

ALBERT B. SABIN VACCINE INSTITUTE, INC.

Financial Statements

YEAR ENDED DECEMBER 31, 2005  
(with comparable totals for 2004)

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**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 statements of financial position of Albert B. Sabin Vaccine Institute, Inc. (Institute) as of December 31, 2005, 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. Information at December 31, 2004 and for the year ended December 31, 2004 is presented for comparative purposes only and was extracted from the financial statements presented by net asset class for that year, on which an unqualified opinion dated February 10, 2005 was expressed (Note 17).

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 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, 2005, 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. P.C.*

May 22, 2006

## ALBERT B. SABIN VACCINE INSTITUTE, INC.

EXHIBIT A

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2005  
(with comparative totals for 2004)

<u>A S S E T S</u>	<u>2005</u>	<u>2004</u>
Cash, Including Interest bearing deposits (Notes 2 and 3)	\$1,854,125	\$1,383,502
Restricted Investments (Notes 2, 4 and 10)	2,704,601	860,516
Accounts Receivable (Notes 2 and 3)	17,872	30,934
Accrued Interest Restricted (Notes 2, 4 and 10)	7,185	-
Prepaid Expenses and Accrued Interest Receivable (Note 4)	32,349	25,354
Prepaid Sub-Recipient Grants (Note 10)	388,495	238,116
Prepaid Patent Costs - Hookworm Vaccine (Note 5)	52,783	47,401
Furniture and Equipment, Net of Accumulated depreciation of \$100,068 and \$83,178 (Note 2)	76,206	31,778
Security Deposits (Note 15)	16,337	15,162
Agency Assets (Note 2)	-	<u>50,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$5,149,953</u></b>	<b><u>\$2,682,763</u></b>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts Payable and Other Accrued Expenses (Note 2)	\$1,456,585	\$ 218,229
Accrued Payroll (Note 2)	6,725	10,772
Sponsorship Payable (Note 7)	7,890	7,890
Obligation Under Capital Lease (Note 8)	7,304	-
Deferred Revenue - Registration Fee	-	7,250
Deferred Revenue - Membership Dues (Note 10)	73,480	54,298
Refundable Advances on Grants (Notes 2 and 6)	479,427	813,084
Agency Liabilities (Note 2)	-	<u>50,000</u>
 Total Liabilities	 <u>2,031,411</u>	 <u>1,161,523</u>
 <u>Net Assets (Notes 2, 8, 9, 15 and 16)</u>		
<u>Unrestricted:</u>		
Net Investment in Furniture and Equipment	68,902	31,778
Undesignated - Available for Operations	<u>226,284</u>	<u>394,706</u>
Total Unrestricted	295,186	426,484
Temporarily Restricted	<u>2,823,356</u>	<u>1,094,756</u>
Total Net Assets	<u>3,118,542</u>	<u>1,521,240</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$5,149,953</u></b>	 <b><u>\$2,682,763</u></b>

See notes to financial statements.

STATEMENTS OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2005  
(with comparative totals for 2004)

