218,900)		-
Total revenue	246,489,500	46,600		246,536,100
Expenses:				
Program services:				
Publishing	103,180,300			103,180,300
Educational activities	2,333,900			2,333,900
Conventions, conferences and other technical activities	51,168,100			51,168,100
Services for and support of sections and branches	7,338,000			7,338,000
Membership records and services	50,902,500			50,902,500
Total program services	214,922,800	-		214,922,800
Supporting services:				
General and administrative	5,248,600			5,248,600
Total expenses	220,171,400	-		220,171,400
Change in net assets	26,318,100	46,600		26,364,700
Net assets, beginning of year	74,932,900	1,107,300	\$ 191,400	76,231,600
Net assets, end of year	\$ 101,251,000	\$ 1,153,900	\$ 191,400	\$ 102,596,300

See accompanying notes.

Statement of Activities

Year Ended December 31, 2002	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Dues and assessments	\$ 39,815,500		\$	39,815,500
Periodical subscriptions, other publication activities and educational products and services	110,673,700	\$ 652,600		111,326,300
Conventions, conferences and other technical activities	55,294,100	50,700		55,344,800
Investment income, net	(15,895,200)	(10,300)		(15,905,500)
Other income	9,163,500	60,100		9,223,600
Net assets released from restrictions	1,576,300	(1,576,300)		—
Total revenue	200,627,900	(823,200)		199,804,700
Expenses:				
Program services:				
Publishing	100,053,300			100,053,300
Educational activities	2,536,000			2,536,000
Conventions, conferences and other technical activities	46,464,400			46,464,400
Services for and support of sections and branches	8,252,700			8,252,700
Membership records and services	51,357,100			51,357,100
Total program services	208,663,500	—		208,663,500
Supporting services:				
General and administrative	7,259,600			7,259,600
Total expenses	215,923,100	—		215,923,100
Change in net assets	(15,295,200)	(823,200)		(16,118,400)
Net assets, beginning of year	90,228,100	1,930,500	\$ 191,400	92,350,000
Net assets, end of year	\$ 74,932,900	\$ 1,107,300	\$ 191,400	\$ 76,231,600

Statements of Cash Flows

Year Ended December 31, 2003 and 2002	2003	2002
Operating activities		
Change in net assets	\$ 26,364,700	\$ (16,118,400)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	6,089,300	6,130,900
Loss on disposal of fixed assets	111,300	—
Net realized and unrealized (gains) losses from investments	(18,301,600)	21,843,600
Change in fair value of interest rate swaps	(457,900)	832,000
Change in assets and liabilities:		
Increase in accounts receivable	(2,672,600)	(3,058,400)
Increase in inventories, prepaid expenses and other assets	(4,455,400)	(725,000)
Increase (decrease) in accounts payable and accrued expenses	278,000	(10,774,400)
Increase in deferred income	4,099,100	7,738,200
Net cash provided by operating activities	11,054,900	5,868,500
Investing activities		
Proceeds from sale of investments	313,779,100	727,587,600
Purchase of land, buildings and equipment	(3,104,200)	(3,883,300)
Purchases of investments	(301,435,400)	(729,210,200)
Decrease in deposits	(14,706,500)	(129,600)
Net cash used in investing activities	(5,467,000)	(5,635,500)
Financing activities		
Cash overdraft	(2,209,900)	2,194,200
Payment of debt obligations	(2,441,100)	(967,900)
Payment of capital lease obligations	(1,293,300)	(1,720,400)
Net cash used in financing activities	(5,944,300)	(494,100)
Net decrease in cash and cash equivalents	(356,400)	(261,100)
Cash and cash equivalents at beginning of year	1,278,100	1,539,200
Cash and cash equivalents at end of year	\$ 921,700	\$ 1,278,100
Supplemental data		
Interest paid	\$ 1,154,100	\$ 1,344,000
Non-cash items:		
Acquisition of equipment through capital lease obligation	\$ 1,662,000	\$ 1,125,400

See accompanying notes.

