

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2007 and 2006

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
December 31, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Albert B. Sabin Vaccine Institute, Inc.

We have audited the accompanying statements of financial position of Albert B. Sabin Vaccine Institute, Inc. as of December 31, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Albert B. Sabin Vaccine Institute, Inc.'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 audits 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 financial position of Albert B. Sabin Vaccine Institute, Inc. at December 31, 2007 and 2006, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included at page 13 is presented for purposes of additional analysis of the financial statements and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Vienna, Virginia
May 12, 2008

Albert B. Sabin Vaccine Institute, Inc.

Statements of Financial Position
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash and cash equivalents	\$ 5,819,318	\$ 1,988,441
Investments	6,030,231	5,022,709
Accounts receivable	240,982	25,064
Grants receivable, net	414,423	-
Prepaid expenses and deposits	139,372	39,165
Prepaid sub-recipient grants	333,125	333,514
Furniture and equipment, net	56,052	57,042
	<u>13,033,503</u>	<u>7,465,935</u>
Total assets	<u>\$ 13,033,503</u>	<u>\$ 7,465,935</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,283,903	\$ 655,783
Passthrough grants payable	100,000	-
Obligation under capital lease	15,750	4,709
Deferred membership dues	252,167	105,088
Deferred grant revenue	515,135	15,136
Refundable advances on grants	7,890	7,890
	<u>2,174,845</u>	<u>788,606</u>
Total liabilities	<u>2,174,845</u>	<u>788,606</u>
Net Assets		
Unrestricted	927,022	1,005,499
Temporarily restricted	9,931,636	5,671,830
	<u>10,858,658</u>	<u>6,677,329</u>
Total net assets	<u>10,858,658</u>	<u>6,677,329</u>
Total liabilities and net assets	<u>\$ 13,033,503</u>	<u>\$ 7,465,935</u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Grants	\$ 26,378	\$ 14,930,050	\$ 14,956,428
Contributions	301,104	574,424	875,528
Membership dues	132,750	-	132,750
Investment income	135,029	255,864	390,893
Registration fees	252,661	-	252,661
Net assets released from restrictions	11,500,532	(11,500,532)	-
Total revenue and support	<u>12,348,454</u>	<u>4,259,806</u>	<u>16,608,260</u>
Expenses			
Program services	<u>11,568,628</u>	<u>-</u>	<u>11,568,628</u>
Supporting services:			
General and administrative	747,668	-	747,668
Fundraising	<u>108,623</u>	<u>-</u>	<u>108,623</u>
Total supporting services	<u>856,291</u>	<u>-</u>	<u>856,291</u>
Cost of direct benefits to donors	<u>2,012</u>	<u>-</u>	<u>2,012</u>
Total expenses	<u>12,426,931</u>	<u>-</u>	<u>12,426,931</u>
Changes in Net Assets	(78,477)	4,259,806	4,181,329
Net Assets, beginning of year	<u>1,005,499</u>	<u>5,671,830</u>	<u>6,677,329</u>
Net Assets, end of year	<u>\$ 927,022</u>	<u>\$ 9,931,636</u>	<u>\$ 10,858,658</u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants	\$ 430,822	\$ 10,098,429	\$ 10,529,251
Contributions	762,678	-	762,678
Membership dues	247,934	-	247,934
Fundraising event	207,978	-	207,978
Investment income	59,561	146,564	206,125
In-kind contribution	50,000	-	50,000
Registration fees	12,444	-	12,444
Net assets released from restrictions	7,396,519	(7,396,519)	-
Total revenue and support	<u>9,167,936</u>	<u>2,848,474</u>	<u>12,016,410</u>
Expenses			
Program services	<u>7,416,700</u>	<u>-</u>	<u>7,416,700</u>
Supporting services:			
General and administrative	778,119	-	778,119
Fundraising	<u>148,991</u>	<u>-</u>	<u>148,991</u>
Total supporting services	<u>927,110</u>	<u>-</u>	<u>927,110</u>
Cost of direct benefits to donors	<u>57,697</u>	<u>-</u>	<u>57,697</u>
Total expenses	<u>8,401,507</u>	<u>-</u>	<u>8,401,507</u>
Changes in Net Assets	766,429	2,848,474	3,614,903
Net Assets, beginning of year	<u>239,070</u>	<u>2,823,356</u>	<u>3,062,426</u>
Net Assets, end of year	<u>\$ 1,005,499</u>	<u>\$ 5,671,830</u>	<u>\$ 6,677,329</u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 4,181,329	\$ 3,614,903
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,582	19,164
Loss on sale of property and equipment	8,362	-
Discount on grants receivable	35,577	-
Bad debt expense	-	10,000
Change in operating assets and liabilities:		
Increase in accounts receivable	(215,918)	(10,007)
Increase in grants receivable	(450,000)	-
(Increase) decrease in prepaid expenses and deposits	(100,207)	6,188
Decrease in prepaid sub-recipient grants	389	54,981
Increase (decrease) in accounts payable/accrued expenses	628,120	(807,527)
Decrease in sponsorship payable	-	(7,890)
Increase in passthrough grants payable	100,000	-
Increase in deferred membership dues	147,079	31,608
Increase in deferred grant revenue	499,999	15,136
Decrease in refundable advances on grants	-	(471,537)
	<u>4,852,312</u>	<u>2,455,019</u>
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(9,315)	-
Proceeds from the sale of furniture and equipment	450	-
Net purchases of investments	<u>(1,007,522)</u>	<u>(2,318,108)</u>
Net cash used in investing activities	<u>(1,016,387)</u>	<u>(2,318,108)</u>
Cash Flows from Financing Activities		
Principal payments on capital lease obligations	<u>(5,048)</u>	<u>(2,595)</u>
Net cash used in financing activities	<u>(5,048)</u>	<u>(2,595)</u>
Net Increase in Cash and Cash Equivalents	3,830,877	134,316
Cash and Cash Equivalents, beginning of year	<u>1,988,441</u>	<u>1,854,125</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 5,819,318</u></u>	<u><u>\$ 1,988,441</u></u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