	Unrestricted	Temporarily Restricted	Total
Support, Gains and Other Revenues (Notes 2, 3, 4, 9, 10, 11, 12 and 13)			
Contributions	\$ 122,237	\$ 30,000	\$ 152,237
Sponsorships:			
Gold Medal Awards Dinner	38,000	-	38,000
Rotavirus Conference	-	100,000	100,000
Sabin Cancer Colloquium	28,000	-	28,000
Sabin Vaccine Policy Colloquium	150,075	-	150,075
San Francisco Conference	-	-	-
Varicella Conference	116,798	-	116,798
Rubella Conference	-	-	-
Total Sponsorships	<u>332,873</u>	<u>100,000</u>	<u>432,873</u>
Grants:			
Hookworm Vaccine Initiative	1,249,510	550,490	1,800,000
Human Hookworm Initiative	1,405,968	1,989,421	3,395,389
Rotavirus	577,232	-	577,232
Rubella	669,039	-	669,039
Appropriate Tech & Health - Rotavirus	27,000	-	27,000
Sabin Cancer Colloquium	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Total Grants	<u>3,937,749</u>	<u>2,539,911</u>	<u>6,477,660</u>
Fund-raising Event - Sabin Awards Dinner	535,018	-	535,018
Membership Fees - Cancer Vaccine Consortium	162,386	-	162,386
Registration Fees:			
Cancer Vaccine Consortium	36,750	-	36,750
Sabin Cancer Colloquium	18,600	-	18,600
San Francisco Conference	-	-	-
ELISPOT Panel	46,753	-	46,753
Varicella Conference	<u>3,775</u>	<u>-</u>	<u>3,775</u>
Total Registration Fees	<u>105,878</u>	<u>-</u>	<u>105,878</u>
Consulting Fees	5,127	-	5,127
Interest and Dividends	4,037	90,336	94,373
Unrealized Appreciation (Depreciation) on Investments	-	5,277	(8,117)
Realized Loss on Sale of Investments	-	(12,930)	(12,930)
In-kind Contribution	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total	5,255,305	2,752,594	8,007,899
Net Assets Released from Restrictions:			
Satisfaction of Purpose Restrictions	<u>1,023,994</u>	<u>(1,023,994)</u>	<u>-</u>
Total Support, Gains and Other Revenues	<u>6,279,299</u>	<u>1,728,600</u>	<u>8,007,899</u>
			<u>3,378,522</u>
			<u>489,870</u>
			<u>15,964</u>
			<u>20,000</u>
			<u>289,785</u>
			<u>58,975</u>
			<u>100,000</u>
			<u>4,000</u>
			<u>17,110</u>
			<u>1,800,000</u>
			<u>356,104</u>
			<u>11,460</u>
			<u>45,230</u>
			<u>23,150</u>
			<u>79,840</u>
			<u>52,236</u>
			<u>(8,117)</u>
			<u>(16,722)</u>
			<u>50,000</u>
			<u>3,378,522</u>
			<u>3,378,522</u>

See notes to financial statements.

## STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

(with comparative totals for 2004)

