

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2008 and 2007

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
December 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Albert B. Sabin Vaccine Institute, Inc. as of December 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Albert B. Sabin Vaccine Institute, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albert B. Sabin Vaccine Institute, Inc. at December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included at page 14 is presented for purposes of additional analysis of the financial statements and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Vienna, Virginia
June 11, 2009

Albert B. Sabin Vaccine Institute, Inc.

Statements of Financial Position
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 14,759,353	\$ 5,819,318
Investments	7,956,887	6,030,231
Accounts receivable	25,449	240,982
Grants receivable, net	645,827	414,423
Prepaid expenses and deposits	52,643	139,372
Prepaid sub-recipient grants	469,728	333,125
Property and equipment, net	37,750	56,052
	<u>23,947,637</u>	<u>13,033,503</u>
Total assets	<u>\$ 23,947,637</u>	<u>\$ 13,033,503</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,476,342	\$ 1,283,903
Passthrough grants payable	-	100,000
Obligation under capital lease	8,886	15,750
Deferred membership dues	-	252,167
Deferred grant revenue	514,843	515,135
Refundable advances on grants	-	7,890
	<u>2,000,071</u>	<u>2,174,845</u>
Total liabilities	<u>2,000,071</u>	<u>2,174,845</u>
Net Assets		
Unrestricted	1,550,036	927,022
Temporarily restricted	20,397,530	9,931,636
	<u>21,947,566</u>	<u>10,858,658</u>
Total net assets	<u>21,947,566</u>	<u>10,858,658</u>
Total liabilities and net assets	<u>\$ 23,947,637</u>	<u>\$ 13,033,503</u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2008

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

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2007

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

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Change in net assets	\$ 11,088,908	\$ 4,181,329
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,302	17,582
Loss on sale of property and equipment	-	8,362
Net increase in discount on grants receivable	18,596	35,577
Net realized and unrealized losses	58,516	-
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	215,533	(215,918)
Increase in grants receivable	(250,000)	(450,000)
Decrease (increase) in prepaid expenses and deposits	86,729	(100,207)
(Increase) decrease in prepaid sub-recipient grants	(136,603)	389
Increase in accounts payable and accrued expenses	192,439	628,120
(Decrease) increase in passthrough grants payable	(100,000)	100,000
(Decrease) increase in deferred membership dues	(252,167)	147,079
(Decrease) increase in deferred grant revenue	(292)	499,999
Decrease in refundable advances on grants	(7,890)	-
	10,932,071	4,852,312
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchase of furniture and equipment	-	(9,315)
Proceeds from the sale of furniture and equipment	-	450
Net purchases of investments	(1,985,172)	(1,007,522)
	(1,985,172)	(1,016,387)
Net cash used in investing activities		
Cash Flows from Financing Activities		
Principal payments on capital lease obligations	(6,864)	(5,048)
	(6,864)	(5,048)
Net cash used in financing activities		
Net Increase in Cash and Cash Equivalents	8,940,035	3,830,877
Cash and Cash Equivalents, beginning of year	5,819,318	1,988,441
Cash and Cash Equivalents, end of year	\$ 14,759,353	\$ 5,819,318

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

1. Nature of Operations

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Institute's operations. Unrestricted net assets as of December 31, 2008 and 2007 were \$1,550,036 and \$927,022, 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 \$20,397,530 and \$9,931,636 in temporarily restricted net assets at December 31, 2008 and 2007, respectively.

Cash and Cash Equivalents

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

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Investments

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

Accounts Receivable

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

Grants Receivable

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

Prepaid Sub-recipient Grants

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

Property and Equipment

Property and equipment with a cost greater than \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Property and equipment are stated at cost less accumulated depreciation which is computed using the straight-line method over the assets' estimated useful lives, which range from 5 to 7 years. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. Expenditures for maintenance and repairs are charged to expenses as incurred.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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

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

All other revenue is recognized when earned.

Fair Value Measurements

Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*," was adopted by the Institute effective January 1, 2008. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and level 3 is based on unobservable inputs. This standard had no effect on the Institute's financial statements, but did result in additional disclosures.

