

Institute For Science And Health

**Financial Statements
As of September 30, 2006 and 2005
Together With Auditor's Report**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

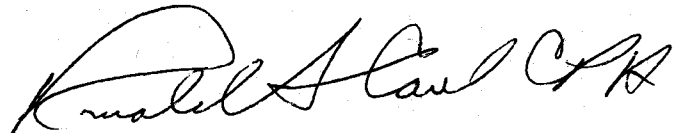
Institute For Science And Health

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, 2006 and 2005, 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, 2006 and 2005, 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.

February 8, 2007

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

**Institute for Science and Health
Statement of Financial Position
September 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,578,703	\$4,700,781
Other current assets	3,710	1,210
Total current assets	\$ 4,582,413	\$4,701,991
Furniture and equipment (Note 3)	52,553	85,086
	\$ 4,634,966	\$4,787,077
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Total current liabilities/total liabilities	\$ -	\$ -
Net assets:		
Unrestricted net assets:	4,634,966	4,787,077
Total liabilities and net assets	\$ 4,634,966	\$4,787,077

See accompanying notes to financial statements

Institute for Science and Health
Statement of Activities
For the Year Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
UNRESTRICTED NET ASSETS		
Support		
Unrestricted grant income	\$ 1,575,000	\$ 1,345,000
Conversion rate income	300,560	360,093
Donation income	80,668	4,746
Special event income	68,494	83,711
Interest & dividend income	118,959	53,610
Other Income	330	421
	<hr/>	<hr/>
Total unrestricted support	\$ 2,144,011	\$ 1,847,581
Expenses		
Project Costs		
Database	\$ 3,000	\$ 64,375
Research Grants	1,059,350	412,914
Advertising	609	6,907
Travel, lodging & meals	80,756	92,543
Honoraria	34,800	58,000
Project costs	68,829	24,828
Writing and other	4,127	2,272
	<hr/>	<hr/>
Total Project Costs	\$ 1,251,471	\$ 661,839
Administration Costs		
Salaries and Wages	\$ 441,655	\$ 522,630
Rent	98,154	44,074
Depreciation	37,229	36,733
Insurance	9,000	10,298
Travel & entertainment	63,864	36,327
Professional Fees	29,729	14,856
Payroll taxes, benefits and fees	67,591	68,557
Outside services	224,972	68,617
Communications	9,855	11,144
Business development	8,243	36,430
401k expense	5,805	19,685
Dues & subscriptions	10,897	11,008
Donations	9,000	-
Office supplies	2,832	5,532
Computer expense	3,515	3,197
Administrative expense-other	22,310	27,543
	<hr/>	<hr/>
Total administration costs	\$ 1,044,651	\$ 916,631
	<hr/>	<hr/>
Total expenses	\$ 2,296,122	\$ 1,578,470
	<hr/>	<hr/>
Change in net assets	\$ (152,111)	\$ 269,111
Net assets as of beginning of year	4,787,077	4,517,966
	<hr/>	<hr/>
Net assets as of end of year	<u>\$ 4,634,966</u>	<u>\$ 4,787,077</u>

See accompanying notes to financial statements

Institute for Science and Health
Statement of Cash Flows
For the Year Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Activities		
Change in net assets	\$ (152,111)	\$ 269,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	37,229	36,733
(Increase) in operating assets		
Other current assets	(2,500)	-
Increase in operating liabilities	-	(667)
	<hr/>	<hr/>
Net cash provided by operating activities	\$ (117,382)	\$ 305,177
	<hr/>	<hr/>
Investing activities		
Purchases of furniture and equipment	\$ (4,696)	\$ (8,450)
	<hr/>	<hr/>
Net cash used in investing activities	\$ (4,696)	\$ (8,450)
	<hr/>	<hr/>
Net increase(decrease) in cash and cash equivalents	\$ (122,078)	\$ 296,727
Cash and cash equivalents as of beginning of year	<hr/> 4,700,781	<hr/> 4,404,054
Cash and cash equivalents as of end of year	<hr/> <u>\$ 4,578,703</u>	<hr/> <u>\$ 4,700,781</u>

See accompanying notes to financial statements

**Institute for Science and Health
Notes to Financial Statements
September 30, 2006 and 2005**

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 private operating foundation as defined in Section 4942(j)(3) of the Internal Revenue Code.

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, 2006 and 2005 includes \$4,067,290 and \$4,277,867 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, 2006 and 2005, consisted of the following:

	<u>2006</u>	<u>2005</u>
Automobile	\$ 3,500	\$ -
Computer Equipment	151,934	150,738
Furniture	41,145	41,145
Office Equipment	10,001	10,001
	<u>\$ 206,580</u>	<u>\$ 201,884</u>
Less: accumulated depreciation	<u>\$ (154,027)</u>	<u>\$ (116,798)</u>
	<u>\$ 52,553</u>	<u>\$ 85,086</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 the Administaff 401k plan. The Institute elected the safe harbor plan provision of the plan.

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.

Note 6: Subsequent Event

On October 11, 2006 the Internal Revenue Service determined that the Institute qualified as a private operating foundation under section 4942(j)(3) of the Internal Revenue Code of 1986, as amended. The tax consequences of this determination have no material impact on these financial statements.