	Unrestricted	Temporarily Restricted	Total
Expenses (Notes 2, 8, 10, 12, 13, 14, and 15)			
Program Services:			
Advocacy Program	\$ 210,427	\$ -	\$ 210,427
Gold Medal Awards Dinner	50,060	-	50,060
Cancer Vaccine Consortium and ELISPOT Panel and San Francisco Conference	295,999	-	295,999
Varicella Conference	93,374	-	93,374
Hookworm Vaccine Initiative	2,217,725	-	2,217,725
Human Hookworm Initiative	1,349,591	-	1,349,591
Appropriate Tech & Health and Rotavirus Symposium	32,529	-	32,529
Rotavirus Program	472,609	-	472,609
Rubella Program	640,416	-	640,416
Rubella Conference	-	-	-
Sabin Cancer Colloquium	72,845	-	72,845
Sabin Vaccine Policy Colloquium	207,420	-	207,420
Chlamydia Colloquium	-	-	-
Rotavirus Conference	-	-	-
Total Program Services	<u>5,642,995</u>	<u>-</u>	<u>5,642,995</u>
Supporting Services:			
Management and General Fund Raising	419,750	-	419,750
	<u>328,045</u>	<u>-</u>	<u>328,045</u>
Total Supporting Services	<u>747,795</u>	<u>-</u>	<u>747,795</u>
Total Functional Expenses	6,390,790	-	6,390,790
Cost of Direct Benefits to Donors	<u>80,194</u>	<u>-</u>	<u>80,194</u>
Total Expenses	<u>6,470,984</u>	<u>-</u>	<u>6,470,984</u>
Change in Net Assets	(191,685)	1,728,600	(2,551,953)
Net Assets at Beginning of Year, as Reported	426,484	1,094,756	4,073,193
Restatement (Note 16)	<u>60,387</u>	<u>-</u>	<u>-</u>
Net Assets at Beginning of Year as Restated	<u>486,871</u>	<u>1,094,756</u>	<u>4,073,193</u>
Net Assets at End of Year	<u>\$295,186</u>	<u>\$2,823,356</u>	<u>\$1,521,240</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2005  
 Increase (Decrease) in Cash  
 (with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$1,536,915	(\$2,551,953)
Adjustments to Reconcile Change in Net Cash Provided (Used) by Operating Activities:		
Depreciation	16,890	7,578
Restatement and Reclassification	60,387	(9,512)
Realized Loss and Unrealized (Appreciation) Depreciation on Investments, Net	7,653	24,839
<u>Change in:</u>		
Accounts Receivable	13,062	38,090
Accrued Interest - Restricted	(7,185)	-
Prepaid Sub-Recipient Grants	(150,379)	(13,801)
Prepaid Expenses and Accrued Interest Receivable	(6,995)	14,929
Prepaid Patent Costs - Hookworm Vaccine	(5,382)	(47,401)
Security Deposits	(1,175)	(7,074)
Accounts Payable and Accrued Expenses	1,234,309	111,183
Sponsorship Payable	-	7,890
Deferred Revenue - Registration Fees	(7,250)	7,250
Deferred Revenue - Membership Dues	19,182	54,298
Refundable Advances on Grants	(333,657)	231,917
Agency Assets	50,000	(50,000)
Agency Liabilities	(50,000)	50,000
Total Adjustments	<u>839,460</u>	<u>420,186</u>
Net Cash Provided (Used) by Operating Activities	<u>2,376,375</u>	<u>(2,131,767)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Furniture and Equipment	(53,581)	(15,777)
Purchase of Restricted Investments, Net	(1,851,738)	(885,355)
Net Cash Used by Investing Activities	<u>(1,905,319)</u>	<u>(901,132)</u>
<u>Cash Flows from Financing Activities</u>		
Principal Payments on Capital Lease Obligations	(433)	-
Net Increase (Decrease) in Cash	470,623	(3,032,899)
Cash - Beginning of Year	<u>1,383,502</u>	<u>4,416,401</u>
Cash - End of year	<u>\$1,854,125</u>	<u>\$1,383,502</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2005  
Increase (Decrease) in Cash  
(with comparative totals for 2004)

	<u>2005</u>	<u>2004</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
<u>Cash Paid During the Year for:</u>		
Interest	\$ <u>62</u>	\$ <u>-</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the year ended December 31, 2005, the Institute entered into a capital lease for the acquisition of a copier for \$7,737.

See notes to financial statements.



ALBERT B. SABIN VACCINE INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2005  
(with comparative totals for 2004)

P R O G R A M S E R V I C E S (NOTE 13)

