

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2016 and 2015

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Albert B. Sabin Vaccine Institute, Inc. ("the Institute"), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font. The word "Rogers" is written in a larger, more prominent script, followed by a plus sign and the words "Company PLLC".

Vienna, Virginia
April 21, 2017

Albert B. Sabin Vaccine Institute, Inc.

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 7,176,129	\$ 7,606,561
Investments	5,066,032	8,625,622
Grants receivable, net	1,435,208	2,713,188
Other receivables	270,584	87,026
Prepaid expenses and deposits	215,206	256,365
Property and equipment, net	29,168	31,148
Patent, net	2,717,553	2,970,153
Deferred compensation asset	234,226	-
Total assets	<u>\$ 17,144,106</u>	<u>\$ 22,290,063</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,329,780	\$ 1,630,503
Deferred grant revenue	85,024	128,996
Deferred rent	12,539	84,879
Deferred compensation liability	234,226	-
Total liabilities	<u>1,661,569</u>	<u>1,844,378</u>
Net Assets		
Unrestricted	1,728,442	2,148,552
Temporarily restricted	13,754,095	18,297,133
Total net assets	<u>15,482,537</u>	<u>20,445,685</u>
Total liabilities and net assets	<u>\$ 17,144,106</u>	<u>\$ 22,290,063</u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenue and Support			
Grants	\$ -	\$ 9,926,377	\$ 9,926,377
Contributions	2,035,684	3,244,270	5,279,954
Investment income	17,287	10,487	27,774
Membership dues	-	19,975	19,975
Other revenue	31,650	-	31,650
Released from restrictions	17,744,147	(17,744,147)	-
Total operating revenue and support	<u>19,828,768</u>	<u>(4,543,038)</u>	<u>15,285,730</u>
Expenses			
Program services	<u>15,940,607</u>	<u>-</u>	<u>15,940,607</u>
Supporting services:			
General and administrative	2,817,056	-	2,817,056
Fundraising	419,235	-	419,235
Total supporting services	<u>3,236,291</u>	<u>-</u>	<u>3,236,291</u>
Total expenses	<u>19,176,898</u>	<u>-</u>	<u>19,176,898</u>
Change in Net Assets from Operations	651,870	(4,543,038)	(3,891,168)
Non-Operating Activity			
Write-off of pledge rescission	<u>(1,071,980)</u>	<u>-</u>	<u>(1,071,980)</u>
Total non-operating activity	<u>(1,071,980)</u>	<u>-</u>	<u>(1,071,980)</u>
Change in Net Assets	(420,110)	(4,543,038)	(4,963,148)
Net Assets, beginning of year	<u>2,148,552</u>	<u>18,297,133</u>	<u>20,445,685</u>
Net Assets, end of year	<u><u>\$ 1,728,442</u></u>	<u><u>\$ 13,754,095</u></u>	<u><u>\$ 15,482,537</u></u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Grants	\$ 25,000	\$ 11,113,746	\$ 11,138,746
Contributions	211,618	3,640,698	3,852,316
In-kind patent donation	-	2,989,800	2,989,800
Investment income	13,571	10,185	23,756
Membership dues	-	18,100	18,100
Released from restrictions	18,658,141	(18,658,141)	-
Total revenue and support	<u>18,908,330</u>	<u>(885,612)</u>	<u>18,022,718</u>
Expenses			
Program services	<u>17,002,515</u>	<u>-</u>	<u>17,002,515</u>
Supporting services:			
General and administrative	1,755,883	-	1,755,883
Fundraising	291,807	-	291,807
Total supporting services	<u>2,047,690</u>	<u>-</u>	<u>2,047,690</u>
Total expenses	<u>19,050,205</u>	<u>-</u>	<u>19,050,205</u>
Change in Net Assets	(141,875)	(885,612)	(1,027,487)
Net Assets , beginning of year	<u>2,290,427</u>	<u>19,182,745</u>	<u>21,473,172</u>
Net Assets , end of year	<u>\$ 2,148,552</u>	<u>\$ 18,297,133</u>	<u>\$ 20,445,685</u>

