

Life Sciences Research Foundation, Inc.

Financial Report
(Reviewed)
May 31, 2008

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Accountant's Report

To the Trustees
Life Sciences Research Foundation
Baltimore, Maryland

We have reviewed the accompanying statements of assets, liabilities, and net assets - modified cash basis of Life Sciences Research Foundation (the Foundation) as of May 31, 2008 and 2007, and the related statements of support and revenue, expenses, and changes in net assets - modified cash basis and cash flows - modified cash basis 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 trustees of Life Sciences Research Foundation.

A review consists principally of inquiries of the Foundation's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, 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.

Based on our reviews, 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 modified cash basis of accounting described in Note 1.

McGladrey & Pullen, LLP

Timonium, Maryland
December 9, 2008

Life Sciences Research Foundation

Statements Of Assets, Liabilities, And Net Assets - Modified Cash Basis
May 31, 2008 And 2007
See Accountant's Report

Assets	2008	2007
Cash and cash equivalents (Notes 1 and 2)	\$ 104,168	\$ 72,243
Certificates of deposits	950,000	1,210,000
Total assets	\$ 1,054,168	\$ 1,282,243
Liabilities And Net Assets		
Liabilities		
Escrow payable (Note 4)	\$ 67,393	\$ 118,814
Restricted grant advances (Notes 1 and 3)	127,706	594,812
Total liabilities	195,099	713,626
Commitments (Note 3)		
Net Assets, Unrestricted	859,069	568,617
Total liabilities and net assets	\$ 1,054,168	\$ 1,282,243

See Notes To Financial Statements.

Life Sciences Research Foundation

Statements Of Support And Revenue, Expenses,
And Changes In Net Assets - Modified Cash Basis

Years Ended May 31, 2008 And 2007

See Accountant's Report

	2008	2007
Support And Revenue (Note 1):		
Restricted grants	\$ 1,064,261	\$ 1,280,079
Unrestricted grants, Baltimore (Note 7)	19,000	25,000
Unrestricted grants, Princeton (Note 7)	12,000	12,000
Unrestricted gifts (Note 7)	8,000	7,500
Escrow forfeitures (Note 4)	63,515	-
Grant forfeitures (Note 5)	414,332	2,279
Interest	56,732	64,841
Total support and revenue	1,637,840	1,391,699
Expenses:		
Program services		
Research grants paid	1,280,927	1,298,777
Supporting services		
Administrative expenses	66,461	61,040
Total expenses	1,347,388	1,359,817
Change in net assets	290,452	31,882
Net assets (unrestricted), beginning	568,617	536,735
Net assets (unrestricted), ending	\$ 859,069	\$ 568,617

See Notes To Financial Statements.

Life Sciences Research Foundation

Statements Of Cash Flows - Modified Cash Basis
 Years Ended May 31, 2008 And 2007
 See Accountant's Report

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 290,452	\$ 31,882
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in assets and liabilities:		
Increase (decrease) in:		
Restricted grant advances	(467,106)	(119,063)
Escrow payable	(51,421)	(14,757)
Net cash used in operating activities	<u>(228,075)</u>	<u>(101,938)</u>
Cash Flows From Investing Activities		
Change in certificates of deposit	<u>260,000</u>	<u>(89,039)</u>
Net increase (decrease) in cash and cash equivalents	31,925	(190,977)
Cash and cash equivalents at beginning of year	<u>72,243</u>	<u>263,220</u>
Cash and cash equivalents at end of year	<u><u>\$ 104,168</u></u>	<u><u>\$ 72,243</u></u>

See Notes To Financial Statements.

Life Sciences Research Foundation

Notes To Financial Statements See Accountant's Report

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Life Sciences Research Foundation (the Foundation) has been recognized by the Internal Revenue Service (IRS) 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.

A summary of the Foundation's significant accounting policies follows:

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 is required to report information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation only had unrestricted net assets as of May 31, 2008 and 2007.

Cash and cash equivalents: The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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, liabilities, and net assets - modified cash basis. All other sources of revenue, such as unrestricted gifts and interest, are recognized when received.

Note 2. Cash And Cash Equivalents

Cash and cash equivalents consisted of Smith Barney Government Money Market Funds as of May 31, 2008 and 2007.

