

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

Financial Statements  
and Independent Auditors' Report

December 31, 2017 and 2016

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

Financial Statements  
December 31, 2017 and 2016

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Albert B. Sabin Vaccine Institute, Inc. ("the Institute"), which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

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

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

Vienna, Virginia  
April 25, 2018

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

Statements of Financial Position  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,918,387	\$ 7,176,129
Investments	2,856,011	5,066,032
Grants receivable	761,908	1,435,208
Other receivables	18,156	270,584
Prepaid expenses and deposits	103,201	215,206
Property and equipment, net	776,946	29,168
Patent, net	2,464,953	2,717,553
Deferred compensation asset	294,729	234,226
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 15,194,291</u>	<u>\$ 17,144,106</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 592,250	\$ 1,329,780
Deferred grant revenue	4,100	85,024
Deferred rent	1,203,868	12,539
Deferred compensation liability	294,729	234,226
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,094,947</u>	<u>1,661,569</u>
<b>Net Assets</b>		
Unrestricted	2,029,399	1,728,442
Temporarily restricted	11,069,945	13,754,095
	<u>                    </u>	<u>                    </u>
Total net assets	<u>13,099,344</u>	<u>15,482,537</u>
Total liabilities and net assets	<u>\$ 15,194,291</u>	<u>\$ 17,144,106</u>

*See accompanying notes.*

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

Statement of Activities  
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support</b>			
Grants	\$ 70,000	\$ 7,506,560	\$ 7,576,560
Contributions	389,466	397,828	787,294
Investment income	80,821	11,402	92,223
Membership dues	-	1,225	1,225
Other revenue	15,222	-	15,222
Released from restrictions	10,601,165	(10,601,165)	-
Total operating revenue and support	<u>11,156,674</u>	<u>(2,684,150)</u>	<u>8,472,524</u>
<b>Expenses</b>			
Program services	<u>7,354,404</u>	<u>-</u>	<u>7,354,404</u>
Supporting services:			
General and administrative	1,983,587	-	1,983,587
Fundraising	396,723	-	396,723
Total supporting services	<u>2,380,310</u>	<u>-</u>	<u>2,380,310</u>
Total expenses	<u>9,734,714</u>	<u>-</u>	<u>9,734,714</u>
<b>Change in Net Assets from Operations</b>	1,421,960	(2,684,150)	(1,262,190)
<b>Non-Operating Activity</b>			
Project transfer (BCM)	<u>(1,121,003)</u>	<u>-</u>	<u>(1,121,003)</u>
Total non-operating activity	<u>(1,121,003)</u>	<u>-</u>	<u>(1,121,003)</u>
<b>Change in Net Assets</b>	300,957	(2,684,150)	(2,383,193)
<b>Net Assets, beginning of year</b>	<u>1,728,442</u>	<u>13,754,095</u>	<u>15,482,537</u>
<b>Net Assets, end of year</b>	<u><u>\$ 2,029,399</u></u>	<u><u>\$ 11,069,945</u></u>	<u><u>\$ 13,099,344</u></u>

See accompanying notes.

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

Statement of Activities  
For the Year Ended December 31, 2016

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

See accompanying notes.

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

Statements of Cash Flows  
For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (2,383,193)	\$ (4,963,148)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Leasehold improvements purchased with tenant improvement allowance	(833,755)	-
Depreciation and amortization on property and equipment	85,977	16,034
Amortization on patent	252,600	252,600
Net change in discount on grants receivable	-	(16,141)
Unrealized and realized gains	(65,215)	-
Donated securities	(4,935)	(3,451)
Change in operating assets and liabilities:		
Decrease in grants receivable	673,300	1,294,121
Decrease (increase) in other receivables	252,428	(183,558)
Decrease in prepaid expenses and deposits	112,005	41,159
Increase in deferred compensation asset	(60,503)	(234,226)
Decrease in accounts payable and accrued expenses	(737,530)	(300,723)
Decrease in deferred grant revenue	(80,924)	(43,972)
Increase (decrease) in deferred rent	1,191,329	(72,340)
Increase in deferred compensation liability	60,503	234,226
	(1,537,913)	(3,979,419)
<b>Net cash used in operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	-	(14,054)
Purchase of investments	(286,218)	(1,004,926)
Proceeds from sale of investments	2,566,389	4,567,967
	2,280,171	3,548,987
<b>Net cash provided by investing activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	742,258	(430,432)
<b>Cash and Cash Equivalents, beginning of year</b>	7,176,129	7,606,561
<b>Cash and Cash Equivalents, end of year</b>	\$ 7,918,387	\$ 7,176,129

*See accompanying notes.*

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

### 1. Nature of Operations

The Albert B. Sabin Vaccine Institute, Inc. (“the Institute”) is a not-for-profit organization that was incorporated in January 1994 under the laws of the state of Maryland to operate for charitable, educational, and scientific purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). It is dedicated to continuing the work and achieving the vision of Dr. Albert Sabin to make vaccines more accessible, enable innovation, and expand immunization across the globe.

