

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
Including Uniform Guidance Reports
and Independent Auditor's Report

December 31, 2023 and 2022

Albert B. Sabin Vaccine Institute, Inc.

Financial Statements
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Albert B. Sabin Vaccine Institute, Inc. (“the Institute”), which comprise the statements of financial position as of December 31, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audit 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2024, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.



Vienna, Virginia
July 23, 2024

Albert B. Sabin Vaccine Institute, Inc.

Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 4,387,287	\$ 7,267,962
Investments	2,129,566	1,567,879
Grants and other receivables	6,454,584	9,677,088
Prepaid expenses and deposits	366,008	513,188
Property and equipment, net	553,870	730,567
Patent, net	949,353	1,201,953
Right-of-use asset – operating lease	20,946	269,035
Deferred compensation asset	523,902	477,003
	\$ 15,385,516	\$ 21,704,675
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,711,692	\$ 5,814,295
Lease termination liability	780,000	-
Lease liability – operating lease	61,248	1,059,093
Deferred compensation liability	523,902	477,003
	3,076,842	7,350,391
Net Assets		
Without donor restrictions		
Undesignated	1,941,087	2,610,358
Board-designated	3,626,000	1,701,583
	5,567,087	4,311,941
With donor restrictions	6,741,587	10,042,343
	12,308,674	14,354,284
Total net assets	12,308,674	14,354,284
Total liabilities and net assets	\$ 15,385,516	\$ 21,704,675

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ -	\$ 7,467,901	\$ 7,467,901
Federal grants and contracts	31,355,753	-	31,355,753
Other contracts	508,105	-	508,105
Contributions	172,551	484,008	656,559
In-kind contributions	359,192	-	359,192
Investment return	112,482	-	112,482
Membership dues	20,355	-	20,355
Released from restrictions	11,252,665	(11,252,665)	-
Total revenue and support	<u>43,781,103</u>	<u>(3,300,756)</u>	<u>40,480,347</u>
Expenses			
Program services	<u>37,285,537</u>	<u>-</u>	<u>37,285,537</u>
Supporting services:			
General and administrative	4,182,192	-	4,182,192
Fundraising	<u>278,228</u>	<u>-</u>	<u>278,228</u>
Total supporting services	<u>4,460,420</u>	<u>-</u>	<u>4,460,420</u>
Total expenses	<u>41,745,957</u>	<u>-</u>	<u>41,745,957</u>
Change in Net Assets from Operations	2,035,146	(3,300,756)	(1,265,610)
Non-Operating Activity			
Loss on lease termination	<u>(780,000)</u>	<u>-</u>	<u>(780,000)</u>
Total non-operating activity	<u>(780,000)</u>	<u>-</u>	<u>(780,000)</u>
Change in Net Assets	1,255,146	(3,300,756)	(2,045,610)
Net Assets, beginning of year	<u>4,311,941</u>	<u>10,042,343</u>	<u>14,354,284</u>
Net Assets, end of year	<u><u>\$ 5,567,087</u></u>	<u><u>\$ 6,741,587</u></u>	<u><u>\$ 12,308,674</u></u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ -	\$ 11,922,667	\$ 11,922,667
Federal grants and contracts	20,781,930	-	20,781,930
Other contracts	681,171	-	681,171
Contributions	37,611	43,857	81,468
In-kind contributions	77,618	-	77,618
Investment return	(49,426)	-	(49,426)
Released from restrictions	11,398,158	(11,398,158)	-
Total revenue and support	<u>32,927,062</u>	<u>568,366</u>	<u>33,495,428</u>
Expenses			
Program services	<u>28,218,465</u>	<u>-</u>	<u>28,218,465</u>
Supporting services:			
General and administrative	2,783,555	-	2,783,555
Fundraising	358,325	-	358,325
Total supporting services	<u>3,141,880</u>	<u>-</u>	<u>3,141,880</u>
Total expenses	<u>31,360,345</u>	<u>-</u>	<u>31,360,345</u>
Change in Net Assets	1,566,717	568,366	2,135,083
Net Assets, beginning of year	<u>2,745,224</u>	<u>9,473,977</u>	<u>12,219,201</u>
Net Assets, end of year	<u><u>\$ 4,311,941</u></u>	<u><u>\$ 10,042,343</u></u>	<u><u>\$ 14,354,284</u></u>