1. Nature of Operations

The Albert B. Sabin Vaccine Institute, Inc. (the Institute) is a not-for-profit organization that was incorporated in January 1994 under the laws of the state of Maryland to operate for charitable, educational, and scientific purposes under Section 501(c)(3) of the Internal Revenue Code. It is dedicated to continuing the work and achieving the vision of Dr. Albert Sabin and fully realizing the potential of vaccination in disease prevention.

The Institute receives support in the form of contributions, memberships, registrations, sponsorships, and grants. Program activities include, but are not limited to: conducting biomedical research to develop vaccines and to prevent neglected tropical diseases in developing countries; advocating that all people in the US and abroad have access to available low-cost and safe vaccines and essential medicines for infectious and neglected tropical diseases; providing access to essential medicines for neglected tropical diseases, and; convening thought leaders and policy makers and facilitating linkages between like-minded organizations.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting following generally accepted accounting and reporting principles for not-for-profit organizations. Revenue is recognized when earned and expenses when incurred.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Institute's operations. Unrestricted net assets as of December 31, 2007 and 2006 were \$927,022 and \$1,005,499, respectively.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Institute or the passage of time. There were \$9,931,636 and \$5,671,830 in temporarily restricted net assets at December 31, 2007 and 2006, respectively.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Institute considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value, based on quoted market prices and consist of money market funds held for investment in the amounts of \$6,030,231 and \$5,022,709 at December 31, 2007 and 2006, respectively. Investment income is made up entirely of interest and dividends in the amounts of \$390,893 and \$206,125 for the years ended December 31, 2007 and 2006, respectively.

Accounts Receivable

Accounts receivable are evaluated periodically for collectability based upon evaluation of past loss experience, known and inherent risks in its accounts, and other factors that could affect collectability. Management believes all accounts for which the collectability is doubtful have been written off and the remaining accounts are deemed to be collectible.

Grants Receivable

Grants receivable represents amounts which have been promised but not yet received. Grants receivable beyond one year have been discounted to reflect the present value. No allowance for doubtful accounts has been recorded as management believes that all receivables are fully collectible.

Prepaid Sub-recipient Grants

Prepaid sub-recipient grants represent the portions of amounts paid in advance to organizations who have engaged in service contracts with the Institute for which expenses have not yet been incurred. The contracts relate to services rendered by the organizations that further the Institute's program service objectives.

Furniture and Equipment

Property and equipment with a cost greater than \$500 and a projected useful life exceeding one year are capitalized and recorded at cost. Property and equipment are stated at cost less accumulated depreciation which is computed using the straight-line method over the assets' estimated useful lives, which range from 5 to 7 years. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. Expenditures for maintenance and repairs are charged to expenses as incurred.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donors. The Institute reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Membership dues represent fees associated with annual membership that are generally paid in advance for one of service. The unearned portion is reported as deferred revenue and amortized as the related period elapses.