	SUPPORT SERVICES										TOTAL					
	Advocacy Program	Gold Medal Awards Dinner	Cancer Vaccine Consortium and ELISPOT Panel	Vaccinia Conference	Hookworm Vaccine Initiative	Human Hookworm Initiative	Appropriate Tech & Health Symposium	Rotavirus Program	Rubella Program	Sabin Cancer Colloquium	Sabin Vaccine Policy Colloquium	Management and General	Fund Raising	Total	2005	2004
Salaries	\$128,059	\$19,377	\$63,734	\$6,799	\$135,540	\$122,740	\$-	\$256,348	\$64,700	\$17,739	\$64,483	\$136,921	\$158,377	\$295,298	\$1,174,817	\$984,582
Employee Health and Retirement Benefits	10,176	1,846	4,324	416	8,223	7,812	-	15,534	4,075	1,760	4,797	13,156	11,786	24,942	83,905	62,969
Payroll Taxes	8,552	1,555	3,887	389	9,330	7,775	-	17,105	4,276	1,555	3,887	8,941	10,496	19,437	77,748	65,401
Total Salaries and Related Expenses	146,787	22,778	71,945	7,604	153,093	138,327	-	288,987	73,051	21,054	73,167	159,018	180,659	339,677	1,336,470	1,112,952
Professional Fees	5,943	330	138,249	22,900	144,967	56,289	-	4,772	907	2,614	3,196	87,573	7,522	95,095	475,262	224,662
Office Supplies	1,859	777	1,411	134	2,514	1,618	-	5,298	941	1,100	1,003	4,291	1,879	6,170	22,825	18,198
Telephone	2,916	321	2,040	819	6,324	3,484	-	14,522	884	321	1,237	32,868	3,502	5,353	38,221	31,059
Postage and Printing	326	2,001	1,775	2,045	1,922	466	-	5,472	271	2,757	360	13,904	595	14,499	31,894	26,799
Computer and Copier Expenses (Note 8)	7,941	751	5,659	188	8,487	9,207	-	11,518	2,064	1,043	1,876	4,315	5,582	9,897	58,631	27,011
Rent (Note 15)	18,534	2,235	2,980	1,329	15,225	19,167	-	44,331	11,021	1,856	6,487	19,272	17,042	36,314	159,479	130,557
Insurance	695	126	316	32	36,012	632	-	1,390	348	126	316	2,527	853	3,380	43,373	12,083
Maintenance Expense	-	-	-	-	-	-	-	-	-	-	-	2,959	-	2,959	2,959	2,089
Seminar and Training	-	-	-	1,100	573	4,425	-	-	-	-	-	2,158	-	2,158	8,256	3,563
Advertising and Promotion	-	-	-	-	-	-	-	-	-	-	-	6,098	-	6,098	-	-
Books and Publications	2,230	-	631	3,476	2,841	281	-	3,706	-	234	6,304	4,713	615	5,328	25,031	570
Subscriptions, Memberships and Dues	539	-	975	2,500	310	1,642	-	35	-	-	-	3,692	2,006	5,698	43,899	42,739
Transcription Services	1,178	-	2,618	-	-	-	-	5,052	-	-	32,200	38,201	2,006	5,698	43,899	42,739
Newsletter	13,719	-	-	-	-	-	-	-	-	-	3,258	16,798	-	-	16,798	21,502
Board Meetings Expense	-	-	-	-	-	-	-	-	-	-	-	13,719	-	-	13,719	13,461
Sub-Recipient Grants	-	-	-	-	-	-	-	-	-	-	-	14,771	-	14,771	14,771	17,045
and Contracts (Note 10)	-	-	34,082	-	1,808,488	1,088,209	21,429	32,196	550,000	-	500	3,534,904	-	-	3,534,904	3,612,041
Relocation Expenses	-	-	-	-	-	-	-	-	-	-	-	3,800	-	3,800	3,800	46,336
Moving Expense	-	-	-	-	-	-	-	-	-	-	-	3,800	-	3,800	3,800	46,336
Travel	5,902	4,533	8,234	23,404	31,737	12,697	-	266	-	-	-	266	-	266	9,087	9,087
Conference Expenses	-	14,409	22,094	26,690	110	2,248	11,100	36,344	-	12,598	53,755	31,536	11,025	42,561	231,765	131,689
Fund-raising Event (Note 12)	-	-	-	-	-	-	-	15,004	-	24,059	22,916	1,472	-	1,472	140,102	217,947
Interest Expense (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-	94,485	94,485	63,137	63,137
Bank Charges	-	-	1,346	1,069	-	-	-	-	-	-	-	62	-	62	62	-
Miscellaneous	-	1,461	800	-	3,095	9,210	-	-	-	53	-	14,773	-	1,394	16,167	12,076
In-kind Expense - Salary (Note 2)	-	-	-	-	-	-	-	-	-	-	-	8,500	-	8,500	10,761	6,797
Total Functional Expenses before Depreciation	208,569	49,722	295,155	93,290	2,215,698	1,347,902	32,529	468,893	639,487	72,507	206,575	5,630,327	325,765	743,573	6,373,900	5,858,234
Depreciation (Note 2)	1,858	338	844	84	2,027	1,689	-	3,716	929	338	845	12,668	2,280	4,222	16,890	7,578
Total Functional Expenses	\$210,427	\$50,060	\$295,999	\$93,374	\$2,217,725	\$1,349,591	\$32,529	\$472,609	\$640,416	\$72,845	\$207,420	\$5,642,995	\$328,045	\$747,795	\$6,390,790	\$5,865,812

