

ALBERT B. SABIN VACCINE INSTITUTE, INC.

Financial Statements

YEAR ENDED DECEMBER 31, 2004

FRIEDBERG, SMITH & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ALBERT B. SABIN VACCINE INSTITUTE, INC.

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FRIEDBERG, SMITH & Co., P.C.

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Independent Auditor's Report

The Board of Directors
Albert B. Sabin Vaccine Institute, Inc.
New Canaan, Connecticut

We have audited the accompanying statement of financial position of Albert B. Sabin Vaccine Institute, Inc. (Institute) as of December 31, 2004, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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. as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Friedberg, Smith & Co. PC

February 10, 2005

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004

A S S E T S

Cash, Including Interest bearing deposits of \$1,433,261 (Notes 2 and 3)	\$1,433,502
Restricted Investments (Notes 2 and 4)	860,516
Accounts Receivable (Notes 2 and 3)	30,934
Prepaid Expenses and Accrued Interest Receivable (Note 4)	25,354
Prepaid Sub-Recipient Grants (Note 9)	238,116
Prepaid Patent Costs - Hookworm Vaccine (Note 5)	47,401
Furniture and Equipment, Net of Accumulated depreciation of \$83,178 (Note 2)	31,778
Security Deposits (Note 14)	<u>15,162</u>
 TOTAL ASSETS	 <u>\$2,682,763</u>

LIABILITIES AND NET ASSETSLiabilities

Accounts Payable and Other Accrued Expenses (Note 2)	\$ 218,229
Accrued Payroll (Note 2)	10,772
Sponsorship Payable (Note 7)	7,890
Deferred Revenue - Registration Fee	7,250
Deferred Revenue - Membership Dues (Note 10)	54,298
Refundable Advances on Grants (Notes 2 and 6)	<u>863,084</u>

Total Liabilities 1,161,523

Net Assets (Notes 2, 8, 9, 14 and 15)Unrestricted:

Net Investment in Furniture and Equipment	31,778
Undesignated	<u>394,706</u>

Total Unrestricted 426,484

Temporarily Restricted 1,094,756

Total Net Assets 1,521,240

TOTAL LIABILITIES AND NET ASSETS \$2,682,763

See notes to financial statements.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004

	Unrestricted	Temporarily Restricted	Total
Support, Gains and Other Support (Notes 2, 3, 4, 6, 9, 10, 11 and 12)			
Contributions	\$ 15,964	\$ -	\$ 15,964
<u>Sponsorship:</u>			
Gold Medal Awards Dinner	20,000	-	20,000
Rotavirus Conference	207,923	81,862	289,785
Sabin Cancer Colloquium	58,975	-	58,975
Sabin Vaccine Policy Colloquium	100,000	-	100,000
San Francisco Conference	4,000	-	4,000
Rubella Conference	17,110	-	17,110
Total Sponsorships	<u>408,008</u>	<u>81,862</u>	<u>489,870</u>
<u>Grants:</u>			
Hookworm Vaccine Initiative Grant	742,478	1,057,522	1,800,000
Rotavirus Grants	356,104	-	356,104
Total Grants	<u>1,098,582</u>	<u>1,057,522</u>	<u>2,156,104</u>
Fundraising Event - Sabin Awards Dinner	450,378	-	450,378
Membership Fees - Cancer Vaccine Consortium	108,969	-	108,969
<u>Registration Fees:</u>			
Cancer Vaccine Consortium	11,460	-	11,460
Sabin Cancer Colloquium	45,230	-	45,230
San Francisco Conference	23,150	-	23,150
Total Registration Fees	79,840	-	79,840
Interest and Dividends	-	52,236	52,236
Unrealized Depreciation on Investments	-	(8,117)	(8,117)
Realized Losses on Sale of Investments	-	(16,722)	(16,722)
In-kind Contribution	50,000	-	50,000
Total	<u>2,211,741</u>	<u>1,166,781</u>	<u>3,378,522</u>
Net Assets Released from Restrictions (Notes 2 and 8):			
Satisfaction of Purpose Restrictions	<u>3,519,691</u>	<u>(3,519,691)</u>	<u>-</u>
Total Support, Gains and Other Revenues	<u>5,731,432</u>	<u>(2,352,910)</u>	<u>3,378,522</u>
<u>Expenses (Notes 2, 11, 12 and 14)</u>			
<u>Program Services:</u>			
Advocacy Program	224,523	-	224,523
Gold Medal Awards Dinner	48,061	-	48,061
Cancer Vaccine Consortium and San Francisco Conference	183,947	-	183,947
Chlamydia Colloquium	19,090	-	19,090
Hookworm Vaccine Initiative	3,978,344	-	3,978,344
Rotavirus Conference	207,923	-	207,923
Rotavirus Program	356,104	-	356,104
Rubella Conference	23,563	-	23,563
Sabin Cancer Colloquium	115,460	-	115,460
Sabin Vaccine Policy Colloquium	144,490	-	144,490
Total Program Services	<u>5,301,505</u>	<u>-</u>	<u>5,301,505</u>
<u>Supporting Services:</u>			
Management and General	360,850	-	360,850
Fund Raising	203,457	-	203,457
Total Supporting Services	<u>564,307</u>	<u>-</u>	<u>564,307</u>
Total Functional Expenses	5,865,812	-	5,865,812
Cost of Direct Benefits To Donors	64,663	-	64,663
Total Expenses	<u>5,930,475</u>	<u>-</u>	<u>5,930,475</u>
Change in Net Assets	<u>(199,043)</u>	<u>(2,352,910)</u>	<u>(2,551,953)</u>
Net Assets at Beginning of Year, as Reported	573,308	3,509,397	4,082,705
Restatement and Reclassification (Note 15)	<u>52,219</u>	<u>(61,731)</u>	<u>(9,512)</u>
Net Assets at Beginning of Year, as Restated	<u>625,527</u>	<u>3,447,666</u>	<u>4,073,193</u>
Net Assets at End of Year	<u>\$426,484</u>	<u>\$1,094,756</u>	<u>\$1,521,240</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
 Increase (Decrease) in Cash