All other revenue is recognized when earned.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Concentration of Credit Risk

The Institute derives its revenue and other support primarily from grants and contributions from private foundations and corporations in the pharmaceutical industry. Any change in the level of support from these organizations could affect the Institute's program activities.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

3. Concentration of Credit Risk (continued)

Financial instruments that potentially subject the Institute to significant concentrations of credit risk consist of cash and investments. The Institute maintains cash deposits and investments with various financial institutions that exceed insurable limits under the Federal Depository Insurance Corporation Act (FDICA) and Securities Investor Protection Corporation (SIPC). The Institute has not experienced any losses on its cash and investments to date as it relates to FDICA and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any loss is minimal.

4. Grants Receivable

Grants receivable include unconditional promises to give and are receivable as follows at December 31:

	<u>2007</u>	<u>2006</u>
Receivable in less than one year	\$ 150,000	\$ -
Receivable in one to five years	300,000	-
Less: discount	<u>(35,577)</u>	<u>-</u>
Grants receivable, net	<u>\$ 414,423</u>	<u>\$ -</u>

The Institute has not recorded an allowance for uncollectible amounts, as management believes all grant amounts are fully collectible. The discount on grants receivable was calculated using a risk free rate of 4.2%.

5. Property and Equipment

The Institute held the following property and equipment at December 31:

	<u>2007</u>	<u>2006</u>
Computer equipment and software	\$ 95,010	\$ 91,094
Furniture and equipment	<u>91,344</u>	<u>85,180</u>
Total property and equipment	186,354	176,274
Less: accumulated depreciation	<u>(130,302)</u>	<u>(119,232)</u>
Property and equipment, net	<u>\$ 56,052</u>	<u>\$ 57,042</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

6. Capital Lease

The Institute currently leases certain office equipment under capitalized lease arrangements. The capitalized assets have been included in property and equipment as of December 31, 2007 and 2006 in the amounts of \$23,826 and \$7,737, respectively. Interest expense related to the leases for the years ended December 31, 2007 and 2006 amounted to \$532 and \$373, respectively. Minimum future payments under the capital lease are as follows for the years ending December 31:

2008	\$	7,839
2009		5,363
2010		<u>2,682</u>
Total minimum lease payments		15,884
Less: amount representing interest		<u>(134)</u>
Present value future minimum lease payments	\$	<u><u>15,750</u></u>

7. In-Kind Contributions

The Founding Chairman volunteers his services to the Institute. For the year ended December 31, 2006, the Founding Chairman's services have been valued at \$50,000, based on comparable market rates. These services were outside the scope of his role as Founding Chairman, and would have needed to be purchased if not otherwise donated. During the year ended December 31, 2007, the Founding Chairman's services were in line with his role as Founding Chairman, and, therefore, no additional services would have needed to be purchased in the marketplace. Accordingly, the Institute has reflected an in-kind contribution and corresponding expense in the accompanying statement of activities and schedule of functional expenses for the year ended December 31, 2006 to account for these services rendered.

Additionally, other services have been provided by various organizations and volunteers who have contributed their time to the Institute. However, the contributions are only recognized if the goods or services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by the donation. Since these services do not meet these requirements, they have not been recorded as in-kind contributions in the accompanying financial statements.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

7. In-Kind Contributions (continued)

From time to time, the Institute receives donated goods or other tangible items. When significant, such amounts are recognized at fair value at the time of receipt. No significant donated items were received during the years ended December 31, 2007 and 2006.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Hookworm initiatives	\$ 5,416,654	\$ 4,802,342
Rubella initiatives	96,341	307,418
Rotavirus initiatives and conferences	239,576	165,026
Pneumococcal initiatives	567,688	397,044
Schistosomiasis vaccine initiatives	464,423	-
NTD control initiatives	727,950	-
Sustainable immunization financing	960,118	-
Human papilloma virus initiatives	869,261	-
Other meetings and colloquia	589,625	-
	<u>\$ 9,931,636</u>	<u>\$ 5,671,830</u>

9. Operating Leases

The Institute leases office space located on F Street in Washington, D.C. The lease term is 60 months, which began on September 1, 2005 and ends on August 31, 2010, and calls for annual fixed rental increases. Deferred rent is not recorded due to immateriality. In conjunction with this lease, the Institute rents parking spaces at \$220 per space, per month on a month-to-month basis. Rent expense for the years ended December 31, 2007 and 2006 under this lease amounted to approximately \$145,000 and \$146,000, respectively.

