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BALCHEM CORP
Form 11-K
June 28, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 15[d] OF THE SECURITIES
EXCHANGE ACT OF 1934

For transition period from _____ to _____

Commission file number 1-13648

A. Full title of the plan and the address of the plan, if different from that of
the issuer named below:

Balchem Corporation 401(k)/Profit Sharing Plan

B. Name of the issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Balchem Corporation
PO Box 175
Slate Hill, NY 10973

REQUIRED INFORMATION

Financial Statements:

4. In lieu of requirements of Items 1-3, audited statements and schedules
prepared in accordance with the requirements of ERISA for the plan's fiscal year
ended December 31, 2001 are presented herein.

Exhibits:

23. Consent of KPMG LLP, independent auditors

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN

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Independent Auditors' Report

Plan Administrator
Balchem Corporation 401(k)/Profit Sharing Plan:

We have audited the accompanying statements of net assets available for plan benefits of Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) as of December 31, 2001 and 2000, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held at end of year as of December 31, 2001 and non-exempt transactions for the year

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ended December 31, 2001 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

 KPMG LLP

June 6, 2002
 Short Hills, New Jersey

BALCHEM CORPORATION
 401(k)/PROFIT SHARING PLAN

Statements of Net Assets Available for Plan Benefits

December 31, 2001 and 2000

	2001	2000
	-----	-----
Assets:		
Investments	\$5,886,820	4,815,052
Participant loans	104,691	137,970
Receivables:		
Employer's contribution	274,806	217,731
Participants' contributions	35,880	32,786
Interest	657	1,012
	-----	-----
Total assets	\$6,302,854	5,204,551
	=====	=====

See accompanying notes to financial statements.

BALCHEM CORPORATION
 401(k)/PROFIT SHARING PLAN

Statements of Changes in Net Assets Available for Plan Benefits

Years ended December 31, 2001 and 2000

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	-----	-----
Additions:		
Investment income (loss):		
Interest	\$ 57,412	39,785
Dividends	3,512	48,999
Net appreciation (depreciation) in fair value of investments	107,259	(267,656)
	-----	-----
	168,183	(178,872)
	-----	-----
Contributions:		
Participants	863,038	533,311
Employer	464,298	350,275
	-----	-----
	1,327,336	883,586
	-----	-----
Total additions	1,495,519	704,714
	-----	-----
Deductions:		
Benefits paid to participants	(365,943)	(400,433)
Fees	(2,345)	(2,105)
Other, net	(28,928)	9,559
	-----	-----
Total deductions	(397,216)	(392,979)
	-----	-----
Net increase in net assets available for plan benefits	1,098,303	311,735
Net assets available for plan benefits at beginning of year	5,204,551	4,892,816
	-----	-----
Net assets available for plan benefits at end of year	\$ 6,302,854	5,204,551
	=====	=====

See accompanying notes to financial statements.

BALCHEM CORPORATION 401(k)/PROFIT SHARING PLAN

Notes to Financial Statements December 31, 2001 and 2000

(1) Description of the Plan

The following description of the Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

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General

The Plan is principally a participant-directed, defined contribution plan covering all active employees of Balchem Corporation (the Company) who have 60 days of service, as defined, and are 18 years of age or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company pays administrative and record-keeping fees for the Plan. Plan participants are required to pay fees for participant loans and certain brokerage fees for transactions pertaining to investments in Balchem Corporation Common Stock.

Contributions

Each year, participants may contribute up to 15% of pretax annual compensation, as defined. Such amounts may be limited by the maximum amounts allowed under Internal Revenue Service regulations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The employer matching contributions equal 35% of each participant's elected contribution up to \$3,500, and the Company may make discretionary company profit-sharing contributions. Matching contributions are made in company stock on a monthly basis based upon the closing price of the stock on the last trading day of each month and are subject to the vesting schedule described below. Included in employers' contribution receivable as of December 31, 2001 and 2000 were discretionary company profit-sharing contributions made in January 2002 and 2001 for the 2001 and 2000 plan years totaling \$263,202 and \$207,994, respectively.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's matching contributions and plan earnings or losses. Allocations are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are 100% vested in their contributions plus actual earnings or losses thereon. Vesting in the Company contribution portion of their accounts plus actual earnings or losses thereon is based on years of continuous service, as defined. A participant becomes 100% vested after two years of service, except for employees hired as part of the Company's June 1, 2001 acquisition of certain assets of DCV, Inc. and its affiliate, DuCoa L.P., whose prior credited service is used in determining the vested portion of such matching contributions.

