

**LIFE SCIENCES RESEARCH FOUNDATION**

**FINANCIAL REPORT**

**MAY 31, 2003 AND 2002**

**LIFE SCIENCES RESEARCH FOUNDATION**

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**MAY 31, 2003 AND 2002**

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## ACCOUNTANTS' REVIEW REPORT

To the Trustees  
Life Sciences Research Foundation

We have reviewed the accompanying statements of assets and liabilities arising from cash transactions of Life Sciences Research Foundation (the Foundation) as of May 31, 2003 and 2002, and the related statements of support and revenue collected, expenses paid, and changes in net assets, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Life Sciences Research Foundation.

A review consists principally of inquiries of Foundation personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting with unexpended restricted grants recorded as a liability until they are expended. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the basis of accounting described in Note 1.

The accompanying supplementary information contained on pages 9 through 12 is presented for the purpose of additional analysis. Such information has not been subjected to the same inquiries and analytical procedures applied in the review of the basic financial statements, but has been compiled from information that is the representation of the management of Life Sciences Research Foundation, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplementary information.

*Walpert & Wolpoff, LLP*

Baltimore, Maryland  
October 10, 2003

**LIFE SCIENCES RESEARCH FOUNDATION**

STATEMENTS OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MAY 31, 2003 AND 2002

ASSETS		
	2003	2002
ASSETS		
Cash and Certificates of Deposit	\$ 1,235,000	\$ 1,270,000
Money Market Funds - Note 2	257,508	430,484
	\$ 1,492,508	\$ 1,700,484
LIABILITIES AND NET ASSETS		
LIABILITIES		
Escrow Payable - Note 4	\$ 110,585	\$ 114,335
Restricted Grant Advances - Notes 1 and 3	833,427	785,685
TOTAL LIABILITIES	944,012	900,020
COMMITMENTS - Note 3		
NET ASSETS, UNRESTRICTED	548,496	800,464
	\$ 1,492,508	\$ 1,700,484

See Accountants' Review Report.

The accompanying notes are an integral part of these financial statements.

**LIFE SCIENCES RESEARCH FOUNDATION**

STATEMENTS OF SUPPORT AND REVENUE COLLECTED,  
EXPENSES PAID, AND CHANGES IN NET ASSETS

YEARS ENDED MAY 31, 2003 AND 2002

UNRESTRICTED NET ASSETS		
	2003	2002
SUPPORT AND REVENUE - Note 1		
Restricted Grants	\$ 984,768	\$ 1,574,283
Unrestricted Grants, Baltimore - Note 7	24,000	31,000
Unrestricted Grants, Princeton - Note 7	8,000	-0-
Unrestricted Gifts - Note 7	4,500	2,500
Interest	60,862	85,046
Grant Forfeitures - Note 5	1,278	8,299
TOTAL SUPPORT AND REVENUE	1,083,408	1,701,128
EXPENSES		
Program Services		
Research Grants Paid	1,280,000	1,410,416
Supporting Services		
Administrative Expenses	55,376	46,191
TOTAL EXPENSES	1,335,376	1,456,607
EXCESS (DEFICIT) OF SUPPORT AND REVENUE OVER EXPENSES	(251,968)	244,521
NET ASSETS (UNRESTRICTED), BEGINNING	800,464	555,943
NET ASSETS (UNRESTRICTED), ENDING	\$ 548,496	\$ 800,464

See Accountants' Review Report.

The accompanying notes are an integral part of these financial statements.

**LIFE SCIENCES RESEARCH FOUNDATION**

STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficit) of Support and Revenue Over Expenses	\$ (251,968)	\$ 244,521
Adjustments to Reconcile Excess (Deficit) of Support and Revenue Over Expenses to Net Cash Used by Operating Activities		
Changes in Operating Assets and Liabilities		
Restricted Grant Advances	47,742	(260,643)
Escrow Payable	(3,750)	8,971
Total Adjustments	43,992	(251,672)
Net Cash Used by Operating Activities	(207,976)	(7,151)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in Money Market Funds	172,976	102,151
NET INCREASE (DECREASE) IN CASH AND CERTIFICATES OF DEPOSIT	(35,000)	95,000
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR	1,270,000	1,175,000
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	\$ 1,235,000	\$ 1,270,000

See Accountants' Review Report.

The accompanying notes are an integral part of these financial statements.