Life Sciences Research Foundation

Notes To Financial Statements

See Accountant's Report

Note 3. Commitments

As of May 31, 2008, the Foundation was committed to make the following grants:

Recipient	Sponsor	Commitment From Program Years				
		2008	2007	2006	2005	Total
Nicholas Bonawitz, Ph.D.	Life Sciences Research Foundation	\$ 150,000				\$ 150,000
Christopher Brown, Ph.D.	Lilly Research Laboratories	150,000				150,000
Michael Cohen, Ph.D.	Amgen	150,000				150,000
Dirk Hockemeyer, Ph.D.	Merck Research Laboratories	150,000				150,000
Xiaoyi Hu, Ph.D.	Gilead Sciences	137,500				137,500
David Savage, Ph.D.	Department of Energy	150,000				150,000
Mohammad Seyedsayamdost, Ph.D.	Novartis Institutes for Biomedical Research	150,000				150,000
Juan Song, Ph.D.	Life Sciences Research Foundation	150,000				150,000
Qi Zhang, Ph.D.	Baltimore Family Fund	150,000				150,000
Ido Bachelet, Ph.D.	Novartis Institutes for Biomedical Research		\$ 100,000			100,000
Hunter Fraser, Ph.D.	Lilly Research Laboratories		1,753			1,753
Oliver Kent, Ph.D.	Pfizer Research Laboratories		100,000			100,000
Dennis Ko, Ph.D.	Wyeth Pharmaceuticals		112,500			112,500
Robin Lesley, Ph.D.	Merck Research Laboratories		112,500			112,500
Li Ma, Ph.D.	Susan G. Komen Foundation		87,500			87,500
Meng Wang, Ph.D.	The Ellison Medical Foundation		87,500			87,500
Dwight Barnes, Ph.D.	Abbott Laboratories			\$ 50,000		50,000
Eric Eckland, Ph.D.	Hoffman-La Roche			69,073		69,073
Nels Elde, Ph.D.	The Ellison Medical Foundation			50,000		50,000
Allessandra Eustaquio, Ph.D.	Tularik			50,000		50,000
Cathie Garnis, Ph.D.	Merck Research Laboratories			62,500		62,500
Andrew Greytak, Ph.D.	Novartis Pharma AG			37,500		37,500
Hong-Ping Guan, Ph.D.	Pfizer Research Laboratories			37,500		37,500
Susan Huang, Ph.D.	Pfizer Research Laboratories			50,000		50,000
Steven McCarroll, Ph.D.	Lilly Research Laboratories			50,000		50,000
Lucy O'Brien, Ph.D.	Genentech Foundation			75,000		75,000
Katja Lamia, Ph.D.	Merck Research Laboratories				\$ 16,667	16,667
Jason Rihel, Ph.D.	Bristol Myers Squibb				12,500	12,500
		<u>\$ 1,337,500</u>	<u>\$ 601,753</u>	<u>\$ 531,573</u>	<u>\$ 29,167</u>	<u>\$ 2,499,993</u>

Life Sciences Research Foundation

Notes To Financial Statements See Accountant's Report

Note 3. Commitments (Continued)

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 three-year period. For fellowships awarded during the years ended May 31, 2002, through May 31, 2008, the annual amount is \$50,000. All committed amounts have been pledged by the sponsoring donors. As of May 31, 2008 and 2007, the Foundation had received \$127,706 and \$594,812, respectively, of the pledged amount from the sponsors. This amount is reflected on the statements of assets, liabilities, and net assets – modified cash basis 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 three-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 three-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, 2008 and 2007, the escrow payable balance was \$67,393 and \$118,814, respectively. For the years ended May 31, 2008 and 2007, there were escrow forfeitures of \$63,515 and \$0, respectively.

Note 5. Grant Forfeitures

At the discretion of the donors, any remaining restricted grant advances that are either held for recipients who terminated 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, 2008 and 2007, there were grant forfeitures of \$414,332 and \$2,279, 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, 2008 and 2007, the minimum amounted to \$60,338 and \$79,658, respectively.

The Foundation met these distribution requirements by making qualifying distributions in the years ended May 31, 2008 and 2007, of \$1,347,388 and \$1,359,817, respectively. The excesses generated can be applied to offset future distribution requirements.

Life Sciences Research Foundation

Notes To Financial Statements
See Accountant's Report

Note 6. Minimum Investment Return And Distribution Requirement (Continued)

A summary of the excess distribution carryovers to future years is as follows:

Year Incurred	Amount	Expiration Date
May 31, 2004	\$ 1,289,797	May 31, 2009
May 31, 2005	1,394,244	May 31, 2010
May 31, 2006	1,232,416	May 31, 2011
May 31, 2007	1,280,159	May 31, 2012
May 31, 2008	1,287,050	May 31, 2013
	<u>\$ 6,483,666</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, 2008 and 2007, were \$31,000 (Baltimore - \$19,000; Princeton - \$12,000) and \$37,000 (Baltimore - \$25,000; Princeton - \$12,000), respectively.

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

	Year Ended May 31,	
	2008	2007
Douglas E. Koshland	\$ 5,000	\$ 5,000
The Golden Family Foundation	2,500	2,500
Richard Brennan	500	-
	<u>\$ 8,000</u>	<u>\$ 7,500</u>

McGladrey & Pullen

Certified Public Accountants

Independent Accountant's Report On The Supplementary Information

To the Trustees
Life Sciences Research Foundation
Baltimore, Maryland

Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with the modified cash basis of accounting. The supplementary information which follows is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statement, and we did not become aware of any material modifications that should be made to such information.

