

Consolidated Financial Statements and Schedule

December 31, 1997

(With Independent Auditors' Report Thereon)

Consolidated Statement of Financial Position December 31, 1997

with comparative amounts as of December 31, 1996

Assets:		1997	1996
Cash and cash equivalents	\$	16,542,395	12,959,798
Investments (Note 2)		140,573,553	123,682,720
Accounts receivable:			
Publications		829,653	489,932
Other		158,235	191,162
Grants receivable		3,038,893	2,251,645
Contributions receivable (Note 4)		1,707,605	3,518,165
Publications inventory		1,991,707	1,426,118
Prepaid expenses and other assets		1,377,264	1,308,461
Investment in employee residences (Note 5)		2,269,345	2,370,943
Land, buildings and equipment:			
Land and land improvements		9,980,071	9,037,008
Buildings		66,519,640	60,467,671
Furniture, fixtures and equipment		4,950,130	4,310,386
Laboratory equipment		12,655,257	11,721,056
Library books and periodicals		365,630	365,630
Construction in progress		626,728	1,103,850
		95,097,456	87,005,601
Less accumulated depreciation and amortization	_	(30,500,090)	(27,354,072)
Land, buildings and equipment, net		64,597,366	59,651,529
Total assets	\$_	233,086,016	207,850,473

