

**Albert B. Sabin Vaccine Institute, Inc.**

Financial Statements  
and Independent Auditors' Report

December 31, 2019 and 2018

**Albert B. Sabin Vaccine Institute, Inc.**

Financial Statements  
December 31, 2019 and 2018

**Contents**

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities .....	4-5
Statements of Functional Expenses .....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-21

## 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, 2019 and 2018; the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Institute adopted Financial Accounting Standards Board Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia  
May 13, 2020

**Albert B. Sabin Vaccine Institute, Inc.**

Statements of Financial Position  
December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 6,196,092	\$ 10,822,259
Investments	1,554,363	1,540,018
Grants and other receivables, net	1,739,318	401,245
Prepaid expenses and deposits	197,831	169,036
Property and equipment, net	904,062	1,020,814
Patent, net	1,959,753	2,212,353
Deferred compensation asset	391,732	297,301
Total assets	<u>\$ 12,943,151</u>	<u>\$ 16,463,026</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,087,136	\$ 1,424,511
Deferred grant revenue	6,908	5,969
Deferred rent	1,520,546	1,628,579
Deferred compensation liability	391,732	297,301
Security deposit	5,969	5,969
Total liabilities	<u>4,012,291</u>	<u>3,362,329</u>
<b>Net Assets</b>		
Without donor restrictions	1,204,781	1,774,230
With donor restrictions	7,726,079	11,326,467
Total net assets	<u>8,930,860</u>	<u>13,100,697</u>
Total liabilities and net assets	<u>\$ 12,943,151</u>	<u>\$ 16,463,026</u>

*See accompanying notes.*

**Albert B. Sabin Vaccine Institute, Inc.**

Statement of Activities  
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support</b>			
Grants	\$ -	\$ 9,353,765	\$ 9,353,765
Contributions	83,564	129,577	213,141
Investment return	126,170	5,265	131,435
Rental revenue	78,417	-	78,417
Other revenue	6,600	-	6,600
Released from restrictions	13,088,995	(13,088,995)	-
<b>Total operating revenue and support</b>	<b>13,383,746</b>	<b>(3,600,388)</b>	<b>9,783,358</b>
<b>Expenses</b>			
Program services	11,652,480	-	11,652,480
Supporting services:			
General and administrative	2,012,520	-	2,012,520
Fundraising	278,408	-	278,408
<b>Total supporting services</b>	<b>2,290,928</b>	<b>-</b>	<b>2,290,928</b>
<b>Total expenses</b>	<b>13,943,408</b>	<b>-</b>	<b>13,943,408</b>
<b>Change in Net Assets from Operations</b>	<b>(559,662)</b>	<b>(3,600,388)</b>	<b>(4,160,050)</b>
<b>Non-Operating Activity</b>			
Return of unspent funds	(9,787)	-	(9,787)
<b>Total non-operating activity</b>	<b>(9,787)</b>	<b>-</b>	<b>(9,787)</b>
<b>Change in Net Assets</b>	<b>(569,449)</b>	<b>(3,600,388)</b>	<b>(4,169,837)</b>
<b>Net Assets, beginning of year</b>	<b>1,774,230</b>	<b>11,326,467</b>	<b>13,100,697</b>
<b>Net Assets, end of year</b>	<b>\$ 1,204,781</b>	<b>\$ 7,726,079</b>	<b>\$ 8,930,860</b>

See accompanying notes.