Cash Flows from Operating Activities

Change in Net Assets	(\$2,551,953)
Adjustments to Reconcile Change in Net Cash <u>Provided (Used) by Operating Activities:</u>	
Depreciation	7,578
Restatement and Reclassification	(9,512)
Realized Loss and Unrealized Depreciation on Investments	24,839
Decrease in Accounts Receivable	38,090
Increase in Prepaid Sub-Recipient Grants	(13,801)
Decrease in Prepaid Expenses and Accrued Interest Receivable	14,929
Increase in Prepaid Patent Costs - Hookworm Vaccine	(47,401)
Increase in Security Deposits	(7,074)
Increase in Accounts Payable and Accrued Expenses	111,183
Increase in Sponsorship Payable	7,890
Increase in Deferred Revenue - Registration Fees	7,250
Increase in Deferred Revenue - Membership Dues	54,298
Increase in Refundable Advances on Grants	<u>281,917</u>
 Total Adjustments	 <u>470,186</u>
 Net Cash Used by Operating Activities	 <u>(2,081,767)</u>

Cash Flows from Investing Activities

Purchase of Furniture and Equipment	(15,777)
Purchase of Restricted Investments, Net	<u>(885,355)</u>
 Net Cash Used by Investing Activities	 <u>(901,132)</u>

Net Decrease in Cash	(2,982,899)
Cash - Beginning of Year	<u>4,416,401</u>
Cash - End of year	<u>\$1,433,502</u>

See notes to financial statements.

ALBERT B. SABIN VACCINE INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2004
(Note 12)