Consolidated Statement of Activities

Year Ended December 31, 1997

with comparative totals for the year ended December 31, 1996

New No. Property				Temporarily	Permanently	1997	1996
Public support - contributions and nengovernment grant awards \$ 9,012,034 4,663,412 335,498 14,010,944 14,355,769 Government grant awards 15,392,415 13,756,042 Indirect cost allowances (Note 10) 10,000,564 10,000,564 10,000,564 3,817,300 10,000,564 10,000,564 3,817,300 10,000,564 10,000,564 3,817,300 10,000,564 10,000,564 3,817,300 10,000,564 10,000,564 3,817,300 10,000,564 1			Unrestricted			Total	Total
Public support - contributions and nengovernment grant awards \$ 9,012,034 4,663,412 335,498 14,010,944 14,355,769 Government grant awards 15,392,415 13,756,042 Indirect cost allowances (Note 10) 10,000,564 10,000,564 10,000,564 9,817,300	Revenue, gains and other support:						
Government grant awards 15,392,415 15,392,415 13,756,042 Indirect cost allowances (Note 10) 10,000,584 10,000,584 10,000,564 9,817,300 10,000,564 10,000,5							
Description of time restrictions: Septiation of	grant awards		9,012,034	4,663,412	335,498	14,010,944	
Other revenue: 2,117,904	Government grant awards		15,392,415			15,392,415	
Program fees	Indirect cost allowances (Note 10)		10,000,564			10,000,564	9,817,300
Rental income 389,658 389,658 442,934 42,934	Other revenue:						
Publications sales 5,237,814 5,237,814 4,804,744 Dining services 2,172,196 2,080,803 Rooms and apartments 1,712,294 1,639,324 Royalty and licensing fees 679,082 679,082 669,082 669,082 669,082 464,652 Rot appreciation in fair value of investments 6,716,633 10,467,180 17,183,813 9,146,939 Investment income - interest and dividends 5,677,213 5,677,213 5,677,213 6,258,338 Miscellaneous 167,324 10,9733 167,324 109,733 Total other revenue 24,870,118 10,467,180 35,337,298 26,897,260 Net assets released from restrictions: Expiration of time restrictions 1,209,122 (1,209,122) Expenses (Note 13): Research 27,715,449 25,258,285 Summer programs - meetings and courses 6,848,437 6,848,437 6,848,437 7,022,511 Rosearch 27,715,449 25,258,285 Summer programs - meetings and courses 6,848,437 6,00,06 5,104,457 Banbury Center conferences 953,562 953,562 953,562 795,244 DNA Learning Center programs 627,763 6,049,905 General and administrative 6,091,915 6,091,915 5,694,590 Dining services 2,617,705 2,617,705 2,487,117 Total expenses in net assets before cumulative effect of change in accounting for investments (Note 1) Increase in net assets before cumulative effect of change in accounting for investments (Note 1) Increase in net assets before danger and 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Program fees		2,117,904			2,117,904	1,948,793
Dining services 2,172,196 2,172,196 2,080,803	Rental income		389,658			389,658	
Rooms and apartments	Publications sales						
Royalty and licensing fees 679,082	Dining services						2,080,803
Net appreciation in fair value of investments	Rooms and apartments		1,712,294				
Investment income - interest and dividends 5,677,213 6,258,338	Royalty and licensing fees						
Miscellaneous 167,324 - 167,324 109,733 Total other revenue 24,870,118 - 10,467,180 35,337,298 26,897,260 Net assets released from restrictions: Expiration of time restrictions 1,209,122 (1,209,122) - - - Total revenue, gains and other support 60,484,253 3,454,290 10,802,678 74,741,221 64,826,371 Expenses (Note 13): 8 27,715,449 - 27,715,449 25,258,285 Summer programs - meetings and courses 6,848,437 - 6,848,437 7,022,511 Publications 5,400,006 - 5,400,006 5,104,457 Banbury Center conferences 953,562 - 953,562 795,244 DNA Learning Center programs 6,091,915 - 6,091,915 5,694,590 Dining services 2,617,705 - 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 </td <td></td> <td></td> <td></td> <td></td> <td>10,467,180</td> <td></td> <td></td>					10,467,180		
Total other revenue 24,870,118 - 10,467,180 35,337,298 26,897,260 Net assets released from restrictions: Expiration of time restrictions 1,209,122 (1,209,122)	Investment income - interest and dividends						6,258,338
Net assets released from restrictions: Expiration of time restrictions 1,209,122 (1,209,122)	Miscellaneous		167,324			167,324	109,733
Expiration of time restrictions	Total other revenue	1869	24,870,118		10,467,180	35,337,298	26,897,260
Total revenue, gains and other support 60,484,253 3,454,290 10,802,678 74,741,221 64,826,371 Expenses (Note 13): Research 27,715,449 - 27,715,449 25,258,285 Summer programs - meetings and courses 6,848,437 - 6,848,437 7,022,511 Publications 5,400,006 - 5,400,006 5,104,457 Banbury Center conferences 953,562 - 953,562 795,244 DNA Learning Center programs 627,763 - 6,091,915 5,694,590 Dining services 2,617,705 - 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) Increase in net assets beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Net assets released from restrictions:						
Expenses (Note 13): Research Research Summer programs - meetings and courses 6,848,437	Expiration of time restrictions		1,209,122	(1,209,122)			
Research 27,715,449	Total revenue, gains and other support	200	60,484,253	3,454,290	10,802,678	74,741,221	64,826,371
Summer programs - meetings and courses 6,848,437 - 6,848,437 7,022,511 Publications 5,400,006 - 5,400,006 5,104,457 Banbury Center conferences 953,562 - 953,562 795,244 DNA Learning Center programs 627,763 - 627,763 604,605 General and administrative 6,091,915 - 6,091,915 5,694,590 Dining services 2,617,705 - 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) - 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Expenses (Note 13):						
Publications 5,400,006 - 5,400,006 5,104,457 Banbury Center conferences 953,562 953,562 795,244 DNA Learning Center programs 627,763 627,763 604,605 General and administrative 6,091,915 - 6,091,915 5,694,590 Dining services 2,617,705 - 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) - 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Research		27,715,449			27,715,449	25,258,285
Banbury Center conferences 953,562 - 953,562 795,244 DNA Learning Center programs 627,763 - 627,763 604,605 General and administrative 6,091,915 - 6,091,915 5,694,590 Dining services 2,617,705 - 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) 12,671,355 Increase in net assets beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Summer programs - meetings and courses		6,848,437			6,848,437	7,022,511
DNA Learning Center programs General and administrative General and administrative General and administrative General and administrative Dining services 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 - 50,254,837 - 50,254,837 Increase in net assets before cumulative effect of change in accounting principle Cumulative effect of change in accounting for investments (Note 1) Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Publications		5,400,006			5,400,006	5,104,457
General and administrative 6,091,915 - 6,091,915 5,694,590 Dining services 2,617,705 - 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) - 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Banbury Center conferences		953,562			953,562	795,244
Dining services 2,617,705 - 2,617,705 2,487,117 Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) - 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	DNA Learning Center programs		627,763			627,763	604,605
Total expenses 50,254,837 - 50,254,837 46,966,809 Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) - 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	General and administrative		6,091,915			6,091,915	5,694,590
Increase in net assets before cumulative effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Dining services		2,617,705		3.0.	2,617,705	2,487,117
effect of change in accounting principle 10,229,416 3,454,290 10,802,678 24,486,384 17,859,562 Cumulative effect of change in accounting for investments (Note 1) 12,671,355 Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Total expenses		50,254,837			50,254,837	46,966,809
Cumulative effect of change in accounting for investments (Note 1)	Increase in net assets before cumulative						
for investments (Note 1)	effect of change in accounting principle		10,229,416	3,454,290	10,802,678	24,486,384	17,859,562
Increase in net assets 10,229,416 3,454,290 10,802,678 24,486,384 30,530,917 Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	Cumulative effect of change in accounting						
Net assets at beginning of year 105,055,202 1,269,123 63,475,670 169,799,995 139,269,078	for investments (Note 1)	A 3-		-			12,671,355
Not excellent and of years 4 115 204 619 4 722 412	Increase in net assets		10,229,416	3,454,290	10,802,678	24,486,384	30,530,917
Net assets at end of year \$ 115,284,618 4,723,413 74,278,348 194,286,379 169,799,995	Net assets at beginning of year		105,055,202	1,269,123	63,475,670	169,799,995	139,269,078
	Net assets at end of year	\$_	115,284,618	4,723,413	74,278,348	194,286,379	169,799,995