# LIFE SCIENCES RESEARCH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2003 AND 2002

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### Note 1 - Organization and Summary of Significant Accounting Policies

#### Organization and Activity

Life Sciences Research Foundation (the Foundation) has been recognized by the Internal Revenue Service as a tax-exempt organization as defined by §501(c)(3) of the Internal Revenue Code (IRC). The Foundation was incorporated in the District of Columbia on June 25, 1981, for the purpose of funding basic research in the biological sciences at various institutions. Postdoctoral fellowships are awarded to qualifying scientists selected by the Foundation's peer review committee. Funds to support the fellowships come from corporate sponsors and other foundations.

#### Election to be Treated as a Qualified Fund Under IRC §41(e)(6)(D)

The Foundation elected to be treated as a qualified fund under IRC §41(e)(6)(D). This election allows the Foundation to be treated as a pass-through qualifying organization, thereby enabling corporate contributions to be eligible for the credit for increased research activities. As a qualifying fund, the Foundation is subject to the rules governing private foundations.

#### Method of Accounting

The financial statements have been prepared on the modified cash basis of accounting, with the deferral of restricted grant revenue, which is recognized as revenue in proportion to the research grants paid. This basis differs from accounting principles generally accepted in the United States of America primarily because the Foundation has not recognized receivables, prepayments, and payables.

#### Financial Statement Presentation

The Foundation reports financial information according to 3 classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of May 31, 2003 and 2002, the Foundation had only unrestricted net assets.

#### Contributions and Grants

Contributions received and grants paid by the Foundation are presented at their market value on the date of such contribution or grant. For tax purposes, the Foundation records all contributions received at the donor's basis.

#### Revenue Recognition and Restricted Grant Advances

Substantially all of the Foundation's revenue is derived from restricted grants, which are recognized as revenue in proportion to the research grants paid. Unexpended research grants received are recorded as restricted grant advances in the statements of assets and liabilities arising from cash transactions. All other sources of revenue, such as unrestricted gifts and interest, are recognized when received.

### Note 2 - Money Market Funds

The money market funds consisted of Smith Barney Money Funds Government Portfolio Class A, as of May 31, 2003 and 2002.

**LIFE SCIENCES RESEARCH FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2003 AND 2002**

**Note 3 - COMMITMENTS**

As of May 31, 2003, the Foundation was committed to make the following grants:

Recipient	Sponsor	Commitment From Program Years				
		2003	2002	2001	2000	Total
Simon Chan, Ph.D.	Department of Energy, Energy Biosciences Research Division	\$ 137,500				\$ 137,500
Matthew Guenther, Ph.D.	AMGEN	150,000				150,000
Bernard Lam, Ph.D.	Department of Energy, Energy Biosciences Research Division	137,500				137,500
Dustin Maly, Ph.D.	Pfizer	137,500				137,500
Stephanie Palmer, Ph.D.	Novartis Pharma AG	150,000				150,000
David Raskin, Ph.D.	The Ellison Medical Foundation	150,000				150,000
Alan Sabhatelian, Ph.D.	Merck Research Laboratories	137,500				137,500
Huaiyu Sun, Ph.D.	Abbot Laboratories	150,000				150,000
Jianhua Cang, Ph.D.	Aventis Pharmaceuticals		\$ 100,000			100,000
Justin Crump, Ph.D.	The O'Donnell Foundation		100,000			100,000
Pablo Jenik, Ph.D.	Department of Energy, Energy Biosciences Research Division		87,500			87,500
Daniela Kaufer, Ph.D.	The Bristol-Myers Squibb Pharmaceutical Research Institute		87,500			87,500
Joseph Marcotrigiano, Ph.D.	Merck Research Laboratories		87,500			87,500
Jeffrey Moseley, Ph.D.	Department of Energy, Energy Biosciences Research Division		100,000			100,000
Michael Sohaskey, Ph.D.	Foundation for Advanced Cancer Studies and Merck Research Laboratories		100,000			100,000
Christine Pfund, Ph.D.	Department of Energy, Energy Biosciences Research Division			\$ 30,000		30,000
Dana Leanne Jones, Ph.D.	Lilly Research Laboratories			30,000		30,000
Daniel Gitler, Ph.D.	Pfizer			50,000		50,000
Diane McFadden, Ph.D.	The Burroughs Wellcome Fund			40,000		40,000
Dominique Stickens, Ph.D.	Wyeth			30,000		30,000
Franklin Harmon, Ph.D.	Department of Energy, Energy Biosciences Research Division			30,000		30,000
Gretchen Murphy, Ph.D.	Merck Research Laboratories			30,000		30,000
James Chou, Ph.D.	GlaxoSmithKline			50,000		50,000
Kathrin Plath, Ph.D.	The O'Donnell Foundation			30,000		30,000
Maki Kaneko, Ph.D.	The O'Donnell Foundation			30,000		30,000
Rebecca Tirabassi, Ph.D.	Novartis Pharma AG			40,000		40,000
Richard Gardner, Ph.D.	The Bristol-Myers Squibb Pharmaceutical Research Institute			30,000		30,000
Robert Wheeler, Ph.D.	The Burroughs Wellcome Fund			40,000		40,000
Scott Walsh, Ph.D.	The Burroughs Wellcome Fund			30,000		30,000
Sheri Holmen, Ph.D.	Pfizer			40,000		40,000
Xuelin Wu, Ph.D.	Department of Energy, Energy Biosciences Research Division			30,000		30,000
Christina Bowers, Ph.D.	Department of Energy, Energy Biosciences Research Division				\$ 30,000	30,000
Douglas Guarnieri, Ph.D.	The Burroughs Wellcome Fund				10,000	10,000
Purnima Bhanot, Ph.D.	The Golden Family Foundation				10,000	10,000
		<u>\$ 1,150,000</u>	<u>\$ 662,500</u>	<u>\$ 560,000</u>	<u>\$ 50,000</u>	<u>\$ 2,422,500</u>