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

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting and Presentation

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

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Institute’s operations.
- *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.

#### 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, 2017 and 2016

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

#### Cash Equivalents

For the purpose of the statements of cash flows, the Institute considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition are amounts intended for use as investment reserves.

#### Investments

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

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

#### Grants Receivable

Grants receivable represent amounts that have been promised but not yet received. All grants receivable are due within one year and recorded at net realizable value. No allowance for doubtful accounts has been recorded as management believes that all receivables are fully collectible. During the year ended December 31, 2016, a donor rescinded a gift in the amount of \$1,071,980. Accordingly, the Institute recorded a write-off of grants receivable and revenue in the accompanying statements of financial position and statement of activities as a non-operating activity.

#### 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.

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

Notes to Financial Statements  
December 31, 2017 and 2016

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

#### Patent

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

#### Revenue Recognition

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

All other revenue is recognized when earned.

#### Donated Goods and Services

Donations of goods are recorded as support at their estimated fair values at the date of donation. During the years ended December 31, 2017 and 2016, the Institute received donated securities in the amount of \$4,935 and \$3,451, respectively.

Donated services are recognized if the services received create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donations. For the years ended December 31, 2017 and 2016, the Institute received pro bono legal services in the amount of \$288,024 and \$86,683, respectively, which are recorded in contributions revenue and donated legal expenses in the accompanying statements of activities.

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

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

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

#### 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 loss of \$1,022 during the year ended December 31, 2017. The Institute did not experience any net foreign currency transaction losses during the year ended December 31, 2016.

#### Functional Expenses

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

#### Recently Issued Accounting Pronouncements

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

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

#### Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through April 25, 2018, the date the financial statements were available to be issued.

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

Notes to Financial Statements  
December 31, 2017 and 2016

### **3. Concentrations of Risk**

#### Credit

Financial instruments that potentially subject the Institute to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Institute maintains interest-bearing cash deposits and investments with a financial institution that exceed insurable limits under the Federal 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 and contributions from private foundations and corporations in the pharmaceutical industry. Any material change in the level of support from these organizations could affect the Institute's program activities.

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

The Institute follows FASB Accounting Standards Codification 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, 2017 and 2016

**4. 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>2017:</u>				
Investments:				
Money market funds, held for investment	\$ 2,856,011	\$ 2,856,011	\$ -	\$ -
Deferred compensation:				
Money market funds	5,857	5,857	-	-
Equities	30,756	30,756	-	-
Mutual funds	258,116	258,116	-	-
Total assets at fair value	<u>\$ 3,150,740</u>	<u>\$ 3,150,740</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2016:</u>				
Investments:				
Money market funds, held for investment	\$ 5,066,032	\$ 5,066,032	\$ -	\$ -
Deferred compensation:				
Money market funds	7,643	7,643	-	-
Equities	24,230	24,230	-	-
Mutual funds	202,353	202,353	-	-
Total assets at fair value	<u>\$ 5,300,258</u>	<u>\$ 5,300,258</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2017	2016
Interest and dividends	\$ 27,008	\$ 27,774
Unrealized and realized gain	65,215	-
Total investment income	<u>\$ 92,223</u>	<u>\$ 27,774</u>

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

### 5. Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 833,755	\$ -
Computer equipment and software	171,778	171,778
Furniture and equipment	<u>152,006</u>	<u>152,006</u>
Total property and equipment	1,157,539	323,784
Less: accumulated depreciation and amortization	<u>(380,593)</u>	<u>(294,616)</u>
Property and equipment, net	<u><u>\$ 776,946</u></u>	<u><u>\$ 29,168</u></u>

### 6. 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, 2017 and 2016 was \$524,847 and \$272,247, respectively.

### 7. Commitments and Contingencies

#### Operating Leases

During 2009, the Institute signed a sublease for office space on Pennsylvania Avenue in Washington, D.C., which expired in February 2017.

