

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2009 and 2008

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
December 31, 2009 and 2008

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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, 2009 and 2008 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, 2009 and 2008, 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 basic financial statements taken as a whole. The supplemental information included at page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Vienna, Virginia
June 4, 2010

Albert B. Sabin Vaccine Institute, Inc.

Statements of Financial Position
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 2,614,328	\$ 14,759,353
Investments	16,009,324	7,956,887
Accounts receivable	2,549,401	25,449
Grants receivable, net	758,437	645,827
Prepaid expenses and deposits	145,908	52,643
Prepaid sub-recipient grants	420,508	469,728
Property and equipment, net	54,728	37,750
Total assets	<u>\$ 22,552,634</u>	<u>\$ 23,947,637</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,889,732	\$ 1,476,342
Obligation under capital lease	18,871	8,886
Deferred grant revenue	472,376	514,843
Deferred rent	173,309	-
Total liabilities	<u>3,554,288</u>	<u>2,000,071</u>
Net Assets		
Unrestricted	2,321,029	1,550,036
Temporarily restricted	16,677,317	20,397,530
Total net assets	<u>18,998,346</u>	<u>21,947,566</u>
Total liabilities and net assets	<u>\$ 22,552,634</u>	<u>\$ 23,947,637</u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants	\$ -	\$ 15,349,136	\$ 15,349,136
Contributions	401,039	1,373,726	1,774,765
Membership dues	5,000	-	5,000
Investment income	28,816	65,834	94,650
Released from restrictions	20,508,909	(20,508,909)	-
	<u>20,943,764</u>	<u>(3,720,213)</u>	<u>17,223,551</u>
Total revenue and support			
Expenses			
Program services	18,441,527	-	18,441,527
Supporting services:			
General and administrative	1,713,392	-	1,713,392
Fundraising	17,852	-	17,852
	<u>1,731,244</u>	<u>-</u>	<u>1,731,244</u>
Total supporting services			
Total expenses	<u>20,172,771</u>	<u>-</u>	<u>20,172,771</u>
Change in Net Assets	770,993	(3,720,213)	(2,949,220)
Net Assets, beginning of year	<u>1,550,036</u>	<u>20,397,530</u>	<u>21,947,566</u>
Net Assets, end of year	<u>\$ 2,321,029</u>	<u>\$ 16,677,317</u>	<u>\$ 18,998,346</u>

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants	\$ 478,594	\$ 23,744,283	\$ 24,222,877
Contributions	789,365	500,000	1,289,365
Membership dues	30,000	-	30,000
Investment income	17,509	183,143	200,652
Registration fees	7,890	-	7,890
Released from restrictions	13,961,532	(13,961,532)	-
	<u>15,284,890</u>	<u>10,465,894</u>	<u>25,750,784</u>
Expenses			
Program services	13,884,765	-	13,884,765
Supporting services:			
General and administrative	759,999	-	759,999
Fundraising	17,112	-	17,112
	<u>777,111</u>	<u>-</u>	<u>777,111</u>
Total expenses	<u>14,661,876</u>	<u>-</u>	<u>14,661,876</u>
Change in Net Assets	623,014	10,465,894	11,088,908
Net Assets, beginning of year	<u>927,022</u>	<u>9,931,636</u>	<u>10,858,658</u>
Net Assets, end of year	<u>\$ 1,550,036</u>	<u>\$ 20,397,530</u>	<u>\$ 21,947,566</u>

Albert B. Sabin Vaccine Institute, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (2,949,220)	\$ 11,088,908
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	19,474	18,302
Net (increase) decrease in discount on grants receivable	(12,610)	18,596
Donated investments	-	(13,144)
Net realized and unrealized (gains) losses	(11,147)	58,516
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(2,523,952)	215,533
Increase in grants receivable	(100,000)	(250,000)
(Increase) decrease in prepaid expenses and deposits	(93,265)	86,729
Decrease (increase) in prepaid sub-recipient grants	49,220	(136,603)
Increase in accounts payable and accrued expenses	1,413,390	192,439
Decrease in passthrough grants payable	-	(100,000)
Decrease in deferred membership dues	-	(252,167)
Decrease in deferred grant revenue	(42,467)	(292)
Increase in deferred rent	173,309	-
Decrease in refundable advances on grants	-	(7,890)
	<u>(4,077,268)</u>	<u>10,918,927</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(20,703)	-
Net purchases of investments	(8,041,290)	(1,972,028)
	<u>(8,061,993)</u>	<u>(1,972,028)</u>
Cash Flows from Financing Activities		
Principal payments on capital lease obligation	(5,764)	(6,864)
	<u>(5,764)</u>	<u>(6,864)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(12,145,025)	8,940,035
Cash and Cash Equivalents, beginning of year	<u>14,759,353</u>	<u>5,819,318</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,614,328</u>	<u>\$ 14,759,353</u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2009 and 2008

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 were \$2,321,029 and \$1,550,036 at December 31, 2009 and 2008, 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 \$16,677,317 and \$20,397,530 in temporarily restricted net assets at December 31, 2009 and 2008, 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, 2009 and 2008

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value, based on quoted market prices and consist of equities, fixed income securities, and money market funds held for investment. Realized and unrealized gains and losses are reported as a component of investment income in the accompanying statements of activities.