# LIFE SCIENCES RESEARCH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

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**Note 3 - (Cont.)** These grant commitments resulted from the fellowship awards made by the Foundation's peer review committee. Most fellowships pay an established amount annually for a 3-year period. For fellowships awarded during the years ended May 31, 1999, through May 31, 2001, the annual amount is \$40,000. For fellowships awarded during the years ended May 31, 2002 and May 31, 2003, the annual amount is \$50,000. All committed amounts have been pledged by the sponsoring donors. As of May 31, 2003 and 2002, the Foundation had received \$833,427 and \$785,685, respectively, of the pledged amount from the sponsors. This amount is reflected on the statements of assets and liabilities arising from cash transactions as restricted grant advances.

**Note 4 - Escrow Payable**

Unexpended funds of a research grant may be held in escrow, if the recipient so elects, until the end of the 3-year fellowship. (This option is not available to recipients sponsored by the Department of Energy.) Otherwise, all unexpended funds must be returned to the sponsor. The maximum amount which can be set aside in escrow in any year is \$5,000. In order to receive the balance in the escrow fund at the end of the 3-year fellowship, the recipient cannot seek employment with a for-profit organization. All forfeited escrow balances are deemed to be gifts to the Foundation. The escrow balances do not earn interest.

As of May 31, 2003 and 2002, the escrow payable balance was \$110,585 and \$114,335, respectively. There were no escrow forfeitures in 2003 or 2002.

**Note 5 - Grant Forfeitures**

At the discretion of the donors, any remaining restricted grant advances that are either held for recipients who terminate their research grants or remain unexpended at the end of the grant period may either be:

- a. Returned to the sponsor.
- b. Applied to another research grant recipient.
- c. Reclassified as a gift to the Foundation.

For the years ended May 31, 2003 and 2002, grant forfeitures gifted to the Foundation totaled \$1,278 and \$8,299, respectively.

**Note 6 - Minimum Investment Return and Distribution Requirement**

A private foundation must currently distribute its minimum investment return in order to avoid the excise tax for failure to distribute income. The minimum investment return is an income equivalent which is essentially determined by multiplying the aggregate fair market value of the Foundation's assets by 5%. For the years ended May 31, 2003 and 2002, the minimum amounted to \$84,710 and \$83,899, respectively.

The Foundation met these distribution requirements by making qualifying distributions in the years ended May 31, 2003 and 2002, of \$1,335,376 and \$1,456,607, respectively. The excesses generated can be applied to offset future distribution requirements.