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statements of Functional Expenses
For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Salaries	\$ 6,085,218	\$ 1,731,957	\$ 216,401	\$ 8,033,576	\$ 5,479,862	\$ 807,383	\$ 244,155	\$ 6,531,400
Employee benefits	525,907	486,784	22,774	1,035,465	459,518	316,813	24,093	800,424
Payroll taxes	268,106	241,952	16,211	526,269	264,858	170,036	16,548	451,442
Professional fees	24,595,930	747,787	5,738	25,349,455	16,861,666	693,781	68,332	17,623,779
Advertising and promotion	14,899	30,532	-	45,431	95,787	24,279	-	120,066
Public affairs	115,878	37,409	-	153,287	344,517	-	2,805	347,322
Office supplies	3,896	9,599	-	13,495	10,755	17,544	-	28,299
Telephone	1,214	5,787	-	7,001	3,233	16,508	164	19,905
Postage and printing	10,878	1,692	77	12,647	3,188	1,443	7	4,638
Computer and copier	27,970	46,096	1,645	75,711	21,520	28,551	-	50,071
Rent	-	273,746	-	273,746	-	268,707	-	268,707
Insurance	115,619	31,382	-	147,001	195,456	45,767	-	241,223
Internet	307	9,639	-	9,946	247	10,074	-	10,321
Seminar and training	2,409	9,034	-	11,443	2,130	2,528	-	4,658
Books and publications	46	-	-	46	2,312	-	-	2,312
Dues and subscriptions	41,486	102,193	5,000	148,679	62,738	65,020	1,782	129,540
Conferences and meetings	1,433,677	54,887	-	1,488,564	525,939	13,262	-	539,201
Sub-recipient grants	3,064,520	-	-	3,064,520	3,127,948	-	-	3,127,948
Travel	548,030	66,375	10,178	624,583	492,322	58,254	10	550,586
Depreciation and amortization	252,600	176,697	-	429,297	252,600	146,587	-	399,187
Recruiting	170,473	29,514	204	200,191	3,965	57,478	105	61,548
Miscellaneous	6,474	89,130	-	95,604	7,904	39,540	324	47,768
Subtotal	37,285,537	4,182,192	278,228	41,745,957	28,218,465	2,783,555	358,325	31,360,345
Loss on lease termination	-	780,000	-	780,000	-	-	-	-
Total Expenses	\$ 37,285,537	\$ 4,962,192	\$ 278,228	\$ 42,525,957	\$ 28,218,465	\$ 2,783,555	\$ 358,325	\$ 31,360,345

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (2,045,610)	\$ 2,135,083
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization on property and equipment	176,697	146,587
Amortization on patent	252,600	252,600
Amortization on right-of-use asset – operating lease	248,089	240,588
Unrealized and realized (gain) loss on investments	(13,860)	99,380
Loss on lease termination	780,000	-
Change in operating assets and liabilities:		
Decrease (increase) in grants and other receivables	3,222,504	(4,825,450)
Decrease (increase) in prepaid expenses and deposits	147,180	(202,691)
Increase in deferred compensation asset	(31,374)	(20,598)
(Decrease) increase in accounts payable and accrued expenses	(4,102,603)	1,105,558
Decrease in lease liability – operating lease	(997,845)	(704,758)
Increase (decrease) in deferred compensation liability	46,899	(78,881)
Net cash used in operating activities	(2,317,323)	(1,852,582)
Cash Flows from Investing Activities		
Purchase of fixed assets	-	(176,358)
Purchase of investments	(563,352)	(9,447)
Net cash used in investing activities	(563,352)	(185,805)
Net Decrease in Cash and Cash Equivalents	(2,880,675)	(2,038,387)
Cash and Cash Equivalents, beginning of year	7,267,962	9,306,349
Cash and Cash Equivalents, end of year	\$ 4,387,287	\$ 7,267,962