**Albert B. Sabin Vaccine Institute, Inc.**

Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support</b>			
Grants	\$ -	\$ 10,240,606	\$ 10,240,606
Contributions	159,723	85,799	245,522
Investment return	50,164	20,854	71,018
Rental revenue	47,753	-	47,753
Released from restrictions	10,090,737	(10,090,737)	-
Total operating revenue and support	<u>10,348,377</u>	<u>256,522</u>	<u>10,604,899</u>
<b>Expenses</b>			
Program services	<u>8,549,331</u>	<u>-</u>	<u>8,549,331</u>
Supporting services:			
General and administrative	1,637,194	-	1,637,194
Fundraising	203,576	-	203,576
Total supporting services	<u>1,840,770</u>	<u>-</u>	<u>1,840,770</u>
Total expenses	<u>10,390,101</u>	<u>-</u>	<u>10,390,101</u>
<b>Change in Net Assets from Operations</b>	(41,724)	256,522	214,798
<b>Non-Operating Activity</b>			
Project transfer (BCM)	<u>(213,445)</u>	<u>-</u>	<u>(213,445)</u>
Total non-operating activity	<u>(213,445)</u>	<u>-</u>	<u>(213,445)</u>
<b>Change in Net Assets</b>	(255,169)	256,522	1,353
<b>Net Assets, beginning of year</b>	<u>2,029,399</u>	<u>11,069,945</u>	<u>13,099,344</u>
<b>Net Assets, end of year</b>	<u><u>\$ 1,774,230</u></u>	<u><u>\$ 11,326,467</u></u>	<u><u>\$ 13,100,697</u></u>

See accompanying notes.

**Albert B. Sabin Vaccine Institute, Inc.**

Statements of Functional Expenses  
For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 2,589,757	\$ 803,963	\$ 222,385	\$ 3,616,105	\$ 2,461,779	\$ 563,378	\$ 157,239	\$ 3,182,396
Employee benefits	283,024	136,910	26,014	445,948	231,197	91,310	14,890	337,397
Payroll taxes	160,088	52,380	14,376	226,844	154,397	38,829	10,706	203,932
Professional fees	3,131,830	162,208	3,038	3,297,076	1,737,680	117,878	4,577	1,860,135
Advertising and promotions	760,648	2,813	-	763,461	139,530	4,656	-	144,186
Office supplies	7,764	21,975	-	29,739	9,733	14,407	147	24,287
Telephone	11,361	24,200	1,312	36,873	13,452	28,744	999	43,195
Postage and printing	12,082	261	13	12,356	15,493	3,214	342	19,049
Computer and copier	24,571	4,755	-	29,326	18,177	6,733	1,874	26,784
Rent	-	578,090	-	578,090	-	560,407	-	560,407
Insurance	-	43,511	-	43,511	-	43,726	-	43,726
Internet	335	9,624	-	9,959	491	10,073	-	10,564
Seminar and training	3,965	4,190	-	8,155	215	1,143	1,400	2,758
Books and publications	528	8	-	536	416	-	-	416
Dues and subscriptions	21,682	7,836	7,004	36,522	21,116	6,188	7,245	34,549
Conferences and meetings	1,037,097	12,924	-	1,050,021	1,103,244	5,289	110	1,108,643
Sub-recipient grants	2,893,909	-	-	2,893,909	1,941,343	-	-	1,941,343
Travel	440,166	6,579	3,998	450,743	424,264	3,861	2,792	430,917
Interest	-	-	-	-	73	39	-	112
Depreciation and amortization	252,600	116,752	-	369,352	252,600	120,539	-	373,139
Recruiting	16,618	7,552	-	24,170	16,537	5,024	1,195	22,756
Miscellaneous	4,455	15,989	268	20,712	7,594	11,756	60	19,410
<b>Total Expenses</b>	<b>\$ 11,652,480</b>	<b>\$ 2,012,520</b>	<b>\$ 278,408</b>	<b>\$ 13,943,408</b>	<b>\$ 8,549,331</b>	<b>\$ 1,637,194</b>	<b>\$ 203,576</b>	<b>\$ 10,390,101</b>

See accompanying notes.