	P R O G R A M S E R V I C E S										S U P P O R T S E R V I C E S			Total	
	Cancer Vaccine Consortium	Gold Medal Awards Dinner	Advocacy Program	Chlamydia Colloquium	Hookworm Vaccine Initiative	Rotavirus Rotavirus Conference	Rubella Conference	Sabin Cancer Colloquium	Sabin Vaccine Policy Colloquium	Management and General	Fund Raising	Total			
Salaries Employee Health and Retirement Benefits (Note 13) Payroll Taxes	\$129,262	\$21,198	\$73,374	\$10,481	\$186,426	\$25,000	\$220,465	\$13,685	\$18,256	\$58,606	\$756,753	\$124,577	\$103,252	\$227,829	\$984,582
Total Salaries and Related Expenses	143,162	23,725	81,714	11,745	218,983	27,527	248,808	14,949	20,783	64,923	856,319	142,009	114,624	256,633	1,112,952
Professional Fees	4,385	434	42,301	217	43,214	88,289	7,182	217	434	1,084	187,757	34,638	2,267	36,905	224,662
Office Supplies	1,480	377	1,615	327	4,203	278	4,464	119	818	928	14,609	2,274	1,315	3,589	18,198
Telephone	2,993	407	1,339	204	7,361	407	12,617	204	415	1,188	27,135	2,035	1,889	3,924	31,059
Postage and Printing	6,287	1,513	766	3,882	804	-	300	-	2,470	3,900	19,922	6,871	6	6,877	26,799
Computer and Copier Expenses	5,740	190	955	95	8,913	190	4,698	95	190	476	21,542	4,600	869	5,469	27,011
Rent (Note 14)	6,349	1,154	3,463	577	31,678	1,154	50,870	577	1,154	2,886	99,862	25,500	5,195	30,695	130,557
Insurance	1,331	242	726	121	2,056	242	2,298	121	242	605	7,984	3,010	1,089	4,099	12,083
Maintenance Expense	198	36	108	18	306	36	342	18	36	90	1,188	739	162	901	2,089
Seminar and Training	-	-	-	-	2,750	-	-	-	-	-	2,750	813	-	147	3,563
Advertising and Promotion	118	37	-	-	12	40	195	-	-	21	423	147	-	570	1,170
Books and Publications	2,156	-	55	1,750	-	-	-	-	9,449	6,551	19,961	4,733	130	4,863	24,824
Subscriptions, Memberships and Dues	17,492	-	6,640	-	1,728	-	70	-	-	13,000	38,930	3,432	377	3,809	42,739
Transcription Services	13,461	-	4,571	-	2,406	3,566	3,351	-	4,056	3,552	21,502	-	-	21,502	43,004
Board Meetings Expense	-	-	-	-	-	-	-	-	-	-	13,461	-	-	-	13,461
Sub-Recipient Grants	-	-	-	-	-	-	-	-	-	-	-	17,045	-	17,045	34,090
and Contracts	-	-	-	-	3,612,041	-	-	-	-	-	3,612,041	-	-	-	3,612,041
Relocation Expenses	-	-	-	-	-	-	-	-	-	-	-	46,336	-	46,336	92,672
Moving Expenses (Note 14)	810	147	442	74	4,079	147	1,400	73	147	368	7,687	737	663	1,400	9,087
Travel	17,683	3,882	19,994	-	27,587	-	17,917	7,110	15,036	3,969	113,178	9,505	9,016	18,521	131,699
Conference Expenses	-	14,286	17,655	-	-	85,887	-	-	59,763	40,356	217,947	-	-	-	217,947
Fund Raising Event	-	-	-	-	-	-	-	-	-	-	-	-	63,137	-	63,137
Expenses (Note 11)	-	-	1,124	-	8,803	-	-	-	307	-	10,234	1,842	-	1,842	12,076
Bank Charges	-	-	-	-	63	-	75	-	-	195	1,804	2,993	2,000	4,993	6,797
Miscellaneous	-	1,471	-	-	-	-	-	-	-	-	50,000	50,000	-	50,000	51,471
In-kind Expenses (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,000
Total Functional Expenses before Depreciation	223,645	47,901	183,468	19,010	3,976,987	207,763	354,587	23,483	115,300	144,092	5,296,236	359,259	202,739	561,998	5,858,234
Depreciation (Note 2)	878	160	479	80	1,357	160	1,517	80	160	398	5,269	1,591	718	2,309	7,578
Total Functional Expenses	\$224,523	\$48,061	\$183,947	\$19,090	\$3,978,344	\$207,923	\$356,104	\$23,563	\$115,460	\$144,490	\$5,301,505	\$360,850	\$203,457	\$564,307	\$5,865,812

See notes to financial statements.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - NATURE OF OPERATIONS AND CONCENTRATION OF FUNDING RISK

The Albert B. Sabin Vaccine Institute, Inc. (Institute) was incorporated in January 1994 as a not-for-profit entity, formed for charitable, scientific, and educational purposes. It is dedicated to continuing the work and achieving the vision of Dr. Albert Sabin; and to fully realize the potential of vaccination to prevent disease. The Institute receives Support from Contributions, Fees, Sponsorships, and from certain grants for the following activities:

- Hookworm Vaccine Initiative: The Institute is developing an Anti-hookworm vaccine under a grant from the Bill and Melinda Gates Foundation (Note 9).
- Advocating the effective integration of scientific advances and public policy in the vaccine field, the Institute seeks consensus on science and public policy issues. It sponsors meetings and colloquia, which provide a forum for interdisciplinary communication between the scientific, industrial, and public communities concerned with the development and use of vaccines.
- Promoting public awareness of the need for vaccinations.