See accompanying notes.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations

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

The Institute receives support in the form of contributions, sponsorships, contracts, and grants. The Institute is a leading advocate for expanding global immunization and advancing vaccine research and development. Unlocking the potential of vaccines through partnership, the Institute has built a robust ecosystem of funders, innovators, implementers, practitioners, policy makers, and public stakeholders to advance its vision of a future free from preventable diseases. As a nonprofit with more than 30 years of experience, the Institute is committed to finding solutions that last and extending the full benefits of vaccines to all people, regardless of who they are or where they live.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Institute’s financial statements are prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded when incurred.

Net assets are classified as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve fund and an U.S. government overhead rate reserve fund.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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 90 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, based on quoted market prices, and consist primarily of money market funds held for investment. All realized and unrealized gains and losses are reported as a component of investment return in the accompanying statements of activities.

Grants and Other Receivables

Grants and other receivables represent program expenditures incurred and submitted to grantor organizations for approval. All grants and other receivables are expected to be collected within one year, and are recorded at net realizable value. No allowance for doubtful accounts has been recorded, as management believes that all receivables are fully collectible.

Property and Equipment

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

Patent

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

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Operating Lease

The Institute records a right-of-use asset and lease liability for its operating lease. The right-of-use asset is amortized over the shorter of the lease term or the economic life of the leased asset. The Institute lease liability represents the net present value of the future amounts due under the lease, calculated using a risk-free rate of return selected based on the term of the lease. For real estate leases, nonlease components are separated from the lease components for accounting purposes. The Institute does not apply the recognition requirements under Accounting Standards Codification (ASC) Topic 842, *Leases*, to short-term leases.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Corporate and foundation grants and contributions are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received by the Institute. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Institute reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Institute's programs or to a future year.

Federal grants and contracts are nonreciprocal and recognized as contributions. Typically, federal grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, are cost-reimbursable. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific grant or contract provisions. Revenue recognized on these federal grants and contracts, and on federal grants and contracts for which billings have not been presented to, or collected from, the awarding agency, is included in grants and other receivables in the accompanying statements of financial position. Certain pass-through fixed fee grants are not conditioned upon certain performance obligations and are recorded as grants with restrictions in the accompanying statements of activities.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts

Revenue is recognized when the Institute satisfies a performance obligation by transferring a promised good or performing a service. The amount of revenue recognized reflects the consideration the Institute expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Institute combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position.

Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, the Institute recognizes revenue as follows:

Other contracts revenue includes an Other Transaction Authority agreement that is reciprocal and recognized as an exchange transaction. The Institute recognizes revenue upon satisfying performance obligations that are represented by milestones.

In-Kind Contributions

Donations of goods are recorded as support at their estimated fair values at the date of donation. 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, 2023 and 2022, the Institute received pro bono legal services in the amount of \$359,192 and \$77,618, respectively, which are recorded in revenue and expenses in the accompanying statements of activities.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

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

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.

Advertising Costs

The Institute expenses advertising costs as incurred. Advertising costs were \$45,431 and \$120,066 for the years ended December 31, 2023 and 2022, respectively.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through July 23, 2024, the date the financial statements were available to be issued.

3. Liquidity and Availability

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

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

3. Liquidity and Availability (continued)

The following table reflects the Institute's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual or donor-imposed restrictions, as of December 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 4,387,287	\$ 7,267,962
Short-term investments	2,129,566	1,567,879
Grants and other receivables	<u>6,454,584</u>	<u>9,677,088</u>
Total financial assets	12,971,437	18,512,929
Less: funds with restrictions	<u>(6,741,587)</u>	<u>(10,042,343)</u>
Total available for general expenditures	<u>\$ 6,229,850</u>	<u>\$ 8,470,586</u>

The Institute considers its Board-designated reserve fund to be available to meet cash needs for general expenditures with the Board's approval, if necessary.