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Investment Options

Upon enrollment in the Plan, participants may direct employee contributions to any of the following options, administered by Connecticut General Life Insurance Company (CIGNA). Employer matching and discretionary contributions are made in company stock and are directed to the Balchem Corporation Common Stock Fund:

Guaranteed Income Fund - A fixed income fund that seeks to provide competitive yields relative to comparable guaranteed fixed income investment funds. The fund offers predictability of investment return. The fund invests primarily in intermediate-term bonds and commercial mortgages within Connecticut General Life Insurance Company's general account.

Janus Adviser Balanced Account - A mutual fund which seeks long-term capital growth consistent with preservation of capital and balanced by current income, by investing in a combination of equity and fixed income securities.

CIGNA Lifetime Funds - Lifetime funds are a family of funds based on the lifecycle approach to investing - that different bond/stock mixes are appropriate for individuals at different stages of their life. The objective of the funds varies in keeping with the investment timeline, which uses the participant's age as indicator of time remaining to retirement.

Large Cap Growth/Morgan Stanley Fund - A mutual fund, managed by Morgan Stanley Dean Witter, whose investment strategy seeks to provide capital appreciation with minimal focus on income. The performance objective is to outperform the S&P 500 Index over full market cycles.

S&P 500 Index Fund - This fund is constructed to reflect the composition of the S&P 500 Index. It seeks to provide long-term growth of capital and income.

Large Cap Value/John A. Levin & Co. Fund - This fund seeks to consistently achieve capital appreciation, capture high rates of return and avoid major losses while remaining fully invested in the market. To achieve this, the investment style emphasizes the preservation of capital, avoidance of risk and control of volatility.

Aim Value Account - A mutual fund that seeks to provide long-term growth of capital by investing primarily in equity securities judged by the portfolio managers to be undervalued. The generation of income is secondary.

INVESCO Dynamics - A mutual fund which seeks to provide capital appreciation. To minimize risk, the portfolio managers invest in a multitude of companies in a variety of industries.

Small Cap Growth/Times Square Fund - A mutual fund that seeks to achieve long-term capital appreciation by investing primarily in the common and preferred stock of growing US Companies involved in new product development and technological breakthroughs.

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Notes to Financial Statements
December 31, 2001 and 2000

Janus Adviser Worldwide Growth Account - A fund which seeks long-term growth of capital in a manner consistent with the preservation by investing in foreign as well as domestic securities.

Balchem Corporation Common Stock - Contributions may be invested in common stock of Balchem Corporation. Investments in this fund are limited to 10% of a participant's contribution.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances. Loan terms extend up to five years or in excess of five years for the purchase of a primary residence. The loans are secured by the balance in the participants' accounts and bear interest at the prime rate plus 2%.

Payment of Benefits

On termination of service, a participant may receive a lump-sum amount equal to the vested value of his or her account, or upon death, disability or retirement, the participant may elect to receive annual installments over a period not to exceed the participant's lifetime, or the joint lifetime of the participant and the participant's spouse, or an annuity contract.

Forfeited Accounts

Forfeited balances of terminated participants' nonvested accounts are allocated to all active participant accounts as of the last day of the plan year. Forfeited nonvested accounts totaled \$10,786 and \$8,245 at December 31, 2001 and 2000, respectively.

(2) Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are presented on the accrual basis of accounting.

Risks and Uncertainties

The assets of the Plan at December 31, 2001 and 2000 are primarily financial instruments which are monetary in nature. Accordingly, interest rates and market fluctuations have a more significant impact on the Plan's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services as measured by the consumer price index.

The investments are subject to risk conditions of the individual investments' objectives, the stock market, interest rates, economic conditions and world affairs.

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BALCHEM CORPORATION 401(k)/PROFIT SHARING PLAN

Notes to Financial Statements December 31, 2001 and 2000

Investment Valuation and Income Recognition

Investment securities held in the Plan's funds are stated at fair value determined from publicly quoted market prices. Participant loans are valued at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that could affect the reported amounts of net assets at the date of the financial statements and the reported amounts of changes in net assets available for plan benefits during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

On January 1, 2001, the Plan adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended in June 1999 by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133," and in June 2000 by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" (collectively, SFAS No. 133). The adoption of the above statements did not have a significant impact on the financial statements of the Plan.