Albert B. Sabin Vaccine Institute, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (4,963,148)	\$ (1,027,487)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization on property and equipment	16,034	16,908
Amortization on patent	252,600	19,647
Net change in discount on grants receivable	(16,141)	(16,625)
Donated intangible assets	-	(2,989,800)
Donated securities	(3,451)	(4,843)
Change in operating assets and liabilities:		
Decrease in grants receivable	1,294,121	204,619
Increase in other receivables	(183,558)	(47,868)
Decrease in prepaid expenses and deposits	41,159	76,638
Increase in deferred compensation asset	(234,226)	-
Decrease in accounts payable and accrued expenses	(300,723)	(498,608)
Decrease in deferred grant revenue	(43,972)	(56,307)
Decrease in deferred rent	(72,340)	(55,068)
Increase in deferred compensation liability	234,226	-
Net cash used in operating activities	(3,979,419)	(4,378,794)
Cash Flows from Investing Activities		
Purchase of fixed assets	(14,054)	-
Purchase of investments	(1,004,926)	(874,916)
Proceeds from sale of investments	4,567,967	4,289,680
Net cash provided by investing activities	3,548,987	3,414,764
Net Decrease in Cash and Cash Equivalents	(430,432)	(964,030)
Cash and Cash Equivalents, beginning of year	7,606,561	8,570,591
Cash and Cash Equivalents, end of year	\$ 7,176,129	\$ 7,606,561

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

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 (IRC). It is dedicated to continuing the work and achieving the vision of Dr. Albert Sabin to make vaccines more accessible, enable innovation, and expand immunization across the globe.

The Institute receives support in the form of contributions, sponsorships, and grants. The Institute is a leading advocate for expanding vaccine access and uptake globally, advancing vaccine research and development, and amplifying vaccine knowledge and innovation. Unlocking the potential of vaccines through partnership, the Institute has built a robust ecosystem of funders, innovators, implementers, practitioners, policy makers, and public stakeholders to advance its vision of a future free from preventable diseases. As a non-profit with more than two decades of experience, the Institute is committed to finding solutions that last and extending the full benefits of vaccines to all people, regardless of who they are or where they live.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting. The write-off of the pledge rescission is considered to be a non-operating activity. The Institute does not consider this item to be a part of normal operating activities, and accordingly, separately identifies it in the accompanying statement of activities. Revenue is recognized when earned and expenses are recorded when incurred. Net assets are classified as follows:

- *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 \$1,728,442 and \$2,148,552 at December 31, 2016 and 2015, 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 \$13,754,095 and \$18,297,133 in temporarily restricted net assets at December 31, 2016 and 2015, respectively.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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.

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. Excluded from this definition are amounts intended for use as investment reserves.

Investments

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

Donated marketable securities are recorded at fair value at the time of receipt. The Institute's general policy is to liquidate these investments shortly after receipt.

Grants Receivable

Grants receivable represent amounts that 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. During the year ended December 31, 2016, a donor rescinded a gift in the amount of \$1,071,980. Accordingly, the Institute recorded a write-off of grants receivable and revenue in the accompanying statements of financial position and statement of activities as a non-operating activity.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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 and amortization, 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 and amortization 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.

Patent

The donated patent is stated at the original assessed value less amortization computed on the straight-line method over the estimated life of the patent.

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.

All other revenue is recognized when earned.

Donated Goods and Services

Donations of goods are recorded as support at their estimated fair values at the date of donation. During the years ended December 31, 2016 and 2015, the Institute received donated securities in the amount of \$3,451 and \$4,843, respectively.

Donated services are recognized if the services received 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. For the years ended December 31, 2016 and 2015, the Institute received pro bono legal services in the amount of \$86,683 and \$84,121, respectively, which are recorded in contributions revenue and donated legal expenses in the accompanying statements of activities.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Donated Goods and Services (continued)

Additionally, for the year ended December 31, 2016, the Institute received strategic consultation services in the amount of \$400,000 from a consulting firm to develop a schistosomiasis vaccine landscape and business case. These contributed services are recorded in contributions revenue and donated consulting expenses in the accompanying statements of activities.