Financial assets with contractual and donor-imposed restrictions represent a large part of the Institute's revenue stream. These funds are not flexible and could not be included in the funds available for general expenditures, and will be used by the Institute in line with the donor-imposed restrictions.

4. Concentrations of Risk

Revenue Risk

The Institute derives its revenue and other support primarily from grants, contracts, and contributions from private foundations and the U.S. government. Any material change in the level of support from these organizations could affect the Institute's program activities.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

4. Concentrations of Risk (continued)

Credit Risk

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 uninsured portions of these accounts are backed solely by the asset of the underlying financial institution. Therefore, the failure of an underlying institution could result in financial loss of the Institute. The Institute has established guidelines relative to diversification and maturities that maximize safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rate. At December 31, 2023 and 2022, the Institute's balances exceed federally insured limits by approximately \$6,016,000 and \$8,335,000, respectively.

5. Investments and Fair Value Measurements

The Institute follows Financial Accounting Standards Board ASC 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, 2023 and 2022

5. Investments and Fair Value Measurements (continued)

The following table presents the Institute's fair value hierarchy for those assets measured on a recurring basis as of December 31:

	Level 1	Level 2	Level 3	Total fair value
<u>2023:</u>				
Investments:				
Money market funds, held for investment	\$ 2,129,566	\$ -	\$ -	\$ 2,129,566
Deferred compensation:				
Mutual funds	523,902	-	-	523,902
Total assets at fair value	<u>\$ 2,653,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,653,468</u>
 <u>2022:</u>				
Investments:				
Money market funds, held for investment	\$ 1,567,879	\$ -	\$ -	\$ 1,567,879
Deferred compensation:				
Money market funds	32,240	-	-	32,240
Mutual funds	444,763	-	-	444,763
Total assets at fair value	<u>\$ 2,044,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,044,882</u>

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

	2023	2022
Interest and dividends	\$ 98,622	\$ 49,954
Unrealized and realized gain (loss)	13,860	(99,380)
Total investment return	<u>\$ 112,482</u>	<u>\$ (49,426)</u>

The Institute did not have any investment management expenses for the years ended December 31, 2023 and 2022, as the Institute's portfolio is self-directed.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

6. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 1,192,938	\$ 1,192,938
Computer equipment and software	377,010	377,010
Furniture and equipment	<u>152,006</u>	<u>152,006</u>
Total property and equipment	1,721,954	1,721,954
Less: accumulated depreciation and amortization	<u>(1,168,084)</u>	<u>(991,387)</u>
Property and equipment, net	<u><u>\$ 553,870</u></u>	<u><u>\$ 730,567</u></u>

7. 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, 2023 and 2022 was \$2,040,447 and \$1,787,847, respectively.

8. Commitments and Contingencies

Government Grants and Contracts

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

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

8. Commitments and Contingencies (continued)

Operating Leases

On June 24, 2016, the Institute entered into an operating lease for office space at a location in Washington, D.C., which commenced on February 1, 2017 and was set to expire on January 31, 2028. This lease agreement was subsequently amended on June 26, 2017 to include additional office space. Base monthly rent payments did not include pro rata share of the building's operating expenses and real estate taxes, and were subject to a 2.5% annual increase. As a lease incentive, the landlord provided 12 months of free rent and a leasehold improvement allowance.

In January 2023, the Institute exercised the early termination clause for its office lease, with the early lease termination date on January 31, 2024. The early termination fee was agreed to be a total of \$1,047,635. The Institute paid the first portion of the termination fee of \$267,635 in January 2023 and the remaining portion of \$780,000 will be paid in 24 equal monthly installments of \$32,500 each, beginning on February 28, 2024. At December 31, 2023, the liability related to termination penalty was \$780,000 and is recorded as lease termination liability in the accompanying statement of financial position. Effective on January 16, 2024, the Institute started a license agreement for an office space that expires on January 31, 2026.