(3) Investments

Investments at December 31, 2001 and 2000 consisted of:

	2001	2000
	-----	-----
Cash equivalents	\$1,048,856	704,065
Mutual funds	3,383,997	3,338,410
Common stock	1,453,967	775,577
Participant loans	104,691	134,970
	-----	-----
	\$5,991,511	4,953,022
	=====	=====

The following investments individually represent 5% or more of the Plan's net assets:

	2001	2000
	-----	-----
Balchem Corporation Common Stock	\$1,453,967	775,557
Guaranteed Income Fund	1,048,856	702,085
Janus Adviser Balanced Account	642,395	556,902
S&P 500 Index Fund	1,655,841	1,849,213
Janus Adviser Worldwide Growth Account	324,734	408,189
Cigna Lifetime 40	420,468	428,452
	=====	=====

BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN

Notes to Financial Statements
December 31, 2001 and 2000

During the years ended December 31, 2001 and 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	2001	2000
	-----	-----
Mutual funds	\$ (422,541)	(541,726)
Common stock	529,800	274,070
	-----	-----
	\$ 107,259	(267,656)
	=====	=====

(4) Nonparticipant-directed Investments

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	December 31	
	2001	2000
	-----	-----
Net assets - Balchem Corporation		
Common Stock	\$1,453,967	775,577
	=====	=====
	Year ended December 31	
	2001	2000
	-----	-----
Change in net assets:		
Contributions	\$ 241,747	199,829
Dividends	4,076	2,184
Net appreciation	529,800	274,070
Benefits paid to participants	(79,012)	(32,400)
Fees	(825)	(199)
Transfers to participant-directed investments	(17,396)	(17,046)
	-----	-----
Net increase	678,390	426,438
Net assets at beginning of year	775,577	349,139
	-----	-----
Net assets at end of year	\$1,453,967	775,577
	=====	=====

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A portion of the Balchem Corporation Common Stock Fund is participant-directed.

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(Continued)

BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN

Notes to Financial Statements
December 31, 2001 and 2000

(5) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

(6) Income Tax Status

The Plan has received a favorable determination letter dated March 22, 1999 from the Internal Revenue Service ruling that it is a qualified plan pursuant to the appropriate section of the Internal Revenue Code (IRC) and, accordingly, the earnings of the underlying trust of the Plan are not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualifications. The Plan's administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

(7) Withdrawn Participants

Amounts allocated to participants who are no longer employed with the Company but have not elected to withdraw from the Plan were \$768,944 and \$826,393 at December 31, 2001 and 2000, respectively.

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Schedule 1

BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN

Schedule H, Part IV, Line 4(i) - Schedule of Assets
Held at End of Year

December 31, 2001

Market

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	value

Guaranteed Income Fund	\$1,048,856
Janus Adviser Balanced Account	642,395
Cigna Lifetime 60	9,445
Cigna Lifetime 50	3,536
Cigna Lifetime 40	420,468
Cigna Lifetime 30	38,711
Cigna Lifetime 20	1,071
Large Cap Growth/Morgan Stanley Fund	26,801
S&P 500 Index Fund	1,655,841
Aim Value Account	44,798
Large Cap Value/John A. Levin & Co. Fund	60,332
INVESCO Dynamics	87,763
Small Cap Growth/Times Square Fund	68,102
Janus Adviser Worldwide Growth Account	324,734
Balchem Corporation Common Stock*	1,453,967
Participant loans (interest rates range from 9.25% to 11.50%)	104,691

Total	\$5,991,511
	=====

* The cost basis of the Balchem Corporation Common Stock Fund at December 31, 2001 was \$886,840.

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Schedule 2

BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN

Schedule G, Part III - Non-Exempt Transactions

Year ended December 31, 2001

- | | | |
|-----|--|---|
| (a) | Identity of party involved: | Balchem Corporation |
| (b) | Relationship to plan, employer, or other party-in-interest: | Plan Sponsor |
| (c) | Description of transaction including maturity date, rate of interest, collateral, par or maturity value: | The Plan Sponsor inadvertently made employee contributions from 2001 and July 31, 2001 payr |

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June 1, 2001 contributions
posited into the Plan until
the July 31, 2001 contribut
posited into the Plan until
Total contributions amounte
The Plan Sponsor will file
and pay the excise taxes on
transactions. The Plan Spon
pay the estimated lost earn
employee contributions as a
2002.

(d)	Purchase price:	N/A
(e)	Selling price:	N/A
(f)	Lease rental:	N/A
(g)	Expenses incurred in connection with transaction:	--
(h)	Cost of asset:	N/A
(i)	Current value of asset:	Unknown
(j)	Net gain (loss) on each transaction	N/A

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 28, 2002

BALCHEM CORPORATION
401(k)/Profit Sharing Plan

By: Balchem Corporation,
Plan Administrator

By: /s/ Dino A. Rossi

Dino A. Rossi, President,
Chief Executive Officer

Exhibit 23

EXHIBIT INDEX

Exhibit No. -----	Exhibit Description -----
23	Consent of KPMG LLP