Foreign Currency Transactions

The Institute has certain contracts that call for the use of transactions denominated in foreign currencies. The foreign currency transaction gains (losses) resulting from exchange rate fluctuations on transactions denominated in a currency other than the U.S. dollar are included net in program expenses on the statements of activities, as they related to programmatic revenue. The Institute did not experience any net foreign currency transaction losses during the years ended December 31, 2016 and 2015.

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.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through April 21, 2017, the date the financial statements were available to be issued.

3. Concentrations of Risk

Credit

Financial instruments that potentially subject the Institute to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Institute maintains interest-bearing cash deposits and investments with a financial institution 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 cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue

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

4. Investments and Fair Value Measurements

The Institute follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

4. Investments and Fair Value Measurements (continued)

The inputs used in measuring fair value are categorized into three 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. The Institute recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Institute uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Institute's fair value hierarchy for those assets measured on a recurring basis as of December 31:

	Total fair value	Level 1	Level 2	Level 3
<u>2016:</u>				
Investments:				
Money market funds, held for investment	\$ 5,066,032	\$ 5,066,032	\$ -	\$ -
Deferred compensation:				
Money market funds	7,643	7,643	-	-
Equities	24,230	24,230	-	-
Mutual funds	202,353	202,353	-	-
Total assets at fair value	<u>\$ 5,300,258</u>	<u>\$ 5,300,258</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2015:</u>				
Money market funds, held for investment	<u>\$ 8,625,622</u>	<u>\$ 8,625,622</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income consists of the following for the years ended December 31:

	2016	2015
Interest and dividends	<u>\$ 27,774</u>	<u>\$ 23,756</u>
Total investment income	<u>\$ 27,774</u>	<u>\$ 23,756</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

5. Grants Receivable

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

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 1,435,208	\$ 1,077,320
Receivable in one to five years	-	1,652,009
Less: discount to present value	-	(16,141)
	<u> </u>	<u> </u>
Grants receivable, net	<u>\$ 1,435,208</u>	<u>\$ 2,713,188</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% to 3%.

6. Property and Equipment

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

	<u>2016</u>	<u>2015</u>
Computer equipment and software	\$ 171,778	\$ 157,725
Furniture and equipment	152,006	152,006
	<u> </u>	<u> </u>
Total property and equipment	323,784	309,731
Less: accumulated depreciation and amortization	(294,616)	(278,583)
	<u> </u>	<u> </u>
Property and equipment, net	<u>\$ 29,168</u>	<u>\$ 31,148</u>

7. Patent

During 2015, the Institute was assigned a patent donation for a safety syringe technology from one of the original inventors. At the time of donation, the patent was valued by a professional third-party company at \$2,989,800, with an estimated remaining life of 12 years and 10 months. Accumulated amortization for the years ended December 31, 2016 and 2015 was \$272,247 and \$19,647, respectively.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

8. Commitments and Contingencies

Operating Leases

During 2009, the Institute signed a sublease for office space on Pennsylvania Avenue in Washington, D.C., commencing in March 2009 and continuing for an eight-year term through 2017. The sublease called 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.

On June 24, 2016, the Institute entered into a new operating lease for office space at a new location. The new lease commenced on February 1, 2017; expires on January 31, 2028; and calls for a base rental rate for the space at \$50.75 per rentable square foot per year, with annual 2.5% increases. The Institute is responsible for its proportionate share of increases in the building operating expenses and real estate taxes allocable to the rentable office area included in the lease. As a lease incentive, the landlord provided a leasehold improvement allowance in the amount of \$95 per rentable square foot of the office space.