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 accounts of the sections and branches are not included in the accompanying financial statements, since their financial activities are not material to the overall activities of the Institute.

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. The income earned can only be used as designated by the donor, and is then recorded as temporarily restricted.

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 ratably over the period 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.

Cash and Cash Equivalents

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

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.

Accounts Payable and Accrued Expenses

Included in accounts payable and accrued expenses are cash overdrafts. At December 31, 2003 and 2002 these cash overdrafts amounted to \$720,200 and \$2,930,100, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, 2003 and 2002 consist of the following:

Investments	2003 Cost	2003 Fair Value	2002 Cost	2002 Fair Value
Short-term investments:				
Commercial paper and bankers acceptances	\$ —	\$ —	\$ 995,500	\$ 995,500
Due from brokers and accrued interest	11,200	11,200	—	—
Money market and mutual funds	53,736,000	53,819,800	4,653,700	4,653,700
	53,747,200	53,831,000	5,649,200	5,649,200
Equity investments:				
Equity securities	55,826,800	68,106,600	96,252,500	89,757,600
Investments in non-U.S. and emerging markets	4,660,400	6,185,000	8,262,800	7,353,400
Money market and mutual funds	1,213,000	1,213,000	5,848,400	5,848,400
Due from brokers and accrued interest and fees	467,500	467,500	166,200	166,200
	62,167,700	75,972,100	110,529,900	103,125,600
Fixed income investments:				
U.S. Government obligations	—	—	1,685,800	1,734,500
Corporate obligations	—	—	4,771,000	4,845,300
Money market and mutual funds	25,239,300	25,974,200	36,161,300	36,733,700
Due from brokers and accrued interest	—	—	82,300	82,300
	25,239,300	25,974,200	42,700,400	43,395,800
Total investments	141,154,200	155,777,300	158,879,500	152,170,600
Trading liabilities				
Equity investments:				
Due to brokers and accrued fees	(5,100)	(5,100)	(2,730,700)	(2,730,700)
Fixed income investments:				
Due to brokers and accrued fees	(391,000)	(391,000)	(16,500)	(16,500)
Total trading liabilities	(396,100)	(396,100)	(2,747,200)	(2,747,200)
Net investments	\$ 140,758,100	\$ 155,381,200	\$ 156,132,300	\$ 149,423,400

4. Investment Income

Net investment income (loss) for the years ended December 31, 2003 and 2002 consisted of the following:

	2003	2002
Interest and dividends	\$ 601,400	\$ 5,938,100
Realized losses, net	(3,030,400)	(4,956,500)
Change in net unrealized gains (losses)	21,332,000	(16,887,100)
	\$ 18,903,000	\$ (15,905,500)

5. Land, Buildings and Equipment

Fixed assets, carried at cost, and the related accumulated depreciation at December 31, 2003 and 2002 consists of the following:

	2003 Cost	2003 Accumulated Depreciation	2002 Cost	2002 Accumulated Depreciation
Buildings	\$ 18,625,300	\$ 7,913,100	\$ 18,733,600	\$ 7,395,100
Furniture and equipment	41,549,200	28,070,400	37,492,700	23,355,100
Building improvements	8,441,500	2,492,500	8,309,600	2,211,400
	68,616,000	38,476,000	64,535,900	32,961,600
Land	1,973,600	—	1,973,600	—
Total	\$ 70,589,600	\$ 38,476,000	\$ 66,509,500	\$ 32,961,600

Included within the cost of furniture and equipment is \$7,018,100 of assets under capital leases as of December 31, 2003. Approximate annual rental payments are:

2004	\$ 1,305,700
2005	945,100
2006	585,300
2007	435,500
2008	112,700
Total	3,384,300
Less amount representing interest imputed at an average rate of 5.2%	873,700
Present value of minimum lease payments	\$ 2,510,600

6. Debt Obligations

Debt obligations at December 31, 2003 and 2002 consist of the following:

	2003	2002
Loans from proceeds of bonds issued by the New Jersey Economic Development Authority ("NJEDA"):		
NJEDA 1994 Bonds, average coupon of 6.30%, annual principal and sinking fund payments through April 1, 2004 (the "1994 Bonds"); collateralized by irrevocable direct-pay letter of credit issued by Wachovia Bank, NA ("Wachovia Bank").	\$ 450,000	\$ 875,000
NJEDA 2001 Series A Bonds, average coupon of 4.55%, annual principal and sinking fund payments through April 1, 2014 (the "Series A Bonds"); collateralized by irrevocable direct-pay letter of credit issued by Wachovia Bank.	6,995,000	7,065,000
NJEDA 2001 Series B Bonds, average coupon of 4.34%, annual principal and sinking fund payments through April 1, 2014 (the "Series B Bonds"); collateralized by irrevocable direct-pay letter of credit issued by Wachovia Bank.	3,365,000	3,595,000
Loans from Wachovia Bank:		
Note payable bearing interest at 6.99%, payable monthly through 2006, collateralized primarily by fixed income investments (the "6.99% Note").	—	1,672,000
Note payable bearing interest at 6.49%, payable monthly through 2003, collateralized primarily by fixed income investments (the "6.49% Note").	—	44,100
	10,810,000	13,251,100
Liability under swap agreements:		
Series A Bonds	518,700	666,400
Series B Bonds	205,400	275,400
6.99% Note		239,900
6.49% Note		300
	\$ 11,534,100	\$ 14,433,100

The 1994 Bonds were issued by the NJEDA on April 1, 1994 in the aggregate amount of \$10,000,000 to make a loan to the Institute for the purpose of permanently financing certain project facilities of the Institute. As described below, the callable portion of the 1994 Bonds in the amount of \$6,390,000 were advance refunded by the Authority, at the request of the Institute, on May 10, 2001. The 1994 Bonds are collateralized by an irrevocable direct-pay letter of credit under a Letter of Credit and Reimbursement Agreement dated April 1, 1994 entered into by the Institute with Wachovia Bank. The amount of the letter of credit, which represents the outstanding principal and interest thereon, was \$467,100 and \$908,200 at December 31, 2003 and 2002, respectively.

The Series A Bonds consist of variable rate bonds issued in the aggregate amount of \$7,065,000 on May 10, 2001 for the purpose of advance refunding a portion of the 1994 Bonds to take advantage of lower interest rates. The advance refunding resulted in the defeasance and legal extinguishment of the callable portion of the 1994 Bonds due from 2005 to 2014 totaling \$6,390,000. In conjunction with the issuance of the Series A Bonds, the Institute entered into a swap agreement on April 24, 2001 with Wachovia Bank whereby the Institute's interest rate obligation under the Series A Bonds is fixed at 4.55% per annum (the "Series A Swap"). The underlying notional amount of the Series A Swap amortizes through April 1, 2014 and matches the outstanding balance of the Series A Bonds, which amounted to \$6,995,000 and \$7,065,000 as of December 31, 2003 and 2002, respectively. The estimated fair value of the Series A Swap reflects a liability of approximately \$518,700 and \$666,400 at December 31, 2003 and 2002, respectively. The Series A Bonds are due on April 1, 2014, but are subject to mandatory annual sinking fund redemption on April 1 of each year in amounts ranging from \$85,000 in 2004 to \$840,000 in 2014.

The Series B Bonds consist of variable rate bonds issued in the aggregate amount of \$3,810,000 on September 28, 2001 to permanently finance the renovation of a 15,000 square-foot warehouse facility into a new computer center and related equipment purchases and installations. In conjunction with the issuance of the Series B Bonds, the Institute entered into a swap agreement dated August 22, 2001 with Wachovia Bank whereby the Institute's interest rate obligation under the Series B Bonds is fixed at 4.34% per annum (the "Series B

Swap"). The underlying notional amount of the Series B Swap amortizes through April 1, 2014 and matches the outstanding balance of the Series B Bonds, which amounted to \$3,365,000 and \$3,595,000 as of December 31, 2003 and 2002, respectively. The estimated fair value of the Series B Swap reflects a liability of approximately \$205,400 and \$275,400 at December 31, 2003 and 2002, respectively.