McGladrey & Pullen, LLP

Timonium, Maryland
December 9, 2008

Life Sciences Research Foundation

Schedules Of Research Grants Paid

Years Ended May 31, 2008 And 2007

See Accountant's Report On The Supplementary Information

		2008	2007
<u>2004 Program</u>			
Bader Al-Anzi, Ph.D.	Gilead Sciences	\$ -	\$ 37,500
Anne Carpenter, Ph.D.	Novartis Pharma AG	-	25,000
John Christopher Ford, Ph.D.	Wyeth	-	37,500
John Christopher Love, Ph.D.	Gilead Sciences	-	50,000
Markus Seeliger, Ph.D.	Johnson & Johnson	-	37,500
Michael Shapira, Ph.D.	The O'Donnell Foundation	-	50,000
Judith Sharp, Ph.D.	Pfizer Research Laboratories	-	37,500
Naoyuki Uchids, Ph.D.	Department of Energy, Energy Biosciences Research Division	-	50,000
		<u>-</u>	<u>325,000</u>
<u>2005 Program</u>			
Wenfeng An, Ph.D.	Affymetrix	37,500	50,000
Aaron Gitler, Ph.D.	Lilly Research Laboratories	-	37,500
Matthew Hemm, Ph.D.	Amgen	62,500	48,777
Katja Lamia, Ph.D.	Merck Research Laboratories	58,333	50,000
Seung-Jae Lee, Ph.D.	The Ellison Medical Foundation	50,000	50,000
Jun-Li Luo, Ph.D.	Biogen Idec	50,000	50,000
Kenneth Murray, Ph.D.	Schering Plough Research Institute	37,500	50,000
Daniel Needleman, Ph.D.	Novartis Pharma AG	37,500	50,000
Jason Rihel, Ph.D.	Bristol-Myers Squibb	50,000	50,000
Carrie Rosenberger, Ph.D.	Broad Medical Research Program of The Eli and Edythe L. Broad Foundation	37,500	50,000
		<u>420,833</u>	<u>486,277</u>
Carryforward		<u>420,833</u>	<u>811,277</u>

(Continued)

Life Sciences Research Foundation

Schedules Of Research Grants Paid (Continued)

Years Ended May 31, 2008 And 2007

See Accountant's Report On The Supplementary Information

		2008		2007
Balance Forward		\$ 420,833		\$ 811,277
	<u>2006 Program</u>			
Dwight Barnes, Ph.D.	Abbott Laboratories	50,000	(2)	50,000
Eric Eckland, Ph.D.	Hoffman-La Roche	43,427		37,500
Nels Elde, Ph.D.	The Ellison Medical Foundation	50,000		50,000
Alessandra Eustaquio, Ph.D.	Tularik	50,000		50,000
Cathie Garnis, Ph.D.	Merck Research Laboratories	50,000		37,500
Andrew Greytak, Ph.D.	Novartis Pharma AG	50,000	(2)	62,500
Hong-Ping Guan, Ph.D.	Pfizer	50,000	(2)	50,000
Susan Huang, Ph.D.	Pfizer	50,000		50,000
Steven McCarrroll, Ph.D.	Lilly Research Laboratories	50,000		50,000
Lucy O'Brien, Ph.D.	Genetech Foundation	50,000		25,000
		<u>493,427</u>		<u>462,500</u>
	<u>2007 Program</u>			
Ido Bachelet	Novartis Institutes for Biomedical Research	50,000		-
Hunter Fraizer, Ph.D.	Lilly Research Laboratories	25,000	(1)	-
Oliver Kent, Ph.D.	Pfizer	50,000		-
Eunsuk Kim, Ph.D.	Susan G. Komen Foundation	41,667	(2)(1)	12,500
Dennis Ko, Ph.D.	Wyeth	37,500	(2)	-
Robin Lesley, Ph.D.	Merck Research Laboratories	37,500		-
Li Ma, Ph.D.	Susan G. Komen Foundation	50,000	(2)	12,500
Meng Wang, Ph.D.	The Ellison Medical Foundation	62,500	(2)	-
		<u>354,167</u>		<u>25,000</u>
	<u>2008 Program</u>			
Xiaoyi Hu, Ph.D.	Gilead Sciences	12,500	(2)	-
		<u>12,500</u>		<u>-</u>
		<u>\$ 1,280,927</u>		<u>\$ 1,298,777</u>

(1) Recipient cancelled the remainder of this research grant subsequent to the year ended May 31, 2008.

(2) A portion of this research grant was paid out of unrestricted funds. The sponsor's matching grant will be received in the year ending May 31, 2009.

Life Sciences Research Foundation

Schedules Of Administrative Expenses

Years Ended May 31, 2008 And 2007

See Accountant's Report On The Supplementary Information

	2008		2007
Office expenses	\$ 23,597	\$	22,619
Annual conference	23,454		21,714
Legal and accounting	10,125		7,350
Administrative expenses (Princeton University)	9,285		9,357
	<u>\$ 66,461</u>	<u>\$</u>	<u>61,040</u>