**Albert B. Sabin Vaccine Institute, Inc.**

Statements of Cash Flows  
For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (4,169,837)	\$ 1,353
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization on property and equipment	116,752	120,539
Amortization on patent	252,600	252,600
Net change in discount on grants receivable	(4,242)	8,569
Unrealized and realized gain	(60,909)	(14,506)
Change in operating assets and liabilities:		
(Increase) decrease in grants and other receivables	(1,333,831)	370,250
Increase in prepaid expenses and deposits	(28,795)	(65,835)
(Increase) decrease in deferred compensation asset	(33,522)	11,934
Increase in accounts payable and accrued expenses	662,625	832,261
Increase in deferred grant revenue	939	1,869
(Decrease) increase in deferred rent	(108,033)	424,711
Increase in deferred compensation liability	94,431	2,572
Increase in security deposit	-	5,969
	<u>(4,611,822)</u>	<u>1,952,286</u>
<b>Net cash (used in) provided by operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	-	(364,407)
Purchase of investments	(34,440)	(11,996)
Proceeds from sale of investments	20,095	1,327,989
	<u>(14,345)</u>	<u>951,586</u>
<b>Net cash (used in) provided by investing activities</b>		
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(4,626,167)	2,903,872
<b>Cash and Cash Equivalents, beginning of year</b>	<u>10,822,259</u>	<u>7,918,387</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 6,196,092</u>	<u>\$ 10,822,259</u>

See accompanying notes.

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2019 and 2018

### 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, contracts, and grants. The Institute is a leading advocate for expanding global immunization and advancing vaccine research and development. 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 25 years 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 project funds transfer 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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for a reserve fund in the amount of \$1,135,124 and \$1,006,164 at December 31, 2019 and 2018, respectively. The purpose of the reserve fund is to help ensure the long-term ability of the Institute to meet its mission by creating an internal line of credit to maintain cash flow and financial flexibility; to enable the Institute to sustain operations through delays in payments of committed funding; and to pay for one-time, nonrecurring expenses that will build capacity, such as staff development or research and development. The target minimum reserve fund approximates six months of operating expenses on average.

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### 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 return 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.

## **Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

### **2. Summary of Significant Accounting Policies (continued)**

#### Grants and Other Receivables

Grants and other receivables represent amounts that have been promised but not yet received. All grants receivable are reflected at either net realizable value, or at net present value based on projected cash flows. Grants receivable due in more than one year initially recorded in 2019 and 2018 were discounted at an average annual rate of 2-3%, using rates that consider market and credit risk. No allowance for doubtful accounts has been recorded as management believes that all receivables are fully collectible.

#### 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 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## **Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

### **2. Summary of Significant Accounting Policies (continued)**

#### Revenue Recognition (continued)

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

All other revenues are 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, 2019 and 2018, the Institute did not receive donated securities.

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, 2019 and 2018, the Institute received pro bono legal services in the amount of \$104,506 and \$75,601, respectively, which are recorded in contributions revenue and donated legal 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 experienced a net foreign currency transaction gain of \$10,477 during the year ended December 31, 2019 and a net foreign currency transaction gain of \$13,226 during the year ended December 31, 2018.

#### Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Advertising Costs

The Institute expenses advertising costs as incurred. Advertising expenses were \$27,054 and \$12,903 for the years ended December 31, 2019 and 2018, respectively.

#### Non-Operating Activities

During the year ended December 31, 2019, the Institute returned \$9,787 of unspent funds to a grantor after the project had been completed. During the year ended December 31, 2018, the Institute returned \$115,000 of funds to a grantor due to management's decision to not carry out the project. Additionally, during the year ended December 31, 2018, the Institute returned \$98,445 of unused funds to the grantor from a project closed in 2017.

#### Adopted Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Institute has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

#### Recently Issued Accounting Pronouncement

In February 2016, the FASB issued 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.

#### Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through May 13, 2020, the date the financial statements were available to be issued.

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Subsequent Events (continued)

The COVID-19 outbreak caused by the SARS-CoV-2 virus in the United States and around the world has resulted in widespread business disruptions due to the massive health toll and government lockdowns implemented in most of the states in order to slow down the spread of the virus. The Institute's management established an internal task force to closely monitor the situation and take a proactive stance implementing certain changes in its operations and upcoming activities in order to keep its dedicated staff safe, and to mitigate the financial impact of this pandemic. The Institute continues to execute its mission and serve communities around the world.

### 3. Liquidity and Availability

The Institute strives to maintain liquid financial assets on hand to meet six months of general expenditures. Management periodically reviews the Institute's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in short-term and highly liquid securities.

Additionally, the Institute considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Institute also considers its Board-designated reserve fund to be available to meet cash needs for general expenditures.

Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 6,196,092	\$ 10,822,259
Short-term investments	1,554,363	1,540,018
Grants and other receivables – current portion	<u>100,000</u>	<u>150,000</u>
Total available for general expenditures	<u>\$ 7,850,455</u>	<u>\$ 12,512,277</u>

## **Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

### **4. 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 Deposit 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, contracts, and contributions from private foundations and the U.S. government. Any material change in the level of support from these organizations could affect the Institute's program activities.

### **5. Investments and Fair Value Measurements**

The Institute follows FASB Accounting Standards Codification 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.

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.

**Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

**5. Investments and Fair Value Measurements (continued)**

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>2019:</u>				
Investments:				
Money market funds, held for investment	\$ 1,554,363	\$ 1,554,363	\$ -	-
Deferred compensation:				
Money market funds	53,029	53,029	-	-
Equities	28,778	28,778	-	-
Mutual funds	309,925	309,925	-	-
Total assets at fair value	<u>\$ 1,946,095</u>	<u>\$ 1,946,095</u>	<u>\$ -</u>	<u>-</u>
<u>2018:</u>				
Investments:				
Money market funds, held for investment	\$ 1,540,018	\$ 1,540,018	\$ -	-
Deferred compensation:				
Money market funds	29,084	29,084	-	-
Equities	26,737	26,737	-	-
Mutual funds	241,480	241,480	-	-
Total assets at fair value	<u>\$ 1,837,319</u>	<u>\$ 1,837,319</u>	<u>\$ -</u>	<u>-</u>

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

	2019	2018
Interest and dividends	\$ 60,049	\$ 43,286
Unrealized and realized gain	60,909	14,506
Gain on foreign currency transaction	10,477	13,226
Total investment return	<u>\$ 131,435</u>	<u>\$ 71,018</u>

**Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

**5. Investments and Fair Value Measurements (continued)**

The Institute did not have any investment management expenses for the years ended December 31, 2019 and 2018.

**6. Grants and Other Receivables**

Grants and other receivables are comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 1,643,645	\$ 259,814
Receivable in one to five years	<u>100,000</u>	<u>150,000</u>
Total grants and other receivable	1,743,645	409,814
Less: discount to present value	<u>(4,327)</u>	<u>(8,569)</u>
Grants and other receivable, net	<u><u>\$ 1,739,318</u></u>	<u><u>\$ 401,245</u></u>

**7. Property and Equipment**

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

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 1,192,938	\$ 1,192,938
Computer equipment and software	177,002	177,002
Furniture and equipment	<u>152,006</u>	<u>152,006</u>
Total property and equipment	1,521,946	1,521,946
Less: accumulated depreciation and amortization	<u>(617,884)</u>	<u>(501,132)</u>
Property and equipment, net	<u><u>\$ 904,062</u></u>	<u><u>\$ 1,020,814</u></u>

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2019 and 2018

### 8. 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, 2019 and 2018 was \$1,030,047 and \$777,447, respectively.

### 9. Commitments and Contingencies

#### Government Grants and Contracts

The Federal funds that the Institute receives from various agencies are subject to audit under the provisions of the respective grant and contract agreements. The ultimate determination of amounts received under these grants and contracts is based upon the allowance of costs reported to and accepted by the oversight agency. Until such grants and contracts are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

#### Operating Leases

On June 24, 2016, the Institute entered into an operating lease for office space at a location in Washington, DC, which commenced on February 1, 2017 and expires on January 31, 2028. This lease agreement was subsequently amended on June 26, 2017 to include additional office space. Base monthly rent payments do not include pro rata share of the building's operating expenses and real estate taxes and are subject to 2.5% annual increase. As a lease incentive, the landlord provided twelve months of free rent and a leasehold improvement allowance.

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease and unamortized portion of leasehold improvements liability. Deferred rent was \$1,520,546 and \$1,628,579 at December 31, 2019 and 2018, respectively.

During 2018, the Institute entered into a sublease agreement to sublet a portion of its office space. The sublease commenced on May 1, 2018 and is scheduled to expire on April 30, 2021. The sublease includes fixed annual rent increases of 4% throughout the term of the sublease. The scheduled rent increases have not been recorded as rent receivable in the accompanying financial statements due to immateriality.