Rent expense for the years ended December 31, 2016 and 2015 under all leases amounted to approximately \$534,844 and \$537,039, respectively. Minimum future payments under all leases are as follows for the years ending December 31:

2017	\$	459,338
2018		470,833
2019		482,599
2020		494,637
2021		507,037
Thereafter		<u>3,319,997</u>
Total future minimum payments	\$	<u><u>5,734,441</u></u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

8. Commitments and Contingencies (continued)

Letter of Credit

Coinciding with entering into the office lease, the Institute issued an irrevocable letter of credit on September 21, 2016, with the new landlord listed as the beneficiary in the amount of \$38,278 as a security deposit. The letter of credit will be automatically extended without amendment for one-year periods from the initial expiration date of February 1, 2018, and will not extend beyond January 31, 2028, unless by subsequent mutual agreement.

Employment Agreement

The Institute has an employment agreement with a key executive. This employment agreement contains provisions for fixed salaries, performance bonuses, and other allowances, some of which are deferred. Amounts related to the deferred compensation are reflected as deferred compensation liability in the accompanying statements of financial position.

9. Retirement Plans

Defined Contribution Plan

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 compensation up to the Internal Revenue Service limit, which was \$18,000 in both 2016 and 2015, into the plan each year 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, 2016 and 2015, the Institute's match amounted to \$106,280 and \$122,686, respectively.

Defined Compensation Plan

During 2016, the Institute adopted a non-qualified deferred compensation plan under Internal Revenue Code (IRC) Section 457(b) for an executive employee. Deferred compensation and investments designated for such deferrals are only available and taxable upon termination of employment, retirement, death, or an unforeseeable emergency. Until paid or made available to the participant or beneficiary, all deferred amounts, and investment earnings related thereto, are solely the property and rights of the Institute. At December 31, 2016, the deferred compensation asset and corresponding liability totaled \$234,226.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

10. Temporarily Restricted Net Assets

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

	2016	2015
Safety syringe advocacy	\$ 2,720,553	\$ 2,973,153
Typhoid initiatives	2,456,080	2,700,050
International Association of Immunization Managers	1,547,422	2,288,678
Vaccine R&D capacity building	930,663	-
Sustainable immunization financing	690,521	2,254,783
Adolescent health platform workshops	650,000	-
Rubella initiatives	637,848	893,724
Vaccine policy	629,118	-
Meningococcal initiatives	598,249	700,528
Global Network for Neglected Tropical Diseases	527,622	1,203,415
NTD surveillance project	400,000	-
Dengue initiatives	304,840	304,232
Arbovirus workshop	279,988	-
Hookworm vaccine R&D initiatives	241,194	2,033,993
Chagas adjuvant development	239,896	504,538
Ciro de Quadros vaccinology course	187,060	79,406
Pneumococcal initiatives	174,712	330,533
SARS vaccine R&D initiative	156,006	84,530
Rotavirus initiatives and conferences	121,666	341,059
Journalist training	93,916	-
Schistosomiasis vaccine R&D initiatives	80,152	375,295
Flu vaccine initiatives	53,053	53,053
Pertussis initiatives	33,536	-
Multivalent anthelmintic vaccine R&D initiatives	-	1,169,069
EPI manager ACIP training, vaccine awareness, journalist training, and vaccinology course	-	7,094
	\$ 13,754,095	\$ 18,297,133

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

11. Related Parties

Vaccine Development Program

During 2011, the Institute entered into an affiliation with Baylor College of Medicine (BCM) and Texas Children's Hospital (TCH) to jointly enhance and support efforts for vaccine development, treatment, prevention, and advocacy pertaining to neglected and other tropical diseases. In conjunction with this, the Institute relocated its Vaccine Development Program (VDP) and agreed to operate the VDP pursuant to a Memorandum of Understanding (MOU) between all parties. While the Institute's President also serves in various capacities with BCM and TCH, and there is nominal governance overlap, there is no controlling financial interest between the parties, all of whom are independent organizations.

Pursuant to the MOU, the Institute received a multiyear commitment of \$20,000,000 over a ten-year period commencing in 2011, to be used to fund initiatives of the VDP under the control of the Institute (\$2 million maximum per year plus prior year used amounts). As the funding is over a period of years, revenue is recognized by the Institute as expenditures are incurred and funds are drawn down. During the years ended December 31, 2016 and 2015, the Institute recognized both revenue and programmatic expenditures of \$1,529,606 and \$1,450,459, respectively, related to the VDP under the terms of the MOU.

