



Global Lyme Alliance, Inc.

Financial Statements

December 31, 2018 and 2017

Global Lyme Alliance, Inc.

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Independent Auditors' Report

To the Board of Directors of
Global Lyme Alliance, Inc.

We have audited the accompanying financial statements of Global Lyme Alliance, Inc. ("GLA"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to GLA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GLA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GLA as of December 31, 2018 and 2017, the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
April 9, 2019

Global Lyme Alliance, Inc.

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,444,250	\$ 4,001,095
Contributions receivable, current	762,894	363,065
Prepaid expenses	56,446	45,957
Total current assets	4,263,590	4,410,117
Contributions Receivable, Long-Term	398,263	-
Investment in Third Party	178,000	85,024
Fixed Assets, Net	69,101	65,719
Other Assets	40,000	15,676
Total assets	<u>\$ 4,948,954</u>	<u>\$ 4,576,536</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 191,543	\$ 113,103
Grants payable	-	49,884
Deferred revenue	50,000	50,000
Deferred rent	33,192	-
Total liabilities	274,735	212,987
Net Assets		
Without donor restrictions	3,129,781	3,753,497
With donor restrictions	1,544,438	610,052
Total net assets	4,674,219	4,363,549
Total liabilities and net assets	<u>\$ 4,948,954</u>	<u>\$ 4,576,536</u>

See notes to financial statements

Global Lyme Alliance, Inc.Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 835,709	\$ 1,544,438	\$ 2,380,147
Special events income, net of \$651,567 of direct expenses	2,345,037	-	2,345,037
In-kind contributions	78,783	-	78,783
Investment income	39,469	-	39,469
Net assets released from donor restrictions	610,052	(610,052)	-
	<u>3,909,050</u>	<u>934,386</u>	<u>4,843,436</u>
Total support and revenue			
Expenses			
Program	3,321,391	-	3,321,391
Management and general	413,887	-	413,887
Fundraising	797,488	-	797,488
	<u>4,532,766</u>	<u>-</u>	<u>4,532,766</u>
Total expenses			
Changes in net assets	(623,716)	934,386	310,670
Net Assets, Beginning of Year	<u>3,753,497</u>	<u>610,052</u>	<u>4,363,549</u>
Net Assets, End of Year	<u>\$ 3,129,781</u>	<u>\$ 1,544,438</u>	<u>\$ 4,674,219</u>

See notes to financial statements

Global Lyme Alliance, Inc.Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 925,513	\$ 610,052	\$ 1,535,565
Special events income, net of \$666,997 of direct expenses	2,447,835	-	2,447,835
In-kind contributions	65,600	-	65,600
Investment income	13,904	-	13,904
Net assets released from donor restrictions	235,230	(235,230)	-
	<u>3,688,082</u>	<u>374,822</u>	<u>4,062,904</u>
Total support and revenue			
	3,688,082	374,822	4,062,904
Expenses			
Program	3,547,830	-	3,547,830
Management and general	466,327	-	466,327
Fundraising	666,226	-	666,226
	<u>4,680,383</u>	<u>-</u>	<u>4,680,383</u>
Total expenses			
	4,680,383	-	4,680,383
Changes in net assets	(992,301)	374,822	(617,479)
Net Assets, Beginning of Year	<u>4,745,798</u>	<u>235,230</u>	<u>4,981,028</u>
Net Assets, End of Year	<u>\$ 3,753,497</u>	<u>\$ 610,052</u>	<u>\$ 4,363,549</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,627,714	\$ -	\$ -	\$ 1,627,714
Salaries and benefits	980,955	155,194	407,367	1,543,516
Awareness	454,231	-	77,112	531,343
Legal fees	45,707	174,113	-	219,820
Consulting fees	3,439	-	115,703	119,142
Travel	41,122	8,389	31,307	80,818
Telephone and website	39,116	8,997	23,746	71,859
Printing, copying and postage	2,933	8,221	51,767	62,921
Occupancy	32,487	4,325	18,170	54,982
Conferences and meetings	46,231	-	-	46,231
Credit card fees	-	1,108	38,206	39,314
Depreciation and amortization	22,839	3,041	12,774	38,654
Accounting	-	28,500	-	28,500
Miscellaneous	5,260	8,605	13,729	27,594
Supplies	10,077	1,400	3,837	15,314
Insurance	9,280	1,450	3,770	14,500
License fees and permits	-	10,544	-	10,544
Total functional expenses	<u>\$ 3,321,391</u>	<u>\$ 413,887</u>	<u>\$ 797,488</u>	<u>\$ 4,532,766</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 2,143,554	\$ -	\$ -	\$ 2,143,554
Salaries and benefits	726,070	224,813	177,375	1,128,258
Awareness	386,097	-	55,097	441,194
Legal fees	2,490	111,255	900	114,645
Consulting fees	17,755	1,654	244,526	263,935
Travel	43,776	4,791	28,917	77,484
Telephone and website	25,090	21,525	8,657	55,272
Printing, copying and postage	418	8,469	62,764	71,651
Occupancy	26,760	8,234	6,175	41,169
Conferences and meetings	35,808	-	-	35,808
Credit card fees	7	79	46,266	46,352
Depreciation and amortization	37,040	11,396	8,548	56,984
Accounting	-	26,000	-	26,000
Miscellaneous	12,624	25,466	15,967	54,057
Supplies	13,318	3,932	3,806	21,056
Insurance	6,489	1,997	1,497	9,983
License fees and permits	-	9,475	300	9,775
Recruitment	47,000	-	-	47,000
Loss on disposal of leasehold improvements	23,534	7,241	5,431	36,206
Total functional expenses	<u>\$ 3,547,830</u>	<u>\$ 466,327</u>	<u>\$ 666,226</u>	<u>\$ 4,680,383</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 310,670	\$ (617,479)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	38,654	56,984
Loss on disposal of leasehold improvements	-	36,206
Change in deferred rent	33,192	(18,652)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable, current	(399,829)	38,138
Prepaid expenses	(10,489)	(6,056)
Other assets	(24,324)	-
Contributions receivable, long term	(398,263)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	78,440	50,543
Grants payable	(49,884)	20,384
Deferred revenue	-	(8,375)
Net cash flows from operating activities	<u>(421,833)</u>	<u>(448,307)</u>
Cash Flows from Investing Activities		
Investment in third party	(92,976)	(85,024)
Capital expenditures	<u>(42,036)</u>	<u>(48,000)</u>
Net cash flows from investing activities	<u>(135,012)</u>	<u>(133,024)</u>
Net decrease in cash and cash equivalents	(556,845)	(581,331)
Cash and Cash Equivalents, Beginning of Year	<u>4,001,095</u>	<u>4,582,426</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,444,250</u>	<u>\$ 4,001,095</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Operations