The Institute is incorporated under Maryland laws to operate for charitable, educational, and scientific purposes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, is exempt from federal and state income tax.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classes

The net asset classes of the Institute consist of the following:

Unrestricted Net Assets

Unrestricted net assets consist of the net assets over which the governing boards have control to use in carrying out the operations of the Institute in accordance with their charters and by-laws and are neither Permanently restricted nor Temporarily restricted by donor-imposed restrictions.

The Net investment in Furniture and Equipment consists of the net book value of Furniture and Equipment acquired with Unrestricted net assets.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Asset Classes (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets whose use is limited by donor-imposed restrictions which either expire with the passage of time (Time restriction) or can be fulfilled and removed by actions of the Institute pursuant to the restrictions (Purpose restriction). If a restriction is fulfilled, however, in the same time period in which the contribution is received, the Institute reflects the Support as Unrestricted.

When donor-imposed restrictions expire, that is when a stipulated Time restriction ends or Purpose restriction is accomplished, Temporarily restricted net assets are reclassified to Unrestricted net assets and reflected in the accompanying Statement of activities as Net assets released from restrictions (Note 8).

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets which have donor-imposed restrictions whose limits do not expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Institute. As of December 31, 2004, the Institute has no Permanently restricted net assets.

Contributions or Promises to Give

Contributions or Promises to give without donor-imposed restrictions are reflected as Unrestricted support. Contributions or Promises to give with donor-imposed restrictions are reflected as either Temporarily or Permanently restricted support in the accompanying financial statements. Contributions or Promises to give with donor-imposed conditions are not recognized as Contributions or Promises to give in the accompanying financial statements until the period when the conditions are met.

Promises to give that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the Promises to give, net of an Allowance for uncollectible amounts). Promises to give that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate commensurate with the risks involved at the date the Promise to Give is received.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Expense Recognition

Grants awarded to the Institute are reflected at the earlier of the date the funds are received, or the time that the Grant expenditures are incurred. The amounts of the Grants that are received but unearned, are reflected as Refundable Advances on Grants in the accompanying Statement of financial position and are subsequently reflected in the accompanying Statement of activities during the period to which they apply as the Grants are expended.

Cash Equivalents

The Institute considers all investments with a maturity of three months or less as Cash equivalents.

Contributed Goods or Services

Goods or services have been provided by various organizations and a number of unpaid volunteers have contributed their time to the Institute. Contributions are recognized if the goods or services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods or services that do not meet the above criteria are not recognized. The Chairman volunteers his services to the Institute which have been valued at \$50,000. The Institute has reflected an In-kind Contribution and corresponding salaries expense on the accompanying Statement of activities for the year ended December 31, 2004.

Restricted Investments

Restricted investments held by the Institute, consisting of U.S. Government Securities, Mutual funds, and Money Market funds, are reflected at fair value. Realized, unrealized gains or losses, and Dividend and Interest on Investments are reflected on the accompanying Statement of Activities as increases or decreases in Temporarily Restricted net assets based upon the Donor's stipulation (Note 4).

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Accounts receivable are evaluated periodically for collectibility based upon management's evaluation of past loss experience, known and inherent risks in its accounts, plus other factors which could affect collectibility. In the opinion of management, all accounts for which the collectibility is doubtful have been written off and the remaining accounts are deemed to be collectible.

Furniture and Equipment

All acquisitions or donations of Furniture and Equipment are reflected at cost or their fair value at the date of gift. Depreciation is provided for over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives range from 5 to 7 years.

Compensated Absences

Employees of the Institute are entitled to paid vacations based upon length of service. It is the Institute's policy to accrue vacation pay based upon amounts earned as of the statement date.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement 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 the reported amounts of assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Agency Transactions

The Institute acted as an agent during the current year for funds received for a conference given by the World Health Organization in Cairo, Egypt. The Institute distributed all funds received by year end.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 - CONCENTRATION OF CREDIT RISK

Cash

The Institute maintains cash accounts at several Connecticut banks. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. At times during the year, the Cash balances at the banks exceeded the insured limit.

Revenues and Support

The Institute derives its Revenue and other support primarily from Grants and Contributions from private foundations and corporations in the pharmaceutical industry.