Supplemental qualitative information related to the office lease is as follows at December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 251,835	\$ 251,835
Cash paid for amounts included in the measurement of lease liability – operating cash flows	\$ 997,845	\$ 704,758
Right-of-use asset obtained in exchange for lease obligations	\$ -	\$ 269,035
Remaining lease term (in years)	0.1	1.1
Discount rate	0.78%	0.78%

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

8. Commitments and Contingencies (continued)

Operating Leases (continued)

Maturities of the lease liability under the Institute's office lease are as follows for the year ending December 31:

2024	\$ 61,288
Total minimum lease payments	61,288
Less: discount to present value at 0.78%	<u>(40)</u>
Present value of operating lease liability	<u>\$ 61,248</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, 2022 for the office lease and amendment was \$52,843. On January 31, 2023, the landlord agreed to allow the Institute to provide the entire security deposit of \$52,843 in the form of cash instead of the letter of credit. The letter of credit was terminated by the bank in May 2024.

Employment Agreements

The Institute has employment agreements with a key executive. The employment agreement contains provisions for a fixed salary, performance bonus, and other allowances, some of which are deferred. Amounts related to the deferred compensation are reflected as deferred compensation liability in the accompanying statements of financial position.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

9. Board-Designated Net Assets

The governing Board of the Institute has designated, from net assets without donor restrictions, net assets for two funds:

Operating reserve fund is to help ensure the long-term ability of the Institute to meet its mission by creating an internal line of credit to maintain cash flow and financial flexibility; to enable the Institute to sustain operations through delays in payments of committed funding; and to pay for one-time, nonrecurring expenses that will build capacity, such as staff development or research and development. The target minimum reserve fund approximates six months of operating expenses on average.

U.S. government overhead rate reserve fund is intended to mitigate the risk of lower recovery rates that may result from annual incurred submission audits required in the U.S. government contracts.

Board-designated net assets consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Operating reserve fund	\$ 2,626,000	\$ 1,701,583
U.S. government overhead rate reserve fund	<u>1,000,000</u>	<u>-</u>
Property and equipment, net	<u>\$ 3,626,000</u>	<u>\$ 1,701,583</u>

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

10. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Vaccine acceptance and demand	\$ 1,039,942	\$ 3,476,590
Applied Epidemiology initiatives	2,638,310	1,839,600
Safety syringe advocacy	952,352	1,204,952
Global Community Engagement Initiatives (Boost Network)	449,601	497,314
Rotavirus initiatives and conferences	71,822	513,792
Flu vaccine initiatives	257,725	707,880
Lifecourse workshops	-	242,459
Priority VAX	6,694	11,294
Meningococcal initiatives	15,168	15,168
CaT Conference 2023-2025	677,241	1,353,294
HPV Consortium Support	470,193	180,000
ZD Story Generation	162,539	-
Total net assets with donor restrictions	<u>\$ 6,741,587</u>	<u>\$ 10,042,343</u>

11. Retirement Plans

Defined Contribution Plan

The Institute offers a 401(k) plan to full-time employees who are 21 years of age and have completed three consecutive months of employment. Employees may participate by deferring compensation up to the Internal Revenue Service limit, which was \$22,500 and \$20,500 in 2023 and 2022, respectively, into the plan each year on a voluntary basis. Additionally, the Institute may elect to match a portion of the employee's contribution on an annual basis. During the years ended December 31, 2023 and 2022, the Institute's match amounted to \$225,676 and \$197,768, respectively.