Functional Expenses

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

Use of Estimates

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

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

3. Concentration of Credit Risk

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

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

4. Investments

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

	<u>2008</u>	<u>2007</u>
<u>Investments</u>		
Money market funds, held for investment	\$ 7,520,046	\$ 6,030,231
Fixed income securities	393,725	-
Equities	<u>43,116</u>	<u>-</u>
Total investments	<u>\$ 7,956,887</u>	<u>\$ 6,030,231</u>
<u>Investment Income</u>		
Interest and dividends	\$ 259,168	\$ 390,893
Net realized and unrealized losses	<u>(58,516)</u>	<u>-</u>
Total investment income	<u>\$ 200,652</u>	<u>\$ 390,893</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

5. Grants Receivable

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

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 200,000	\$ 150,000
Receivable in one to five years	500,000	300,000
Less: discount	<u>(54,173)</u>	<u>(35,577)</u>
Grants receivable, net	<u>\$ 645,827</u>	<u>\$ 414,423</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 3.5% to 4.2%.

6. Property and Equipment

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

	<u>2008</u>	<u>2007</u>
Computer equipment and software	\$ 95,010	\$ 95,010
Furniture and equipment	<u>91,344</u>	<u>91,344</u>
Total property and equipment	186,354	186,354
Less: accumulated depreciation	<u>(148,604)</u>	<u>(130,302)</u>
Property and equipment, net	<u>\$ 37,750</u>	<u>\$ 56,052</u>

7. Employee Benefits

The Institute offers a 401(k) plan to full-time employees who are 21 years of age and have completed three consecutive months of employment. Employees may participate by deferring between 1% and 12% of their salary on a voluntary basis. Additionally, the Institute may elect to match a portion of the employee's contribution on an annual basis. During the years ended December 31, 2008 and 2007, the Institute's match amounted to \$31,155 and \$22,177, respectively.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

8. Fair Value Measurements

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

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

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

9. Capital Lease

The Institute leases certain office equipment under capitalized lease arrangements. The capitalized assets have been included in property and equipment as of December 31, 2008 and 2007 in the amounts of \$16,089 and \$23,826, respectively. Interest expense related to the leases for the years ended December 31, 2008 and 2007 amounted to \$499 and \$532, respectively. Minimum future payments under the capital leases are as follows for the years ending December 31:

2009	\$ 5,363
2010	<u>3,523</u>
Total minimum lease payments	8,886
Less: amount representing interest	<u>-</u>
Present value future minimum lease payments	<u>\$ 8,886</u>

10. In-Kind Donations

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

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

10. In-Kind Donations (continued)

From time to time, the Institute receives donated goods or other intangible items. When significant, such amounts are recognized at fair value at the time of receipt. During the year ended December 31, 2008, the Institute received donated stocked in the amount of \$13,144. No significant donated items were receiving during the year ended December 31, 2007.

11. Operating Leases

The Institute leases office space located on F Street in Washington, D.C. The lease term is 60 months, which began on September 1, 2005 and ends on August 31, 2010, and calls for annual fixed rental increases. Deferred rent is not recorded due to immateriality. In conjunction with this lease, the Institute rents parking spaces at \$220 per space, per month on a month-to-month basis. Rent expense for the years ended December 31, 2008 and 2007 under this lease amounted to approximately \$146,00 and \$145,000, respectively. Subsequent to year end, the Institute entered into an agreement whereby it assigned all rights and liability under this lease to a third party. Under the terms of the assignment, the Institute is required to pay rent and other charges through April 15, 2009, at which point it will be relieved of any further commitment. Also subsequent to year end, the Institute signed a sublease for new office space, commencing in March 2009 and continuing for an eight year term, which calls for annual fixed rental increases.

On May 1, 2007, the Institute renewed its New Canaan, Connecticut office lease for another year, extending the term through April 30, 2008. However, the Institute terminated the lease early in December 2007. Rent expense for the years ended December 31, 2008 and 2007 under this lease amounted to approximately \$0 and \$43,800, respectively.