Consolidated Statement of Cash Flows Year ended December 31, 1997 with comparative amounts for the year ended December 31, 1996

Cash flows from operating activities:		1997	1996
Increase in net assets	\$	24,486,384	30,530,917
Adjustments to reconcile increase in net assets to net	*	24,400,304	30,530,917
cash provided by operating activities:			
Cumulative effect of change in accounting principle			(12,671,355)
Depreciation and amortization		3,370,584	2,988,112
Net appreciation in fair value of investments		(17,183,813)	(9,146,939)
Contributions restricted for long-term investment		(4,998,910)	(4,716,321)
Changes in assets and liabilities:		,	(.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
(Increase)decrease in accounts receivable		(306,794)	278,633
(Increase)decrease in grants receivable		(787,248)	777,102
Decrease(increase) in contributions receivable		1,810,560	(3,018,165)
Increase in publications inventory		(565,589)	(31,398)
(Increase)decrease in prepaid expenses and other assets		(68,803)	769,773
Increase in accounts payable and accrued expenses		1,129,754	520,928
(Decrease)increase in deferred revenue		(161,473)	363,841
Net cash provided by operating activities		6,724,652	6,645,128
Cash flows from investing activities:			
Capital expenditures		(8,316,421)	(4,628,242)
Proceeds from sales and maturities of investments		100,940,803	162,766,609
Purchases of investments		(100,647,823)	(169,651,705)
Net change in investments in employee residences		101,598	(545,302)
Net cash used in investing activities		(7,921,843)	(12,058,640)
Cash flows from financing activities:			
Permanently restricted contributions		335,498	3,537,198
Contributions restricted for investment in land, buildings,			
and equipment		4,663,412	1,179,123
Repayment of notes payable		(570,122)	(352,559)
Issuance of notes payable		351,000	550,000
Net cash provided by financing activities		4,779,788	4,913,762
Net increase(decrease) in cash and cash equivalents		3,582,597	(499,750)
Cash and cash equivalents at beginning of year		12,959,798	13,459,548
Cash and cash equivalents at end of year	\$	16,542,395	12,959,798
Supplemental disclosures:			
Interest paid	\$	1,239,341	1,277,376
		1,200,011	1,277,370

See accompanying notes to consolidated financial statements.