See notes to financial statements.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(with comparative totals for 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:

- 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 less amounts due on the Obligation under Capital Lease.

ALBERT B. SABIN VACCINE INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(with comparative totals for 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 9).

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 and 2005, 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, 2005  
(with comparative totals for 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 has been valued at \$50,000. The Institute has reflected an In-kind Contribution and corresponding Salaries expense on the accompanying Statements of activities for each of the years ended December 31, 2005 and 2004.

Restricted Investments

Restricted investments held by the Institute, are reflected at fair value. Realized gains or losses, Unrealized appreciation or depreciation, and Dividend and Interest on Investments are reflected on the accompanying Statements 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, 2005  
(with comparative totals for 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.

Agency Transactions

The Institute acted as an agent for the World Health Organization during the years ended December 31, 2005 and 2004. During the year ended December 31, 2004, the Institute received funds of approximately \$40,000 for a conference given by the World Health Organization in Cairo, Egypt, which were distributed in full by December 31, 2004. Also during the year ended December 31, 2004, the Institute received \$50,000 for a Rotavirus surveillance network on behalf of the World Health Organization that had not been distributed by December 31, 2004. During the year ended December 31, 2005 the Institute received an additional \$25,000 on behalf of the World Health Organization for the Rotavirus surveillance network. The Institute distributed all Agency funds received for the Rotavirus surveillance network by December 31, 2005.

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Reclassifications

Certain balances at December 31, 2004 have been reclassified to agree with the 2005 presentation.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Cash

The Institute maintains Cash accounts at several 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.

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NOTE 4 - RESTRICTED INVESTMENTS

Investments at December 31, consisted of the following (Note 2):

2005			
<u>Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Money Market Funds	\$1,866,714	\$1,866,714	\$ -
U.S. Government Agency Fixed Income Securities	840,727	837,887	(2,840)
Total	<u>\$2,707,441</u>	<u>\$2,704,601</u>	<u>(\$2,840)</u>
2004			
<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	526,874	519,222	(7,652)
Total	<u>\$868,633</u>	<u>\$860,516</u>	<u>(\$8,117)</u>

During the year ended December 31, 2005, the Institute sold Investments with a cost of \$826,357 for \$813,427, resulting in a realized loss of \$12,930.

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 gain dividends of \$1,405.

NOTE 5 - PREPAID PATENT COSTS - HOOKWORM VACCINE

During the years ended December 31, 2005 and 2004, the Institute incurred approximately \$5,400 and \$47,400, respectively, of legal costs in connection with the Patent applications in the United States of America and abroad for the Hookworm vaccine. No amortization was being taken on the Patent applications at either December 31, 2005 or 2004 since the Patent applications are in the preliminary stages.

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NOTE 6 - REFUNDABLE ADVANCES ON GRANTS

Refundable advances on grants at December 31 consisted of the following:

<u>2005</u>		
<u>Grantor</u>	<u>Program Name</u>	<u>Refundable Advances on Grants</u>
Glaxo Smith Kline	Rotavirus Vaccine	\$148,466
Serum Institute of India, Inc.	Rubella Program	<u>330,961</u>
Total		<u>\$479,427</u>
<u>2004</u>		
<u>Grantor</u>	<u>Program Name</u>	<u>Refundable Advances on Grants</u>
Glaxo Smith Kline	Rotavirus Vaccine	\$786,084
*PATH	Rotavirus Vaccine	<u>27,000</u>
Total		<u>\$813,084</u>

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

Various grant programs have a funding period which extends beyond December 31. 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 would be reflected in the accompanying financial statements for any Grant where expenditures exceeded payments received from Grantors. At December 31, 2005 and 2004 there were no Grant receivables.