Albert B. Sabin Vaccine Institute, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

11. Retirement Plans (continued)

Deferred Compensation Plan

During 2016, the Institute adopted a non-qualified deferred compensation plan under IRC Section 457(b) for an executive employee. An additional plan was adopted during 2017 for another executive employee. Deferred compensation and investments designated for such deferrals are only available and taxable upon termination of employment, retirement, death, or an unforeseeable emergency. Until paid or made available to the participant or beneficiary, all deferred amounts, and investment earnings related thereto, are solely the property and rights of the Institute. Investment earnings, including interest and dividends, and unrealized and realized gains and losses, are included in investment return in the accompanying statements of activities. At December 31, 2023 and 2022, the deferred compensation asset and corresponding liability totaled \$523,902 and \$477,003, respectively.

12. Allocation of Expenses from Management and General Activities

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

13. Income Taxes

Under IRC Section 501(c)(3), the Institute is exempt from the payment of taxes on income other than net unrelated business income. No tax expense is recorded in the accompanying financial statements for the years ended December 31, 2023 and 2022, as there was no significant 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.

**SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Albert B. Sabin Vaccine Institute, Inc. (“the Institute”), which comprise the statement of financial position as of December 31, 2023; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated July 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Financial Reporting (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Vienna, Virginia
July 23, 2024

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Albert B. Sabin Vaccine Institute, Inc.’s (“the Institute”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Institute’s major federal programs for the year ended December 31, 2023. The Institute’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Institute’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Institute's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Vienna, Virginia
July 23, 2024

Albert B. Sabin Vaccine Institute, Inc.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency/Pass-Through Agency/Program or Cluster Title	Agency or Pass- Through Grant Number	Assistance Listing Number	Federal Expenditures	Subrecipient Awards
<i>Research and Development Cluster</i>				
<u>National Science Foundation</u>				
<i>Pass-Through from U.S. Civilian Research and Development Foundation:</i>				
PriorityVax Platform	OISE-19-65582-1	47.079	\$ 4,600	\$ -
Total National Science Foundation			<u>4,600</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Pass-Through from the Office of the Assistant Secretary for Preparedness and Response, Biomedical Advanced Research and Development Authority:</i>				
Sudan Ebolavirus and Marburg Virus (SEAM) Vaccine Development	75A50119C00055	93.360	20,131,049	13,081,278
Strategic Outbreak Response Manufacturing (StORM)	75A50123C00010	93.360	11,224,704	8,280,000
Total U.S. Department of Health and Human Services			<u>31,355,753</u>	<u>21,361,278</u>
<i>Total Research and Development Cluster</i>			<u>31,360,353</u>	<u>21,361,278</u>
Total Expenditures of Federal Awards			<u>\$ 31,360,353</u>	<u>\$ 21,361,278</u>

See accompanying notes to the schedule of expenditures of federal awards.

Albert B. Sabin Vaccine Institute, Inc.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Institute under the programs of the federal government for the year ended December 31, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Institute, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Institute.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rates

The Institute records its expenditures of federal awards using the indirect cost rate set forth in the contract. Accordingly, the Institute has not elected to use the 10% *de minimis* indirect rate as allowed under the Uniform Guidance.

4. Reconciliation to Financial Statements

Reconciliation between federal expenditures per the SEFA and federal grants and contracts per the accompanying statement of activities for the year ended December 31, 2023 is as follows:

Federal expenditures per the schedule of expenditures of federal awards	\$ 31,360,353
Less: released from restricted fund	<u>(4,600)</u>
Federal grants and contracts per statement of activities	<u><u>\$ 31,355,753</u></u>

Albert B. Sabin Vaccine Institute, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor’s report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster Title</u>
47.079 and 93.360	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Albert B. Sabin Vaccine Institute, Inc.

Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2023

Section II – Financial Statement Findings

There were no financial statement findings reported during the fiscal year 2023 audit.

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

There were no federal award findings or questioned costs reported during the fiscal year 2023 audit.

Albert B. Sabin Vaccine Institute, Inc.

Corrective Action Plan
For the Year Ended December 31, 2023

There were no findings for the year ended December 31, 2023, and therefore, a corrective action plan was not needed.

Albert B. Sabin Vaccine Institute, Inc.

Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

There were no findings or questioned costs reported for the December 31, 2022 audit.