Accounts Receivable

Accounts receivable represent amounts receivable under contract service agreements and 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. All amounts are expected to be collected within one year.

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.

Property and Equipment

Property and equipment with a cost greater than \$5,000 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, 2009 and 2008

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 statements of activities as net assets released from restrictions.

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

All other revenue is recognized when earned.

Fair Value Measurements

The Institute applies the provisions of the Financial Accounting Standards Board's Accounting Standards Codification Topic 820, "*Fair Value Measurements and Disclosures*," for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and level 3 is based on unobservable inputs.

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.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2009 and 2008

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.

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 (FDIC) and Securities Investor Protection Corporation (SIPC). The Institute has not experienced any credit 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. Investments

The following summarizes the composition of investments and related income as of and for the years ended December 31:

	<u>2009</u>	<u>2008</u>
<u>Investments</u>		
Mutual funds	\$ 16,009,324	\$ -
Money market funds, held for investment	-	7,520,046
Fixed income securities	-	393,725
Equities	-	43,116
Total investments	<u>\$ 16,009,324</u>	<u>\$ 7,956,887</u>
<u>Investment Income</u>		
Interest and dividends	\$ 83,503	\$ 259,168
Net realized and unrealized gains (losses)	<u>11,147</u>	<u>(58,516)</u>
Total investment income	<u>\$ 94,650</u>	<u>\$ 200,652</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2009 and 2008

5. Grants Receivable

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

	<u>2009</u>	<u>2008</u>
Receivables in less than one year	\$ 425,000	\$ 200,000
Receivable in one to five years	375,000	500,000
Less: discount	<u>(41,563)</u>	<u>(54,173)</u>
Grants receivable, net	<u>\$ 758,437</u>	<u>\$ 645,827</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 risk free rates ranging from 2.2% to 4.2%.

6. Property and Equipment

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

	<u>2009</u>	<u>2008</u>
Computer equipment and software	\$ 95,010	\$ 95,010
Furniture and equipment	<u>127,797</u>	<u>91,344</u>
Total property and equipment	222,807	186,354
Less: accumulated depreciation and amortization	<u>(168,079)</u>	<u>(148,604)</u>
Property and equipment, net	<u>\$ 54,728</u>	<u>\$ 37,750</u>

7. 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, 2009 and 2008, the Institute's match amounted to \$56,120 and \$31,155, respectively.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2009 and 2008

8. Fair Value Measurements

Fair value of assets measured on a recurring basis is as follows at December 31, 2009:

	Total fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Investments	\$ 16,009,324	\$ 16,009,324	\$ -	\$ -

Fair value of assets measured on a recurring basis is as follows at December 31, 2008:

	Total fair value	Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Investments	\$ 7,956,887	\$ 7,956,887	\$ -	\$ -

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no level 2 or level 3 financial assets at December 31, 2009 and 2008.

9. Capital Lease

The Institute leases certain office equipment under capitalized lease arrangements. The capitalized assets have been included in property and equipment as of December 31, 2009 and 2008 in the amounts of \$32,059 and \$16,089, respectively. Interest expense related to the leases for the years ended December 31, 2009 and 2008 amounted to \$100 and \$0, respectively. Minimum future payments under the capital leases are as follows for the years ending December 31:

2010	\$ 6,968
2011	3,840
2012	3,840
2014	3,840
2015	3,518
Total minimum lease payments	22,006
Less: amount representing interest	(3,135)
Present value of future minimum lease payments	<u>\$ 18,871</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2009 and 2008

10. In-Kind Donations

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 donations. Since these services do not meet these requirements, they have not been recorded as in-kind contributions in the accompanying financial statements.

From time to time, the Institute receives donated goods or other intangible items. When significant, such amounts are recognized at fair value at the time of receipt. During the year ended December 31, 2008, the Institute received donated stock in the amount of \$13,144. No significant donated items were receiving during the year ended December 31, 2009.