On June 24, 2016, the Institute entered into a new operating lease for office space at a new location, commencing on February 1, 2017 and expiring on January 31, 2028. The lease calls for a base monthly rental rate of \$38,278 with annual 2.5% increases, which does not include pro rata share of the building's operating expenses and real estate taxes. As a lease incentive, the landlord provided twelve months of free rent and a leasehold improvement allowance up to \$859,845. The Institute used \$833,755 of the leasehold improvement allowance to remodel and renovate the office space during the year ended December 31, 2017. The unused portion of the allowance in the amount of \$26,090 can be applied future rent payments.

## Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements  
December 31, 2017 and 2016

### 7. Commitments and Contingencies (continued)

#### Operating Leases (continued)

On June 26, 2017, the aforementioned office lease was amended to include additional office space. The lease amendment commenced on January 1, 2018 and is scheduled to expire on January 31, 2028. The additional office space has the same rates per square foot as original lease and calls for 2.5% annual increases. The Institute will account for both leases as a new lease starting January 1, 2018 in accordance with GAAP requirements.

Under accounting principles generally accepted in the United States of America, all fixed rent increases and lease incentives are recognized on a straight-line basis ratably over the term of the sublease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. Deferred rent was \$1,203,868 and \$12,539 at December 31, 2017 and 2016, respectively.

Rent expense for the years ended December 31, 2017 and 2016 under all leases amounted to approximately \$456,925 and \$534,844, respectively. Minimum future payments under all operating leases are as follows for the years ending December 31:

2018	\$	491,316
2019		664,880
2020		681,467
2021		698,543
2022		716,005
Thereafter		<u>3,925,616</u>
Total future minimum payments	\$	<u><u>7,177,827</u></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 December 31, 2017 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.

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

Notes to Financial Statements  
December 31, 2017 and 2016

### **7. Commitments and Contingencies (continued)**

#### 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.

### **8. Retirement Plans**

#### Defined Contribution Plan

The Institute offers a 401(k) plan to full-time employees who are 21 years of age and have completed three consecutive months of employment. Employees may participate by deferring compensation up to the Internal Revenue Service limit, which was \$18,000 in both 2017 and 2016, 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, 2017 and 2016, the Institute's match amounted to \$99,104 and \$106,280, respectively.

#### Defined 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. At December 31, 2017 and 2016, the deferred compensation asset and corresponding liability totaled \$294,729 and \$234,226, respectively.

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

Notes to Financial Statements  
December 31, 2017 and 2016

**9. Temporarily Restricted Net Assets**

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

	2017	2016
Safety syringe advocacy	\$ 2,467,953	\$ 2,720,553
Accelerating universal flu vaccine	2,315,585	-
Typhoid initiatives	1,878,664	2,456,080
IAIM Network	634,943	1,547,422
Rubella initiatives	562,450	637,848
Arbovirus workshop	555,459	279,988
Meningococcal initiatives	551,546	598,249
Adolescent health platform workshops	502,789	650,000
Rotavirus initiatives and conferences	363,459	121,666
Dengue initiatives	251,715	304,840
Pneumococcal initiatives	228,336	174,712
R&D due diligence	177,130	-
Vaccine policy	166,401	629,118
Varicella surveillance project	130,793	-
Hookworm vaccine R&D initiatives	98,446	241,194
Flu vaccine initiatives	53,053	53,053
Ciro de Quadros vaccinology course	48,987	187,060
Sustainable immunization financing	30,944	690,521
Journalist training	30,295	93,916
NTD surveillance project	19,838	400,000
Pertussis initiatives	1,159	33,536
Vaccine R&D capacity building	-	930,663
Global Network for Neglected Tropical Diseases	-	527,622
Chagas adjuvant development	-	239,896
SARS vaccine R&D initiative	-	156,006
Schistosomiasis vaccine R&D initiatives	-	80,152
	\$ 11,069,945	\$ 13,754,095

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

Notes to Financial Statements  
December 31, 2017 and 2016

### **10. Related Parties**

#### Vaccine Development Program

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

The Institute's President resigned his role effective April 24, 2017 to pursue his increasing responsibilities at BCM and TCH. In conjunction with his resignation, the Institute, BCM, and TCH have concluded their MOU, effective April 30, 2017.

The Institute, BCM, and TCH expect that the research will continue without interruption. Associated contracts, grants, and intellectual property previously held by the Institute have been or will be transferred to BCM. Accordingly, the Institute recorded a project transfer of \$1,121,003 in the accompanying statements of activities as a non-operating activity.