On May 1, 2007, the Institute renewed its New Canaan, Connecticut office lease for another year, extending it to April 30, 2008. Rent expense for the years ended December 31, 2007 and 2006 under this lease amounted to approximately \$43,800 and \$42,000, respectively.

The Institute also leased office equipment under a lease which expired during the 2006. Rent expense under this lease was approximately \$0 and \$2,100, respectively, for the years ended December 31, 2007 and 2006.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2007 and 2006

9. Operating Leases (continued)

Minimum future payments under all leases are as follows for the years ended December 31:

2008	\$ 154,158
2009	147,353
2010	<u>99,858</u>
Total minimum lease payments	<u>\$ 401,369</u>

10. Employee Benefits

The Institute offers a 401(k) Plan to full-time employees who are 21 years of age and have completed three consecutive months of employment. Employees may participate by deferring between 1% and 12% of their salary on a voluntary basis. Additionally, the Institute may elect to match a portion of the employee's contribution on an annual basis. During the years ended December 31, 2007 and 2006, the Institute's match amounted to \$22,177 and \$18,705, respectively.

11. Supplemental Disclosures of Cash Flow Information

	<u>2007</u>	<u>2006</u>
Noncash financing activity:		
Acquisition of equipment through capital lease	<u>\$ 16,089</u>	<u>\$ -</u>
Cash paid during the year for interest	<u>\$ 532</u>	<u>\$ 373</u>

12. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code (IRC), the Institute is exempt from the payment of taxes on income other than net unrelated business income. No provision for income tax is required for the years ended December 31, 2007 or 2006 as there was no net unrelated business income. Contributions to the Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi).

SUPPLEMENTAL INFORMATION

Albert B. Sabin Vaccine Institute, Inc.
Schedules of Functional Expenses
For the Years Ended December 31, 2007 and 2006

	2007				2006			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 1,172,965	\$ 222,017	\$ 71,887	\$ 1,466,869	\$ 931,777	\$ 249,432	\$ 52,618	\$ 1,233,827
Employee benefits	88,457	23,941	11,547	123,945	45,283	14,806	6,029	66,118
Payroll taxes	68,222	16,573	5,376	90,171	55,606	20,937	4,006	80,549
Professional fees	581,253	201,189	2,346	784,788	452,586	154,263	27,343	634,192
Office supplies	23,584	15,705	-	39,289	11,382	13,290	-	24,672
Telephone	29,315	13,770	140	43,225	33,557	21,742	1,549	56,848
Postage and printing	87,810	9,327	1,779	98,916	31,327	9,566	20,557	61,450
Computer and copier	24,253	4,067	-	28,320	11,117	13,921	179	25,217
Rent	93,795	97,431	-	191,226	61,888	126,222	1,655	189,765
Insurance	8,193	16,002	-	24,195	13,102	13,632	-	26,734
Technology support	7,071	16,781	-	23,852	-	-	-	-
Seminar and training	3,476	1,297	-	4,773	6,729	3,494	-	10,223
Books and publications	1,166	1,586	116	2,868	19,984	1,755	286	22,025
Dues and subscriptions	19,394	6,079	299	25,772	17,538	4,109	-	21,647
Transcription services	43,428	-	-	43,428	50,317	-	-	50,317
Conferences and meetings	475,936	7,596	450	483,982	68,293	15,661	541	84,495
Sub-recipient grants	8,404,096	100	-	8,404,196	4,886,807	2,700	25,000	4,914,507
Travel	354,446	18,809	3,748	377,003	643,504	18,338	6,357	668,199
Fund-raising event	-	-	-	-	-	4,888	-	4,888
Interest	-	532	-	532	-	372	-	372
Website and internet	58,374	42,152	10,935	111,461	44,893	8,571	-	53,464
Bank charges	12,563	1,200	-	13,763	11,170	1,717	12	12,899
Depreciation	-	17,582	-	17,582	-	19,165	-	19,165
In-kind donation	-	-	-	-	-	50,000	-	50,000
Bad debt expense	-	-	-	-	10,000	-	-	10,000
Loss on sale of asset	-	8,362	-	8,362	-	-	-	-
Miscellaneous	10,831	5,570	-	16,401	9,840	9,538	2,859	22,237
Total expenses	\$ 11,568,628	\$ 747,668	\$ 108,623	\$ 12,424,919	\$ 7,416,700	\$ 778,119	\$ 148,991	\$ 8,343,810