NOTE 4 - RESTRICTED INVESTMENTS

Investments at December 31, 2004 consisted of the following (Notes 2 and 9):

<u>Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Cash and Money Market Funds	\$ 42,193	\$ 42,193	\$ -
U.S. Government Bonds	299,566	299,101	(465)
Mutual Funds - Fixed Obligations	<u>526,874</u>	<u>519,222</u>	<u>(7,652)</u>
Total	<u>\$868,633</u>	<u>\$860,516</u>	<u>(\$8,117)</u>

During the year ended December 31, 2004, the Institute sold Investments with a cost of \$1,802,541 for \$1,784,414, resulting in a realized loss of \$18,127.

During the year ended December 31, 2004, the Institute also received capital gains dividends of \$1,405.

NOTE 5 - PREPAID PATENT COSTS - HOOKWORM VACCINE

During the year ended December 31, 2004, the Institute incurred approximately \$47,400 of legal costs in connection with the Patent applications in the United States of America and abroad for the Hookworm vaccine. No amortization is being taken on the Patent applications as of December 31, 2004 since the Patent applications are in the preliminary stages.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6 - GRANTS

Refundable advances on grants at December 31, 2004 and grant revenues for the year ended December 31, 2004 consisted of the following:

<u>Grantor</u>	<u>Program Name</u>	<u>Refundable Advances on Grants</u>	<u>Grant Revenues</u>
Glaxo Smith Kline	Rotavirus Vaccine	\$786,084	\$356,104
Glaxo Smith Kline	Rotavirus Media	50,000	-
* PATH	Rotavirus Vaccine	<u>27,000</u>	<u>-</u>
Total		<u>\$863,084</u>	<u>\$356,104</u>

* Funded case study for 2005 at the University of California, Berkley.

At December 31, 2004, various grant programs have a funding period which extends beyond December 31, 2004. Refundable advances on Grants have been reflected in the accompanying financial statements for any Grant where payments received were in excess of expenditures incurred. Grant receivables at December 31, 2004 would be reflected in the accompanying financial statements for any Grant where expenditures exceeded payments received from Grantors. At December 31, 2004 there were no Grant receivables.

NOTE 7 - SPONSORSHIP PAYABLE

Sponsorship payable as of December 31, 2004 consists of the refundable portion of expense advances.

NOTE 8 - NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2004 are restricted for the following purposes (Note 2):

Hookworm Vaccine Initiative (Note 9)	\$1,012,894
Rotavirus Symposium	<u>81,862</u>
Total	<u>\$1,094,756</u>

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 - NET ASSETS (continued)

Net Assets Released

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors during the year ended December 31, 2004 are as follows (Note 12):

Hookworm Vaccine Initiative (Note 9)	\$3,500,180
Sabin Vaccine Policy Colloquium	4,180
Chlamydia Colloquium	<u>15,331</u>
Total	<u>\$3,519,691</u>

NOTE 9 - GATES FOUNDATION FUNDING

The Institute received a six-year Contribution (beginning April 2000) from the Bill and Melinda Gates Foundation in the total amount of \$18,000,000. The Contribution is for the development of an Anti-hookworm vaccine. The initial payment of \$9,000,000 was received in April 2000. The balance of the funds were to be paid in the amount of \$1,800,000 annually assuming certain pre-determined milestones were achieved as outlined in the award. All requirements for the fifth installment were fulfilled, and the fifth installment was received in June 2004. The funds have been segregated and invested. The earnings on the funds are available only for the Hookworm vaccine initiative (Note 4).

The Institute also received a \$500,000 commitment from the Bill and Melinda Gates Foundation for five annual \$100,000 Contributions to fund certain colloquia. The initial \$100,000 was received as funding for the October 2000 Cancer Vaccine Colloquia. The funding is now in its fifth and final year and payment was received in July 2004 for the October 2004 Colloquia.

In conjunction with the Hookworm Vaccine Initiative, the Institute has awarded certain one-year renewable sub-recipient grants for portions of the required research. Grants paid out during the year ended December 31, 2004 totaled \$3,523,442 of which \$238,116 represents forward funding and is reflected in the accompanying financial statements as Prepaid - Sub-recipient grant.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 10 - MEMBERSHIP FEES

In connection with the Cancer Vaccine Consortium, the Institute has created a Membership group which provides for the payment of dues as support for the activities of the Consortium.

The Institute reflects the Membership fees over the period to which the Dues relate. The Membership is for one year and includes Pharmaceutical and Biotech companies, universities, hospitals, and research institutions. For the year ended December 31, 2004, the Institute has reflected approximately \$54,000 of Deferred revenue from Membership dues.