11. Temporarily Restricted Net Assets

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

	2009	2008
	<u> </u>	<u> </u>
Hookworm initiatives	\$ 8,257,629	\$ 6,758,255
Global Network	3,161,400	7,185,985
Sustainable immunization financing	2,303,389	1,585,309
NTD control initiatives	-	1,101,292
Pneumococcal initiatives	578,466	721,861
Schistosomiasis vaccine initiatives	647,060	722,051
Pertussis initiatives	561,895	-
Rotovirus initiatives and conferences	459,440	720,100
Human papilloma virus initiatives	319,979	552,736
Malaria initiatives	163,740	-
Rubella initiatives	89,953	446,215
Smallpox initiatives	35,952	-
Drug orphanage	27,031	-
Other meetings and colloquia	71,383	603,726
	<u> </u>	<u> </u>
Temporarily restricted net assets	<u>\$ 16,677,317</u>	<u>\$ 20,397,530</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2009 and 2008

12. Operating Leases

Previously, the Institute leased office space located on F Street in Washington, D.C. The lease term was for 60 months, which began on September 1, 2005, was to end on August 31, 2010, and called for annual fixed rental increases. Deferred rent under this lease was not recorded due to immateriality. During the year ended December 31, 2009, the Institute entered into an agreement whereby it assigned all rights and liability under this lease to a third party. Under the terms of the assignment, the Institute was required to pay rent and other charges through April 15, 2009, at which point it was relieved of any further commitment. During 2009, the Institute signed a sublease for new office space in Washington, D.C., commencing in March 2009 and continuing for an eight-year term. The sublease calls for monthly payments of \$40,377, with fixed annual increases. Under accounting principles generally accepted in the United States of America, all fixed rent increases and lease incentives are recognized on a straight-line basis ratably over the term of the sublease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position.

Rent expense for the years ended December 31, 2009 and 2008 under all leases amounted to approximately \$476,677 and \$146,000, respectively.

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

2010	\$	496,636
2011		511,535
2012		526,881
2013		542,688
2014		558,968
Thereafter		<u>1,268,064</u>
Total future minimum payments	\$	<u>3,904,772</u>

13. 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, 2009 and 2008 as there was no net unrelated business income. Contributions to the Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi). The Institute had no significant uncertain tax positions for the year ended December 31, 2009.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2009 and 2008

14. Supplemental Disclosures of Cash Flow Information

	<u>2009</u>	<u>2008</u>
Noncash Investing Activities		
Donated investments	\$ -	\$ 13,144
Noncash Financing Activities		
Capital lease	\$ 15,749	\$ -
Cash Paid During the Year for Interest	\$ 1,378	\$ 634

15. Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through June 4, 2010, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

Albert B. Sabin Vaccine Institute, Inc.

Schedules of Functional Expenses
For the Years Ended December 31, 2009 and 2008

	2009				2008			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 2,502,906	\$ 502,545	\$ -	\$ 3,005,451	\$ 1,566,478	\$ 247,824	\$ 6,746	\$ 1,821,048
Employee benefits	245,648	41,212	-	286,860	114,709	23,401	540	138,650
Payroll taxes	135,248	33,720	-	168,968	86,229	13,653	563	100,445
Professional fees	2,254,693	403,492	17,318	2,675,503	981,766	197,547	1,729	1,181,042
Advertising & promotions	1,178,040	12,140	-	1,190,180	1,179,372	2,793	100	1,182,265
Office supplies	25,396	37,608	-	63,004	9,331	15,591	-	24,922
Telephone	48,145	22,195	-	70,340	21,284	18,539	-	39,823
Postage & printing	124,215	11,827	-	136,042	236,289	10,741	72	247,102
Computer & copier	15,783	5,298	-	21,081	19,927	8,761	-	28,688
Rent	59,195	426,349	-	485,544	55,980	90,283	-	146,263
Insurance	14,070	34,119	-	48,189	20,942	20,359	-	41,301
Information technology	155,077	31,287	-	186,364	192,642	31,819	3,645	228,106
Seminar & training	25,304	2,579	-	27,883	4,107	-	1,248	5,355
Books & publications	4,244	3,859	534	8,637	1,431	1,922	-	3,353
Dues & subscriptions	9,792	5,998	-	15,790	40,583	3,340	-	43,923
Conferences & meetings	791,824	6,550	-	798,374	1,292,694	11,175	-	1,303,869
Sub-recipient grants	10,013,058	-	-	10,013,058	7,656,054	-	-	7,656,054
Travel	786,997	13,652	-	800,649	357,391	17,134	2,469	376,994
Interest	1,019	354	-	1,373	-	634	-	634
Bank charges	10,702	2,200	-	12,902	14,881	8,358	-	23,239
Depreciation & amortization	-	19,474	-	19,474	-	18,302	-	18,302
Recruiting	14,451	31,202	-	45,653	26,381	-	-	26,381
Moving expenses	-	56,697	-	56,697	-	-	-	-
Miscellaneous	25,720	9,035	-	34,755	6,294	17,823	-	24,117
Total Expenses	\$ 18,441,527	\$ 1,713,392	\$ 17,852	\$ 20,172,771	\$ 13,884,765	\$ 759,999	\$ 17,112	\$ 14,661,876