Rent expense for the years ended December 31, 2019 and 2018 under all leases amounted to \$556,847 and \$552,502, respectively.

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2019 and 2018

### 9. Commitments and Contingencies (continued)

#### Operating Leases (continued)

Future minimum lease payments and receipts under all operating leases are as follows for the years ending December 31:

	<u>Payments</u>	<u>Receipts</u>	<u>Net</u>
2020	\$ 681,467	\$ 76,481	\$ 604,986
2021	698,543	28,825	669,718
2022	716,005	-	716,005
2023	733,956	-	733,956
2024	752,293	-	752,293
Thereafter	2,439,368	-	2,439,368
Total	<u>\$ 6,021,632</u>	<u>\$ 105,306</u>	<u>\$ 5,916,326</u>

#### 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 was increased by an additional \$14,565 with the amendment of additional space, as described above. The total security deposit at both December 31, 2019 and 2018 for the office lease and amendment was \$52,843. 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 Agreements

The Institute has employment agreements with two key executives. These employment agreements contain 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.

**Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

**10. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Flu vaccine initiatives	\$ 2,479,874	\$ 2,747,854
Safety syringe advocacy	1,962,753	2,215,353
Typhoid initiatives	1,265,266	2,014,140
IAIM Network	609,051	1,506,896
Vaccine acceptance and demand	357,754	750,652
Rotavirus initiatives and conferences	316,155	189,165
Arbovirus workshop	192,521	255,457
Priority VAX	146,840	-
Lifecourse workshops	140,000	-
Immunization	106,819	-
Boost vaccinology course	65,414	-
R&D due diligence	38,090	230,811
Rubella initiatives	25,132	302,438
Meningococcal initiatives	15,168	255,694
Pneumococcal initiatives	5,242	41,687
Regional pertussis meeting	-	321,268
Dengue initiatives	-	230,371
Ciro de Quadros vaccinology course	-	131,098
Varicella surveillance project	-	41,280
Gold medal	-	39,700
Adolescent health platform workshops	-	25,277
Journalist training	-	24,757
Sustainable immunization financing	-	2,529
Pertussis initiatives	-	40
	<u>\$ 7,726,079</u>	<u>\$ 11,326,467</u>
Total net assets with donor restrictions	<u>\$ 7,726,079</u>	<u>\$ 11,326,467</u>

## **Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

### **11. 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 \$19,000 and \$18,500 in 2019 and 2018, respectively, 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, 2019 and 2018, the Institute's match amounted to \$105,294 and \$100,644, respectively.

#### Deferred Compensation Plan

During 2016, the Institute adopted a non-qualified deferred compensation plan under IRC Section 457(b) for an executive employee. An additional plan was adopted during 2017 for another 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. Investment earnings, including interest and dividends, and unrealized and realized gains and losses, are included in investment return in the accompanying statements of activities. At December 31, 2019 and 2018, the deferred compensation asset and corresponding liability totaled \$391,732 and \$297,301, respectively.

### **12. Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Program expenses represent direct costs that result in the Institute fulfilling its mission. Fundraising expenses represent costs that involve seeking, soliciting, or securing grants and contributions. General and administrative expenses represent costs necessary for the operations of the Institute that are not easily identifiable with specific program or fundraising activities. The Institute utilizes direct allocation as its preferred method of allocating expenses, and it is used most often provided it is reasonably efficient. The majority of the expenses for the Institute are allocated using the direct allocation method. Indirect allocation is used when the direct method is too burdensome, and the Institute utilizes indirect allocation for certain natural categories of expenses. The expenses that are allocated using the indirect method include salaries, employee benefits, payroll taxes, office supplies and other office-related expenses, and depreciation and amortization, among other expenses, which are allocated on the basis of estimates of time and effort.

**Albert B. Sabin Vaccine Institute, Inc.**

Notes to Financial Statements  
December 31, 2019 and 2018

**13. 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. Tax expenses approximating \$4,400 and \$2,700 are recorded in the accompanying financial statements for the years ended December 31, 2019 and 2018, respectively, for the Institute's unrelated business activities. 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.

**14. Supplementary Disclosures of Cash Flow Information**

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

	<u>2019</u>	<u>2018</u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 112</u>