The Series B Bonds are due on April 1, 2014, but are subject to mandatory annual sinking fund redemption on April 1 of each year in amounts ranging from \$240,000 in 2004 to \$385,000 in 2014.

An irrevocable standby Letter of Credit and Reimbursement Agreement with Wachovia Bank, dated May 1, 2001 and amended on September 1, 2001, collateralizes both Series A Bonds and Series B Bonds. The letter of credit amounted to \$10,516,700 and \$10,821,200 at December 31, 2003 and 2002, respectively.

Future principal repayments required under the NJEDA Bond Agreements as of December 31, 2003 are as follows:

2004	\$ 775,000
2005	810,000
2006	845,000
2007	880,000
2008	930,000
Thereafter	6,570,000
	\$ 10,810,000

The 6.99% Note consisted of a term loan in the original amount of \$2,200,000 obtained from Wachovia Bank, NA on December 23, 1996 to finance the purchase and renovation of two buildings in Orange County, CA. The Institute entered into an interest rate swap agreement whereby the Institute paid to Wachovia Bank interest at 6.99% on the current principal, and Wachovia Bank paid to the Institute interest based on LIBOR plus 0.25%, on the principal. The principal of the swap was originally scheduled to be fully amortized through December 1, 2006. In 2003, the Institute's Board approved

the early repayment of the 6.99% Note. The Institute paid Wachovia Bank the \$1,620,700 outstanding balance of the loan on July 2, 2003 without prepayment penalty and an additional amount of \$250,000 on July 7, 2003 for closing the interest rate swap.

The 6.49% Note consisted of a term loan in the original amount of \$1,324,200 obtained from Wachovia Bank, NA on January 16, 1998. Final payment on the 6.49% Note was made on February 3, 2003.

Interest expense on the debt obligations amounted to approximately \$636,500 for 2003 and \$1,616,200 for 2002. The interest expense associated with the interest swap exposures resulted in net savings for 2003 of \$207,900, and an expense of \$832,000 for 2002.

At December 31, 2002, the Institute maintained a \$50,000,000 credit facility consisting of \$27,500,000 with Wachovia Bank and \$22,500,000 with The Bank of New York under a revolving credit agreement dated February 28, 2002. Effective July 1, 2003, the credit facility was reduced to \$25,000,000 with a corresponding pro rata reduction in the commitment from each of the banks. The Institute is charged commitment fees on the unused portion of the credit facility. Interest expense resulting from the utilization of the credit facility during 2003 and 2002 amounted to approximately \$1,500 and \$236,000, respectively, while commitment fees amounted to \$47,500 and \$45,100 in 2003 and 2002, respectively. The Institute had no outstanding borrowings under the credit facility at December 31, 2003 or 2002. The revolving credit agreement, as amended, expires on May 31, 2005.

The Institute is required to maintain certain financial ratios under the amended and restated Letter of Credit and Reimbursement Agreement with Wachovia Bank and the revolving credit agreement with Wachovia Bank and the Bank of New York. The Institute is in compliance with these ratios as of December 31, 2003.

7. Commitments and Contingencies

At December 31, 2003, minimum rental commitments under noncancelable operating leases for office space and computer equipment are as follows:

2004	\$	1,739,200
2005		1,324,900
2006		1,096,900
2007		977,000
2008		966,200
Thereafter		2,659,400
	\$	8,763,600

The leases for the office space are subject to escalation. Total rent expense for noncancelable operating leases amounted to \$3,340,900 and \$3,555,600 in 2003 and 2002, respectively.

At December 31, 2003, the Institute had an irrevocable standby letter of credit in the amount of \$583,000 with Wachovia Bank, which serves as a security deposit as required by the terms of its lease agreement with Park Avenue Building Company, LLC.