Pursuant to the MOU, the Institute received a multiyear commitment of \$20,000,000 over a ten-year period commencing in 2011, to be used to fund initiatives of the VDP under the control of the Institute (\$2 million maximum per year plus prior year used amounts). As the funding was over a period of years, revenue was recognized by the Institute as expenditures were incurred and funds were drawn down. During the years ended December 31, 2017 and 2016, the Institute recognized both revenue and programmatic expenditures of \$0 and \$1,529,606, respectively, related to the VDP under the terms of the MOU.

In relation to the MOU, BCM received direct funding for the benefit of the VDP under control of the Institute's President. During the years ended December 31, 2017 and 2016, the Institute recognized both revenue and programmatic expenditures of \$0 and \$2,804,502, respectively, for the research of new vaccines.

The Institute plans to continue its focus on vaccine research and development to improve human lives and has begun to investigate new vaccine research and development opportunities. The Institute is entering a phase of renewed focus under new leadership and a revitalized strategic plan, which includes supporting innovative techniques and approaches in vaccine research and development.

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

Notes to Financial Statements  
December 31, 2017 and 2016

**11. Income Taxes**

Under IRC Section 501(c)(3), the Institute is exempt from the payment of taxes on income other than net unrelated business income. No provision for income tax is required for the years ended December 31, 2017 and 2016, as there was no net unrelated business income. Contributions to the Institute are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated the Institute's tax positions and concluded that the Institute's financial statements do not include any uncertain tax positions.

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

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

	<u>2017</u>	<u>2016</u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 291</u>	<u>\$ 1,502</u>
<b>Non-Cash Investing Transaction</b>		
Leasehold improvements purchased with tenant improvement allowance	<u>\$ 833,755</u>	<u>\$ -</u>

## **SUPPLEMENTARY INFORMATION**

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

Schedules of Functional Expenses  
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 2,172,467	\$ 804,648	\$ 272,794	\$ 3,249,909	\$ 2,838,854	\$ 641,495	\$ 295,560	\$ 3,775,909
Employee benefits	215,678	130,927	24,892	371,497	304,566	70,624	24,749	399,939
Payroll taxes	145,864	46,992	18,232	211,088	195,193	43,250	18,745	257,188
Professional fees	971,784	246,076	15,703	1,233,563	1,150,847	1,245,928	5,467	2,402,242
Advertising and promotions	76,974	37,564	5,136	119,674	55,305	25,140	76	80,521
Office supplies	11,620	13,945	868	26,433	11,393	11,631	18	23,042
Telephone	15,968	25,614	1,127	42,709	32,308	15,446	1,744	49,498
Postage and printing	16,112	6,650	888	23,650	24,622	4,391	1,167	30,180
Computer and copier	5,863	5,916	-	11,779	174	4,996	-	5,170
Rent	-	456,925	-	456,925	15,263	519,581	-	534,844
Insurance	19,223	57,443	-	76,666	40,066	75,024	-	115,090
Information technology	2,174	10,192	40	12,406	2,706	6,071	75	8,852
Seminar and training	881	157	-	1,038	1,977	557	38	2,572
Books and publications	-	-	-	-	3,884	-	892	4,776
Dues and subscriptions	25,843	16,259	8,196	50,298	32,783	9,400	7,986	50,169
Conferences and meetings	826,941	15,617	-	842,558	1,494,388	43,113	388	1,537,889
Sub-recipient grants	2,149,949	-	27,041	2,176,990	4,485,823	32,897	23,949	4,542,669
VDP contract expenses	-	-	-	-	4,334,108	-	-	4,334,108
Travel	433,986	4,141	18,033	456,160	638,105	15,750	35,661	689,516
Interest	278	13	-	291	1,501	1	-	1,502
Bank charges	20	1,828	-	1,848	314	16,084	-	16,398
Depreciation and amortization	252,600	85,977	-	338,577	252,600	16,034	-	268,634
Recruiting	7,701	3,961	3,583	15,245	16,322	6,160	2,707	25,189
Foreign exchange loss	1,022	-	-	1,022	-	-	-	-
Miscellaneous	1,456	12,742	190	14,388	7,505	13,483	13	21,001
<b>Total Expenses</b>	<b>\$ 7,354,404</b>	<b>\$ 1,983,587</b>	<b>\$ 396,723</b>	<b>\$ 9,734,714</b>	<b>\$ 15,940,607</b>	<b>\$ 2,817,056</b>	<b>\$ 419,235</b>	<b>\$ 19,176,898</b>