

Institute For Science And Health

**Financial Statements
As of September 30, 2007 and 2006
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, 2007 and 2006, 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, 2007 and 2006, 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, 2008

A handwritten signature in black ink, appearing to read "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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,819,470	\$4,578,703
Total current assets	<u>\$ 2,819,470</u>	<u>\$4,578,703</u>
Noncurrent Assets:		
Furniture and equipment	\$ 53,252	\$ 52,553
Other Assets:		
Security deposits	3,710	3,710
Total Noncurrent Assets	<u>\$ 56,962</u>	<u>\$ 56,263</u>
Total Assets	<u><u>\$ 2,876,432</u></u>	<u><u>\$4,634,966</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Total current liabilities/total liabilities	\$ -	\$ -
Net assets:		
Unrestricted net assets:	<u>2,876,432</u>	<u>4,634,966</u>
Total liabilities and net assets	<u><u>\$ 2,876,432</u></u>	<u><u>\$4,634,966</u></u>

See accompanying notes to financial statements

Institute for Science and Health
Statement of Activities
For the Year Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS		
Support		
Unrestricted grant income	\$ -	\$ 1,575,000
Conversion rate income	-	300,560
Donation income	27,008	80,668
Special event income	226,779	68,494
Interest & dividend income	117,229	118,959
Other Income	-	330
	<hr/>	<hr/>
Total unrestricted support	\$ 371,016	\$ 2,144,011
Expenses		
Project Costs		
Database	\$ -	\$ 3,000
Research Grants	819,452	1,059,350
Advertising	4,490	609
Travel, lodging & meals	118,090	80,756
Honoraria	17,500	34,800
Project costs	35,060	68,829
Writing and other	12,943	4,127
	<hr/>	<hr/>
Total Project Costs	\$ 1,007,535	\$ 1,251,471
Administration Costs		
Salaries and Wages	\$ 415,076	\$ 441,655
Rent	96,947	98,154
Depreciation	16,791	37,229
Insurance	8,998	9,000
Travel & entertainment	69,776	63,864
Professional Fees	11,387	29,729
Payroll taxes, benefits and fees	71,027	67,591
Outside services	319,090	224,972
Communications	10,285	9,855
Business development	507	8,243
401k expense	6,481	5,805
Dues & subscriptions	9,094	10,897
Donations	19,068	9,000
Office supplies	12,217	2,832
Computer expense	2,380	3,515
Administrative expense-other	23,118	22,310
Income taxes	29,773	0
	<hr/>	<hr/>
Total administration costs	\$ 1,122,015	\$ 1,044,651
Total expenses	<hr/>	<hr/>
	\$ 2,129,550	\$ 2,296,122
Change in net assets	\$ (1,758,534)	\$ (152,111)
Net assets as of beginning of year	<hr/>	<hr/>
	4,634,966	4,787,077
Net assets as of end of year	<hr/>	<hr/>
	\$ 2,876,432	\$ 4,634,966

See accompanying notes to financial statements

Institute for Science and Health
Statement of Cash Flows
For the Year Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Change in net assets	\$ (1,758,534)	\$ (152,111)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,791	37,229
(Increase) in operating assets		
Other assets		(2,500)
	<hr/>	<hr/>
Net cash provided by operating activities	\$ (1,741,743)	\$ (117,382)
Investing activities		
Purchases of furniture and equipment	\$ (17,490)	\$ (4,696)
	<hr/>	<hr/>
Net cash used in investing activities	\$ (17,490)	\$ (4,696)
Net increase(decrease) in cash and cash equivalents	\$ (1,759,233)	\$ (122,078)
Cash and cash equivalents as of beginning of year	<hr/> 4,578,703	<hr/> 4,700,781
Cash and cash equivalents as of end of year	<hr/> <u>\$ 2,819,470</u>	<hr/> <u>\$ 4,578,703</u>

See accompanying notes to financial statements

**Institute for Science and Health
Notes to Financial Statements
September 30, 2007 and 2006**

NOTE 1: NATURE OF ORGANIZATION AND 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 management to use estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2007 and 2006 includes \$2,274,636 and \$4,067,290 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, 2007 and 2006, consisted of the following:

	<u>2007</u>	<u>2006</u>
Automobile	\$ 3,500	\$ 3,500
Computer Equipment	169,424	151,934
Furniture	41,145	41,145
Office Equipment	10,001	10,001
	<u>\$ 224,070</u>	<u>\$ 206,580</u>
Less: accumulated depreciation	<u>\$ (170,818)</u>	<u>\$ (154,027)</u>
	<u>\$ 53,252</u>	<u>\$ 52,553</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: Tax Status Determination

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 cumulative tax consequences of this determination have been reflected in the financial statements for the year ended September 30, 2007.

Note 7: Lease

The Institute leases its facilities under a variety of noncancellable operating leases expiring at various dates through August 2010. Under the terms of the leases, the lessor pays all maintenance expenses related to the property. Minimum future lease obligations at September 30, 2007 are:

2008	\$ 61,285
2009	42,010
2010	38,429
2011	-
2012	-
	<u>141,724</u>