The Institute is currently involved in certain litigation and claims arising in the ordinary course of business. The Institute's management believes that the amount of any liability arising out of these actions that may be sustained, if any, beyond existing insurance liability coverages would not have a material impact on the accompanying financial statements.

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 \$2,277,800 and \$1,985,100 in 2003 and 2002, respectively, to sections and branches for financial support of their activities.

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 ended December 31, 2003, and a statement of the funded status as of December 31 of both years:

	2003		2002	
	Pension Benefits	Pension Benefits	Other Benefits	Other Benefits
Reconciliation of benefit obligation				
Obligation at January 1	\$	47,501,800	\$	48,248,000
Service cost		3,302,500		3,643,700
Interest cost		3,125,200		3,218,600
Plan amendments		508,000		294,800
Actuarial loss (gain)		7,099,200		(4,463,200)
Benefit payments		(2,755,200)		(3,440,100)
Obligation at December 31	\$	58,781,500	\$	47,501,800
Reconciliation of fair value of plan assets				
Fair value of plan assets at January 1	\$	38,879,100	\$	42,701,600
Actual return on plan assets		7,939,500		(4,000,800)
Employer contributions		5,746,500	\$	130,800
Benefit payments		(2,755,200)		(3,440,100)
Fair value of plan assets at December 31	\$	49,809,900	\$	38,879,100
Funded status				
Funded status at December 31	\$	(8,971,600)	\$	(8,622,700)
Unrecognized transition (asset) obligation		—		503,400
Unrecognized prior service cost		1,310,300		964,900
Unrecognized loss		12,240,000		10,349,500
Net amount recognized – prepaid (accrued) benefit cost	\$	4,578,700	\$	2,691,700
			\$	(1,152,400)
			\$	(955,000)

The accumulated benefit obligation for the pension plans with accumulated benefit obligations in excess of plan assets was \$117,500 at December 31, 2003 and \$7,279,300 at December 31, 2002. The plan assets for the pension plans with accumulated benefit obligations in excess of plan assets was \$0 at December 31, 2003 and \$6,831,700 at December 31, 2002. All of the Institute's plans for post-retirement benefits other than pensions have no plan assets. The aggregate benefit obligation for those plans is \$2,519,800 as of December 31, 2003 and \$2,258,600 as of December 31, 2002.

The following table provides the components of net periodic benefit cost for the plans for 2003 and 2002:

	2003		2002					
	Pension Benefits		Pension Benefits					
			Other Benefits					
			Other Benefits					
Service cost	\$	3,302,500	\$	3,643,700	\$	85,000	\$	83,500
Interest cost		3,125,200		3,218,600		144,300		138,100
Expected return on plan assets		(3,237,700)		(3,748,600)		—		—
Amortization of transition (asset) obligation						45,800		45,700
Amortization of prior service cost		162,500		137,300		33,200		33,200
Amortization of net loss		506,900		217,900		19,800		19,500
Net periodic benefit cost	\$	3,859,400	\$	3,468,900	\$	328,100	\$	320,000

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:

	2003		2002					
	Pension Benefits		Pension Benefits					
			Other Benefits					
			Other Benefits					
Weighted-average assumptions as of December 31:								
Discount rate		6.00%		6.50%		6.25%		6.25%
Expected return on plan assets		8.50%		8.50%		N/A		N/A
Rate of compensation increase		3.50%		3.50%		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 \$2,129,800 and \$1,879,900 to the Plan in 2003 and 2002, 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.

Accounts Receivable

A portion of the Institute's revenues from periodical subscriptions, other publication activities and educational products and services is sold by a company to end users. The amount due from the company for such sales accounts for approximately 56% and 50% of the Institute's accounts receivable at December 31, 2003 and 2002, respectively.

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, 2003 and 2002, the estimated fair value of the Institute's debt was \$13,480,700 and \$15,870,000, 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 position 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 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.

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.