NOTE 7 - SPONSORSHIP PAYABLE

Sponsorship payable consisted of the refundable portion of advances.



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NOTE 8 - OBLIGATION UNDER CAPITALIZED LEASE

During the year ended December 31, 2005, the Institute entered into a capital lease for a copier, which provides for a lease term of 36 months, annual payments of approximately \$3,000 and a purchase option of one dollar at the end of the lease term. In reflecting the lease on the accompanying financial statements, interest was imputed at approximately 10.5%. Interest expense for the year ended December 31, 2005 amounted to approximately \$60. Minimum future payments under the capital lease as of December 31, 2005 for each of the next three years are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2006	\$2,971
2007	2,971
2008	<u>2,477</u>
Total Minimum Lease Payments	8,419
Less: Amount Representing Interest	<u>1,115</u>
Present Value of Net Minimum Lease Payment	<u>\$7,304</u>

NOTE 9 - NET ASSETS

Temporarily Restricted Net Assets

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

	<u>2005</u>	<u>2004</u>
Hookworm Vaccine Initiative (Note 10)	\$ 573,200	\$1,012,894
Rotavirus Symposium	70,762	81,862
Human Hookworm Initiative (Note 10)	2,049,394	-
Institute Newsletters	30,000	-
Rotavirus Conference	<u>100,000</u>	<u>-</u>
Total	<u>\$2,823,356</u>	<u>\$1,094,756</u>

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NOTE 9 - NET ASSETS (continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors during the year ended December 31 were as follows (Note 13):

	<u>2005</u>	<u>2004</u>
Hookworm Vaccine Initiative	\$1,012,894	\$3,500,180
Sabin Vaccine Policy Colloquium	-	4,180
Chlamydia Colloquium	-	15,331
Rotavirus Symposium	<u>11,100</u>	<u>-</u>
Total	<u>\$1,023,994</u>	<u>\$3,519,691</u>

NOTE 10 - GATES FOUNDATION FUNDING

The Institute received a six-year Grant (beginning April 2000) from the Bill and Melinda Gates Foundation in the total amount of \$18,000,000. The Grant is for the development of a 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 Grant award. All requirements for the sixth and final installment were fulfilled, and the sixth installment was received in August 2005. The funds have been segregated and invested. The earnings on the funds are available only for the Hookworm vaccine initiative (Note 4).

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NOTE 10 - GATES FOUNDATION FUNDING (continued)

During the year ended December 31, 2005 the Institute received a new six-year Grant from the Bill and Melinda Gates Foundation of approximately \$21,870,000 for the development and test of a recombinant vaccine for Human Hookworm infection. The Grant period runs from May 1, 2005 through May 1, 2011 and the initial payment of approximately \$3,400,000 was received in May 2005. The balance of the funds are to be paid over the remaining five-year period contingent upon the Institute meeting certain milestones as outlined in the Grant award. The funds have been segregated and invested. The earnings on the funds are available only for the Human Hookworm Initiative (Note 4).

During the year ended December 31, 2005 the Institute also received approximately \$150,000 from the Bill and Melinda Gates Foundation to sponsor the annual Vaccine colloquium. During the prior years, the Institute also received \$500,000 from the Bill and Melinda Gates Foundation to fund certain colloquiums. The initial \$100,000 was received in October 2000 for the Cancer Vaccine Colloquium. The final funding of the \$500,000 award was received in July 2004 for the October 2004 Colloquium.