NOTE 11 - FUND-RAISING EVENT REVENUES AND EXPENSES

Fund-raising event revenues and expenses for the year ended December 31, 2004 consisted of the following:

	<u>Sabin Awards Dinner</u>
Revenue	\$450,378
<u>Expenses</u>	
Cost of Direct Benefits	64,663
Event Expenses	<u>63,137</u>
Net	<u>\$322,578</u>

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 12 - PROGRAM REVENUE AND EXPENSES

Program revenue and expenses for the year ended December 31, 2004 consisted of the following:

	Gold Medal Awards Dinner	Cancer Vaccine Consortium and San Francisco Chlamydia Colloquium Conference	Hookworm Vaccine Initiative Conference	Rotavirus Rotavirus Program	Rubella Conference Colloquium	Sabin Cancer Colloquium	Sabin Vaccine Policy Colloquium	Total
<u>Revenues</u>								
Sponsorships	\$ 20,000	\$ 4,000	\$ -	\$ 207,923	\$ -	\$ 17,110	\$ 58,975	\$ 408,008
Grants	-	-	742,478	356,104	-	-	-	1,098,582
Membership Fees	-	108,969	-	-	-	-	-	108,969
Registration Fees	-	34,610	-	-	-	45,230	-	79,840
Release of Restricted Contributions (Note 8)	-	-	-	-	-	-	-	-
		<u>15,331</u>	<u>3,500,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,180</u>	<u>3,519,691</u>
Total Revenues	20,000	147,579	4,242,658	207,923	17,110	104,205	104,180	5,215,090
Total Expenses	48,061	183,947	3,978,344	207,923	23,563	115,460	144,490	5,076,982
Net	<u>(\$28,061)</u>	<u>(\$36,368)</u>	<u>(\$2,759)</u>	<u>\$ -</u>	<u>(\$6,453)</u>	<u>(\$11,255)</u>	<u>(\$40,310)</u>	<u>\$138,108</u>

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NOTE 13 - 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, with a \$13,000 annual maximum contribution. The Institute may elect to match a portion of the employee's contribution on an annual basis. During the year ended December 31, 2004, the Institute's match amounted to \$15,742.

NOTE 14 - COMMITMENTS

Lease Commitments

The Institute entered into a new one-year lease (Lease) for its New Canaan, Connecticut offices. The Lease runs from April 22, 2004 through April 21, 2005 at \$5,029 per month. In July 2004, the monthly rent was increased to \$5,304 due to additional space taken. The Institute had relocated its New Canaan, Connecticut offices due to the expiration of its previous lease at \$3,783 per month, which expired in April 2004. Rent expense for the year ended December 31, 2004 amounted to approximately \$58,000.

The Institute rents space in Washington, D.C. The original Lease expired in February 2004 at \$4,200 per month and was being rented on a month-to-month basis until a new one-year Lease was entered into starting September 1, 2004 at \$4,368 per month. Rent expense for the year ended December 31, 2004 amounted to approximately \$51,000.

The Institute moved its Maryland offices to Bethesda and entered into a new one-year Lease starting May 1, 2004 at \$3,333 per month. Starting September 1, 2004, the Institute reduced the amount of space it was renting and the monthly rent was reduced to \$833 per month. The Institute previously had been renting space in Rockville, Maryland at \$1,300 per month which expired in April 2004. Rent expense for the year ended December 31, 2004 amounted to approximately \$22,000.

The Institute has paid approximately \$15,000 for Security deposits on its three offices.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 14 - COMMITMENTS (continued)

Employee Agreements

The Institute entered into two employment agreements which provide for severance payments to be paid upon the termination of employment by the Institute on a sliding scale basis.

NOTE 15 - RESTATEMENT AND RECLASSIFICATION

The Institute has reclassified and restated its net assets at January 1, 2004 to reflect certain net assets that were not properly classified at that date and for the following items:

Understatement of Accrued Vacation	\$ (7,486)
Understatement of Deferred Revenue - Membership Dues	(28,500)
Understatement of Refundable Advances	(75,521)
Understatement of Depreciation	(405)
Understatement of Prepaid Sub-Recipient Grants	102,400
Understatement of Unrestricted Net Assets	(72,025)
Overstatement of Temporarily Restricted Net Assets (Hookworm Vaccine Institute)	<u>72,025</u>
Net Decrease in Net Assets	<u>(\$9,512)</u>