In relation to the MOU, BCM received direct funding for the benefit of the VDP under control of the Institute's President. During the years ended December 31, 2016 and 2015, the Institute recognized both revenue and programmatic expenditures of \$2,804,502 and \$1,857,742, respectively, for the development of new vaccines.

Sabin Foundation Europe

During 2011, Sabin Foundation Europe ("the Foundation") was formed as a private company limited by guarantee under the laws of the United Kingdom, and further recognized by the Charities Commission. The Foundation's purpose is the advancement of health through vaccine research, development, and advocacy to prevent infectious and neglected tropical diseases. While the organizations share a common mission and have some Board overlap, there is no controlling financial interest between the two, and the Foundation's operations are not included in the accompanying financial statements. The Institute anticipates working with the Foundation prospectively through grant-making and other possible joint activities.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

12. Income Taxes

Under IRC Section 501(c)(3), 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, 2016 and 2015, as there was no net unrelated business income. Contributions to the Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated the Institute's tax positions and concluded that the Institute's financial statements do not include any uncertain tax positions.

13. Supplementary Disclosures of Cash Flow Information

Supplementary cash flow information is as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Donated patent	\$ -	\$ 2,989,800
Cash paid during the year for interest	<u>\$ 1,502</u>	<u>\$ 1,322</u>

SUPPLEMENTARY INFORMATION

Albert B. Sabin Vaccine Institute, Inc.

Schedules of Functional Expenses
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 2,838,854	\$ 641,495	\$ 295,560	\$ 3,775,909	\$ 3,393,664	\$ 652,590	\$ 196,057	\$ 4,242,311
Employee benefits	304,566	70,624	24,749	399,939	395,242	68,950	24,071	488,263
Payroll taxes	195,193	43,250	18,745	257,188	219,555	37,596	13,289	270,440
Professional fees	1,150,847	1,245,928	5,467	2,402,242	1,606,680	143,352	200	1,750,232
Advertising and promotions	55,305	25,140	76	80,521	175,677	19,628	6,391	201,696
Office supplies	11,393	11,631	18	23,042	73,514	12,866	90	86,470
Telephone	32,308	15,446	1,744	49,498	46,874	14,809	1,990	63,673
Postage and printing	24,622	4,391	1,167	30,180	38,164	5,268	1,250	44,682
Computer and copier	174	4,996	-	5,170	15,412	2,708	-	18,120
Rent	15,263	519,581	-	534,844	16,370	520,669	-	537,039
Insurance	40,066	75,024	-	115,090	48,925	75,391	-	124,316
Information technology	2,706	6,071	75	8,852	2,846	8,904	49	11,799
Seminar and training	1,977	557	38	2,572	6,147	-	194	6,341
Books and publications	3,884	-	892	4,776	-	-	-	-
Dues and subscriptions	32,783	9,400	7,986	50,169	36,111	11,365	6,324	53,800
Conferences and meetings	1,494,388	43,113	388	1,537,889	1,618,045	21,232	351	1,639,628
Sub-recipient grants	4,485,823	32,897	23,949	4,542,669	5,054,532	928	17,445	5,072,905
VDP contract expenses	4,334,108	-	-	4,334,108	3,308,201	-	-	3,308,201
Travel	638,105	15,750	35,661	689,516	883,418	1,335	21,888	906,641
Interest	1,501	1	-	1,502	1,322	-	-	1,322
Bank charges	314	16,084	-	16,398	55	20,760	-	20,815
Depreciation and amortization	252,600	16,034	-	268,634	19,647	16,908	-	36,555
Recruiting	16,322	6,160	2,707	25,189	20,801	109,734	2,072	132,607
Miscellaneous	7,505	13,483	13	21,001	21,313	10,890	146	32,349
Total Expenses	\$ 15,940,607	\$ 2,817,056	\$ 419,235	\$ 19,176,898	\$ 17,002,515	\$ 1,755,883	\$ 291,807	\$ 19,050,205