In conjunction with the Hookworm Vaccine Initiative and the Human Hookworm 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, 2005 totaled \$3,285,192 for both the Hookworm Vaccine and Human Hookworm Initiatives of which \$388,495 represented forward funding. Grants paid out during the year ended December 31, 2004 totaled \$3,523,422 for the Hookworm Vaccine Initiative of which \$238,116 represented forward funding. Forward funding for the years ended December 31, 2005 and 2004 are reflected in the accompanying financial statements as Prepaid - Sub-recipient Grants.

NOTE 11 - 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 years ended December 31, 2005 and 2004, the Institute has reflected approximately \$73,500 and \$54,300, respectively, of Deferred revenue from Membership dues.

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NOTE 12 - FUND-RAISING EVENT REVENUES AND EXPENSES

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

	<u>Sabin Awards Dinner</u>	
	<u>2005</u>	<u>2004</u>
Revenue	\$535,018	\$450,378
<u>Expenses</u>		
Cost of Direct Benefits	80,194	64,663
Event Expenses	<u>94,485</u>	<u>63,137</u>
Net	<u>\$360,339</u>	<u>\$322,578</u>

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NOTE 13 - PROGRAM REVENUE AND EXPENSES

Program revenue and expenses for the year ended December 31, 2005 consisted of the following:

	Gold Medal Awards Dinner	Cancer Vaccine Consortium and ELISPOT Panel	Varicella Conference	Hookworm Vaccine Initiative	Human Hookworm Initiative	Rotavirus and Rotavirus Symposium	Rubella Program	Rotavirus Program	Sabin Cancer Colloquium	Sabin Vaccine Policy Colloquium	Total
Revenues											
Sponsorships	\$38,000	-	\$116,798	-	-	-	-	-	\$28,000	\$150,075	\$ 332,873
Grants	-	-	-	1,249,510	1,405,968	27,000	669,039	577,232	9,000	-	3,937,749
Membership Fees	-	162,386	-	-	-	-	-	-	-	-	162,386
Registration Fees	-	83,503	3,775	-	-	-	-	-	18,600	-	105,878
Release of Restricted Contributions (Note 8)	-	-	-	1,012,894	-	11,100	-	-	-	-	1,023,994
Total Revenues	38,000	245,889	120,573	2,262,404	1,405,968	38,100	669,039	577,232	55,600	150,075	5,562,880
Total Expenses	50,060	295,999	93,374	2,217,725	1,349,591	32,529	640,416	472,609	72,845	207,420	5,432,568
Net	(\$12,060)	(\$50,110)	\$27,199	\$44,679	\$56,377	\$5,571	\$28,623	\$104,623	(\$17,245)	(\$57,345)	\$130,312

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NOTE 13 - PROGRAM REVENUE AND EXPENSES (continued)

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 Conference	Hookworm Vaccine Initiative Conference	Rotavirus Program	Rubella Conference	Sabin Cancer Colloquium	Sabin Vaccine Policy Colloquium	Total
Revenues								
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)	-	-	3,500,180	-	-	-	4,180	3,519,691
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	356,104	23,563	115,460	144,490	5,076,982
Net	(\$28,061)	(\$36,368)	\$264,314	\$ -	(\$6,453)	(\$11,255)	(\$40,310)	\$138,108

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NOTE 15 - LEASE COMMITMENTS (continued)

The Institute has paid approximately \$16,000 for Security deposits on its two offices.

Minimum future rental payments at December 31, 2005 are:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2006	\$158,000
2007	135,700
2008	135,700
2009	135,700
2010	<u>90,500</u>
Total	<u>\$655,600</u>

NOTE 16 - RESTATEMENT

The Institute has restated its net assets at January 1, 2005 to reflect certain Net assets that were not properly classified at that date and for the following item:

Overstatement of Refundable Advances \$60,387

NOTE 17 - PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements at December 31, 2004 and for the year ended December 31, 2004, from which the summarized information was derived.