

**Institute For Science And Health**  
**Financial Statements**  
**As of September 30, 2005 and 2004**  
**Together With Auditor's Report**

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**INDEPENDENT AUDITOR'S REPORT**

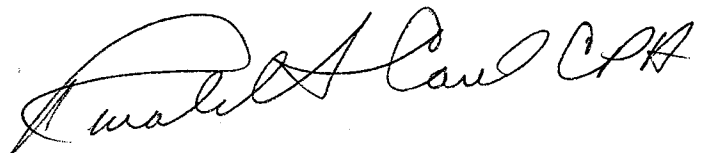
To the Board of Directors of  
  
Institute For Science And Health

I have audited the accompanying Statements of Financial Position of the Institute For Science And Health (A Missouri General Not-For-Profit Corporation) as of September 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute For Science And Health. as of September 30, 2005 and 2004, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

December 5, 2005

A handwritten signature in black ink, reading "Ronald L. Carel CPA". The signature is written in a cursive style and is positioned to the right of the date.

**Institute for Science and Health  
Statement of Financial Position  
September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,700,781	\$4,404,054
Other current assets	<u>1,210</u>	<u>1,210</u>
Total current assets	\$ 4,701,991	\$4,405,264
Furniture and equipment (Note 3 )	<u>85,086</u>	<u>113,369</u>
	<u>\$ 4,787,077</u>	<u>\$4,518,633</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 667</u>
Total current liabilities/total liabilities	\$ -	\$ 667
Net assets:		
Unrestricted net assets:	<u>4,787,077</u>	<u>4,517,966</u>
Total liabilities and net assets	<u>\$ 4,787,077</u>	<u>\$4,518,633</u>

See accompanying notes to financial statements

**Institute for Science and Health**  
**Statement of Activities**  
**For the Year Ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Support</b>		
Unrestricted grant income	\$ 1,345,000	\$ 2,375,000
Conversion rate income	360,093	666,640
Donation income	4,746	68,004
Special event income	83,711	41,654
Interest & dividend income	53,610	38,713
Other Income	421	74
	<hr/>	<hr/>
<b>Total unrestricted support</b>	<b>\$ 1,847,581</b>	<b>\$ 3,190,085</b>
<b>Expenses</b>		
<b>Project Costs</b>		
Database	\$ 64,375	\$ 166,368
Research Grants	412,914	396,306
Advertising	6,907	7,460
Travel, lodging & meals	92,543	61,711
Honoraria	58,000	36,950
Project costs	24,828	119,198
Writing and other	2,272	15,531
	<hr/>	<hr/>
<b>Total Project Costs</b>	<b>\$ 661,839</b>	<b>\$ 803,524</b>
<b>Administration Costs</b>		
Salaries and Wages	\$ 522,630	\$ 393,521
Rent	44,074	30,300
Depreciation	36,733	28,946
Insurance	10,298	27,939
Travel & entertainment	36,327	20,355
Professional Fees	14,856	72,861
Payroll taxes	68,557	23,733
Outside services	68,617	16,425
Communications	11,144	10,760
Business development	36,430	8,801
401k expense	19,685	7,000
Dues & subscriptions	11,008	6,917
Office supplies	5,532	3,968
Computer expense	3,197	4,045
Administrative expense-other	27,543	15,871
	<hr/>	<hr/>
<b>Total administration costs</b>	<b>\$ 916,631</b>	<b>\$ 671,442</b>
<b>Total expenses</b>	<b>\$ 1,578,470</b>	<b>\$ 1,474,966</b>
<b>Change in net assets</b>	<b>\$ 269,111</b>	<b>\$ 1,715,119</b>
<b>Net assets as of beginning of year</b>	<b>4,517,966</b>	<b>2,802,847</b>
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<b>Net assets as of end of year</b>	<b>\$ 4,787,077</b>	<b>\$ 4,517,966</b>
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See accompanying notes to financial statements

**Institute for Science and Health**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Operating Activities</b>		
Change in net assets	\$ 269,111	\$ 1,715,119
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	36,733	28,946
(Increase) in operating assets		
Other current assets	-	(1,210)
Increase in operating liabilities	(667)	83
	\$ 305,177	\$ 1,742,938
<b>Investing activities</b>		
Purchases of furnitute and equipment	\$ (8,450)	\$ (58,366)
	\$ (8,450)	\$ (58,366)
Net increase in cash and cash equivalents	\$ 296,727	\$ 1,684,572
Cash and cash equivalents as of beginning of year	4,404,054	2,719,482
Cash and cash equivalents as of end of year	\$ 4,700,781	\$ 4,404,054

See accompanying notes to financial statements

**Institute for Science and Health  
Notes to Financial Statements  
September 30, 2005 and 2004**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Institute for Science and Health is an independent public charity that secures and administers grants for under-funded, under-researched health issues affecting at risk populations. The Institute's support comes primarily from individual and corporate donors.

The Institute is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

**Basis of Accounting**

The financial statements of the Institute have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Public Support and Revenue**

Contributions and grants are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

**Estimates**

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

**Cash and Cash Equivalents**

The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Note 2: Cash**

The total cash held by the Institute at September 30, 2005 and 2004 includes \$4,277,867 and \$3,983,623 respectively in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

**Institute for Science and Health**  
**Notes to Financial Statements (Continued)**

**Note 3: Furniture and Equipment**

Furniture and equipment at September 30, 2005 and 2004, consisted of the following:

	<u>2005</u>	<u>2004</u>
Computer Equipment	\$ 150,738	\$ 142,388
Furniture	\$ 41,145	41,045
Office Equipment	\$ 10,001	10,001
	<u>\$ 201,884</u>	<u>\$ 193,434</u>
Less: accumulated depreciation	\$ (116,798)	\$ (80,065)
	<u>\$ 85,086</u>	<u>\$ 113,369</u>

The Institute follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of assets generally five to seven years.

**Note 4: Retirement Arrangements with Staff Employees**

The Institute offers staff employees the opportunity for participation in a 401k plan. The Institute matches employees' contributions up to 100 % of their contribution annually.

**Note 5: Functional Allocation of Expenses**

The costs of providing various grants and projects 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.