Except for the interest rate swap agreements discussed in Note 6, the Institute did not have any derivative transactions during 2003. The derivative trading activities were largely discontinued at the end of 2002. There were no open commitments at December 31, 2003 or 2002. The Institute's principal transaction revenues from fixed income securities contracts including futures and options written and purchased were \$0 for the year ended December 31, 2003 and \$4,008,379 for the year ended December 31, 2002. Principal transaction revenue includes realized gains and losses in the fair value of the derivative and other financial instruments.

The average fair value of the assets and liabilities for the year ended December 31, 2002 follows (none for the year ended December 31, 2003):

	Assets		Liabilities	
Options	\$	50,500	\$	3,776,400
Futures and options		134,900		603,600
	\$	185,400	\$	4,380,000

13. Net Assets

Temporarily restricted and permanently restricted net assets consist of the following:

	December 31, 2003		December 31, 2002	
Temporarily restricted:				
Grant funds held for specific purposes	\$	777,300	\$	759,100
Funds held for awards, medals and other specific purposes		376,600		348,200
	\$	1,153,900	\$	1,107,300
Permanently restricted:				
Endowment principal	\$	191,400	\$	191,400

Net assets that were released from donor restrictions by incurring expenses satisfying the restricted purposes during 2003 and 2002 were \$1,218,900 and \$1,576,300, respectively.

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 to the Foundation. The Foundation paid \$342,000 in 2003 and \$331,000 in 2002 to the Institute for these support services. The Institute solicits

contributions on behalf of the Foundation through its annual member renewal process. Total contributions solicited were \$541,000 and \$451,700 in 2003 and 2002, respectively. The Institute has on deposit \$1,898,700 and \$15,507,300 from the Foundation at December 31, 2003 and 2002, respectively. These amounts are invested by the Institute on behalf of the Foundation. Receivables due from the Foundation at December 31, 2003 and 2002 were \$836,500 and \$693,600, respectively. Receivables due from the Foundation include grants receivable of \$823,200 and \$671,300 at December 31, 2003 and 2002, respectively. Also included in receivables due from the Foundation were other receivables of \$13,300 and \$22,300 at December 31, 2003 and 2002, respectively. Payables due to the Foundation were \$96,700 and \$78,700 at December 31, 2003 and 2002, respectively.

Summarized financial data of the Foundation for 2003 and 2002 are as follows:

	December 31, 2003		December 31, 2002	
Total assets	\$	23,849,100	\$	21,092,900
Total liabilities		979,900		951,200
Net assets	\$	22,869,200	\$	20,141,700
Revenues	\$	5,188,700	\$	(405,600)
Expenses	\$	2,461,200	\$	2,426,500

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 \$225,900 and \$194,800 for 2003 and 2002, respectively. Receivable due from the IEEE-ISTO at December 31, 2003 and 2002 are \$769,400 and \$786,100, respectively. The Institute's management believes that ISTO intends to repay these receivables. However, due to ISTO's financial condition and the extended time period it may take to receive such payment, the Institute provided in 2003 a full allowance for the amount due as of December 31, 2003.

Summarized financial data of the IEEE-ISTO for 2003 and 2002 are as follows:

	December 31, 2003		December 31, 2002	
Total assets	\$	2,755,200	\$	1,669,900
Total liabilities		3,618,300		2,137,200
Net assets	\$	(863,100)	\$	(467,300)
Revenues	\$	4,168,500	\$	4,577,900
Expenses	\$	4,564,300	\$	4,549,300

IEEE Web Pages

The following IEEE Web sites are referred to in this annual report:

iee.org
standards.ieee.org
standardseurope.net
standardsafrica.net
spectrum.ieee.org
iee-virtual-museum.org
careers.ieee.org
ieeusa.org/careers
ieeusa.org/careers/salary
ieecommunities.org
computer.org/distancelearning
ieeexplore.ieee.org
iee.org/products/onlinepubs/prod/iel_overview.html
sscs.org/History/isscc50

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