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

2009	\$ 281,147
2010	419,123
2011	431,696
2012	444,647
2013	457,986
Thereafter	<u>1,541,874</u>
Total minimum lease payments	<u>\$ 3,576,473</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2008 and 2007

12. Supplemental Disclosures of Cash Flow Information

	<u>2008</u>	<u>2007</u>
Cash paid during the year for interest	<u>\$ 634</u>	<u>\$ 532</u>

13. Temporarily Restricted Net Assets

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

	<u>2008</u>	<u>2007</u>
Hookworm initiatives	\$ 6,758,255	\$ 5,416,654
Rubella initiatives	446,215	96,341
Rotavirus initiatives and conferences	720,100	239,576
Pneumococcal initiatives	721,861	567,688
Schistosomiasis vaccine initiatives	722,051	464,423
NTD control initiatives	1,101,292	727,950
Sustainable immunization financing	1,585,309	960,118
Human papilloma virus initiatives	552,736	869,261
Global Network	7,185,985	-
Other meetings and colloquia	<u>603,726</u>	<u>589,625</u>
Temporarily restricted net assets	<u>\$ 20,397,530</u>	<u>\$ 9,931,636</u>

14. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code (IRC), the Institute is exempt from the payment of taxes on income other than net unrelated business income. No provision for income tax is required for the years ended December 31, 2008 or 2007 as there was no net unrelated business income. Contributions to the Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi).

SUPPLEMENTAL INFORMATION

Albert B. Sabin Vaccine Institute, Inc.

Schedules of Functional Expenses
For the Years Ended December 31, 2008 and 2007

	2008				2007			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 1,566,478	\$ 247,824	\$ 6,746	\$ 1,821,048	\$ 1,172,965	\$ 222,017	\$ 71,887	\$ 1,466,869
Employee benefits	114,709	23,401	540	138,650	88,457	23,941	11,547	123,945
Payroll taxes	86,229	13,653	563	100,445	68,222	16,573	5,376	90,171
Professional fees	981,766	197,547	1,729	1,181,042	581,253	201,189	2,346	784,788
Advertising and promotions	1,179,372	2,793	100	1,182,265	-	-	-	-
Office supplies	9,331	15,591	-	24,922	23,584	15,705	-	39,289
Telephone	21,284	18,539	-	39,823	29,315	13,770	140	43,225
Postage and printing	236,289	10,741	72	247,102	87,810	9,327	1,779	98,916
Computer and copier	19,927	8,761	-	28,688	24,253	4,067	-	28,320
Rent	55,980	90,283	-	146,263	93,795	97,431	-	191,226
Insurance	20,942	20,359	-	41,301	8,193	16,002	-	24,195
Technology support	186,616	24,232	3,645	214,493	7,071	16,781	-	23,852
Seminar and training	4,107	-	1,248	5,355	3,476	1,297	-	4,773
Books and publications	1,431	1,922	-	3,353	1,166	1,586	116	2,868
Dues and subscriptions	40,583	3,340	-	43,923	19,394	6,079	299	25,772
Transcription services	-	-	-	-	43,428	-	-	43,428
Conferences and meetings	1,292,694	11,175	-	1,303,869	475,936	7,596	450	483,982
Sub-recipient grants	7,656,054	-	-	7,656,054	8,404,096	100	-	8,404,196
Travel	357,391	17,134	2,469	376,994	354,446	18,809	3,748	377,003
Interest	-	634	-	634	-	532	-	532
Website and internet	6,026	7,587	-	13,613	58,374	42,152	10,935	111,461
Bank charges	14,881	8,358	-	23,239	12,563	1,200	-	13,763
Depreciation	-	18,302	-	18,302	-	17,582	-	17,582
Recruiting	26,381	-	-	26,381	-	-	-	-
Loss on sale of asset	-	-	-	-	-	8,362	-	8,362
Miscellaneous	6,294	17,823	-	24,117	10,831	5,570	-	16,401
Total expenses	\$ 13,884,765	\$ 759,999	\$ 17,112	\$ 14,661,876	\$ 11,568,628	\$ 747,668	\$ 108,623	\$ 12,424,919