**LIFE SCIENCES RESEARCH FOUNDATION**

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

**Note 6 -** A summary of the excess distribution carryovers to future years is as follows:  
(Cont.)

<u>Year Incurred</u>	<u>Amount</u>	<u>Expiration Date</u>
May 31, 1999	\$ 1,406,454	May 31, 2004
May 31, 2000	1,326,495	May 31, 2005
May 31, 2001	1,332,716	May 31, 2006
May 31, 2002	1,372,708	May 31, 2007
May 31, 2003	<u>1,250,666</u>	May 31, 2008
	<u><u>\$ 6,689,039</u></u>	

**Note 7 - Unrestricted Grants and Gifts**

The Foundation receives unrestricted grants from sponsors for administrative expenses. Administrative fees are assessed annually and are collected along with the sponsors' grant payments for fellowship awards. The total administrative fees collected for the years ended May 31, 2003 and 2002, were \$32,000 (\$24,000 - Baltimore; \$8,000 - Princeton) and \$31,000, respectively.

In addition, the Foundation received unrestricted gifts from the following:

	<u>Year Ended May 31,</u>	
	<u>2003</u>	<u>2002</u>
The Golden Family Foundation	\$ 2,500	\$ 2,500
Linda W. Brown	<u>2,000</u>	<u>-0-</u>
	<u><u>\$ 4,500</u></u>	<u><u>\$ 2,500</u></u>

LIFE SCIENCES RESEARCH FOUNDATION

SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2003 AND 2002

SCHEDULES OF RESEARCH GRANTS PAID

		<u>2003</u>	<u>2002</u>
<u>1999 PROGRAM</u>			
Erin Gaynor, Ph.D.	Schering-Plough Research Institute	\$ -0-	\$ 30,000
Chau Huynh, Ph.D.	The Burroughs Wellcome Fund	10,000	40,000
David Mackey, Ph.D.	Department of Energy, Energy Biosciences Research Division	-0-	30,000
Timothy McKinsey, Ph.D.	Pfizer	-0-	30,000
Peter Qin, Ph.D.	Dupont Pharmaceutical Company	-0-	30,000
Peri Tate, Ph.D.	The Burroughs Wellcome Fund	10,000	40,000
Jingdong Tian, Ph.D.	Hoffmann La Roche	-0-	40,000
Lena Ting, Ph.D.	The O'Donnell Foundation	-0-	30,000
Erik Vollbrecht, Ph.D.	Department of Energy, Energy Biosciences Research Division	-0-	30,000
Gregory York, Ph.D.	Department of Energy, Energy Biosciences Research Division	-0-	30,000
		<u>20,000</u>	<u>330,000</u>
<u>2000 PROGRAM</u>			
Purnima Bhanot, Ph.D.	The Golden Family Foundation	40,000	40,000
Christina Bowers, Ph.D.	Department of Energy, Energy Biosciences Research Division	-0- (4)	40,000
Ryan Case, Ph.D.	The Burroughs Wellcome Fund	30,000	40,000
Seth Davis, Ph.D.	Department of Energy, Energy Biosciences Research Division	40,000	40,000
Douglas Guarnieri, Ph.D.	The Burroughs Wellcome Fund	40,000	40,000
Elizabeth Haswell, Ph.D.	Department of Energy, Energy Biosciences Research Division	40,000	40,000
Kristi Lieberman, Ph.D.	GlaxoSmithKline	-0- (5)	20,000
Coleen Murphy, Ph.D.	The Bristol-Myers Squibb Pharmaceutical Research Institute	30,000	40,000
Yosef Refaeli, Ph.D.	Merck Research Laboratories	-0-	32,916
Aravinthan Samuel, Ph.D.	Amgen	30,000	40,000
Garth Simpson, Ph.D.	Pfizer	-0-	10,000
		<u>250,000</u>	<u>382,916</u>
Carryforward		<u>270,000</u>	<u>712,916</u>

See Accountants' Review Report.

LIFE SCIENCES RESEARCH FOUNDATION

SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2003 AND 2002

SCHEDULES OF RESEARCH GRANTS PAID

		2003	2002
		\$ 270,000	\$ 712,916
Balance Forward			
<u>2001 PROGRAM</u>			
James Chou, Ph.D.	GlaxoSmithKline	20,000 (1)	40,000
Richard Gardner, Ph.D.	The Bristol-Myers Squibb Pharmaceutical Research Institute	40,000 (1)	40,000
Daniel Gitler, Ph.D.	Pfizer	40,000 (3)	30,000
Franklin Harmon, Ph.D.	Department of Energy, Energy Biosciences Research Division	40,000 (1)	40,000
Sheri Holmen, Ph.D.	Pfizer	40,000	40,000
Dana Leanne Jones, Ph.D.	Lilly Research Laboratories	40,000 (1)	40,000
Maki Kaneko, Ph.D.	O'Donnell Foundation	40,000	50,000
Diane McFadden, Ph.D.	The Burroughs Wellcome Fund	40,000	40,000
Gretchen Murphy, Ph.D.	Merck Research Laboratories	40,000 (1)	40,000
Christine Pfund, Ph.D.	Department of Energy, Energy Biosciences Research Division	40,000 (1)	40,000
Kathrin Plath, Ph.D.	The O'Donnell Foundation	40,000	50,000
Dominique Stickens, Ph.D.	Wyeth	40,000	50,000
Rebecca Tirabassi, Ph.D.	Novartis Pharma AG	30,000	40,000
Scott Walsh, Ph.D.	The Burroughs Wellcome Fund	40,000	40,000
Robert Wheeler, Ph.D.	The Burroughs Wellcome Fund	40,000	40,000
Xuelin Wu, Ph.D.	Department of Energy, Energy Biosciences Research Division	40,000 (1)	40,000
		<u>610,000</u>	<u>660,000</u>
<u>2002 PROGRAM</u>			
Jianhua Cang, Ph.D.	Aventis Pharmaceuticals	50,000	-0-
Justin Crump, Ph.D.	The O'Donnell Foundation	50,000	-0-
Pablo Jenik, Ph.D.	Department of Energy, Energy Biosciences Research Division	50,000 (2)	12,500
Daniela Kaufer, Ph.D.	The Bristol-Myers Squibb Pharmaceutical Research Institute	50,000 (2)	12,500
Joseph Marcotrigiano, Ph.D.	Merck Research Laboratories	50,000 (2)	12,500
Jeffrey Moseley, Ph.D.	Department of Energy, Energy Biosciences Research Division	50,000	-0-
Michael Sohaskey, Ph.D.	Foundation for Advanced Cancer Studies and Merck Research Laboratories	50,000 (1)	-0-
		<u>350,000</u>	<u>37,500</u>
Carryforward		<u>1,230,000</u>	<u>1,410,416</u>

See Accountants' Review Report.

LIFE SCIENCES RESEARCH FOUNDATION

SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2003 AND 2002

SCHEDULES OF RESEARCH GRANTS PAID

		<u>2003</u>	<u>2002</u>
Balance Forward		<u>\$ 1,230,000</u>	<u>\$ 1,410,416</u>
<u>2003 PROGRAM</u>			
Simon Chan, Ph.D.	Department of Energy, Energy Biosciences Research Division	12,500 (2)	-0-
Bernard Lam, Ph.D.	Department of Energy, Energy Biosciences Research Division	12,500 (2)	-0-
Dustin Maly, Ph.D.	Pfizer	12,500 (2)	-0-
Alan Sabhatelian, Ph.D.	Merck Research Laboratories	<u>12,500</u>	<u>-0-</u>
		<u>50,000</u>	<u>-0-</u>
TOTAL RESEARCH GRANTS PAID		<u><u>\$ 1,280,000</u></u>	<u><u>\$ 1,410,416</u></u>

- (1) \$10,000 of this research grant was paid out of unrestricted funds. The sponsor's matching grant will be received in the year ending May 31, 2004.
- (2) \$12,500 of this research grant was paid out of unrestricted funds. The sponsor's matching grant will be received in the year ending May 31, 2004.
- (3) \$30,000 of this research grant was paid out of unrestricted funds. The sponsor's matching grant will be received in the year ending May 31, 2004.
- (4) Recipient on medical leave.
- (5) Recipient canceled the remainder of this research grant in the year ended May 31, 2003.

See Accountants' Review Report.

LIFE SCIENCES RESEARCH FOUNDATION

SUPPLEMENTARY INFORMATION

YEARS ENDED MAY 31, 2003 AND 2002

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SCHEDULES OF ADMINISTRATIVE EXPENSES

	<u>2003</u>	<u>2002</u>
Office Expenses	\$ 23,671	\$ 18,195
Annual Conference	16,942	17,935
Legal and Accounting	7,675	7,450
Administrative Expenses (Princeton University)	4,012	-0-
Peer Review Committee Meetings	<u>3,076</u>	<u>2,611</u>
	<u>\$ 55,376</u>	<u>\$ 46,191</u>

See Accountants' Review Report.