Global Lyme Alliance, Inc. ("GLA") is a public charity formed in 2015 by way of a merger between two leading tick-borne disease charities with decades of success in research and outreach initiatives. Today, GLA continues to be dedicated to conquering Lyme and other tick-borne diseases through research, education and awareness. GLA has gained national prominence for funding some of the most urgent and promising research in the field to improve diagnostics and treatment. Additionally, through its expanding programs around education and awareness, including a national Ambassador program, comprehensive educational curriculum, and accredited CME programming, GLA supports both physicians and the general public around the globe needing information about tick-borne diseases.

Basis of Accounting

The accompanying financial statements of GLA have been prepared on the accrual basis of accounting.

Net Assets

The net assets of GLA are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of GLA.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of GLA and/or the passage of time. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying statements of activities and changes in net assets as net assets released from donor restrictions. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, GLA reports the support as contribution without donor restrictions.

As of December 31, 2018 and 2017, GLA has no assets with donor restrictions that are perpetual in nature.

Expiration of Capital Restrictions

GLA reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to net assets with donor restrictions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Revenue

GLA receives substantially all of its revenue from grants and contributions from direct public support and income derived from fundraising events.

Global Lyme Alliance, Inc.

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Cash and Cash Equivalents

Cash and cash equivalents consist of deposits and money market funds with financial institutions. GLA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Unconditional Promises to Give (Contributions Receivable)

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future periods are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the periods in which the promises are received. Amortization of the discounts is included in contribution revenue, when applicable. Conditional promises to give are not included as support until the conditions have been substantially met. As of December 31, 2018, contributions expected to be received in future periods are included in contributions receivable, long term. As of December 31, 2017, all contributions receivable were considered current.

Allowance for Doubtful Pledges

Management must make estimates of the uncollectability of all contributions receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts. As of December 31, 2018 and 2017, no allowance for doubtful accounts was necessary based on management's analysis.

Fixed Assets

Fixed assets are stated at cost when acquired. Donated fixed assets are recorded at fair value at the date of donation. GLA capitalizes fixed asset acquisitions in excess of \$5,000. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement or remaining life of the lease. Computer equipment and furniture and fixtures are depreciated over periods ranging from three to five years on a straight-line basis.

Deferred Rent

GLA records rent expense on a straight-line basis on its office lease which contains fixed annual rental increases. The difference between rent expense and payments made under the lease are reflected as deferred rent.

Deferred Revenue

Deferred revenue represents advance payments for special events scheduled to take place in the subsequent year.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are related to program or supporting functions. These expenses include occupancy, depreciation and amortization, salaries and fringe benefits, insurance, supplies, and telephone and website. Occupancy and depreciation and amortization expenses are allocated based on square footage. Costs of other categories are allocated based on estimates of time and effort.

Global Lyme Alliance, Inc.

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In-Kind Contributions

During the years ended December 31, 2018 and 2017, GLA received in-kind contributions of professional services in the amount of approximately \$79,000 and \$66,000, respectively. These amounts were recorded as in-kind contributions revenue in the statements of activities and changes in net assets. For the year ended December 31, 2018, corresponding in-kind expenses were recorded to legal fees, leasehold improvements, and special events direct expenses. During the year ended December 31, 2017, corresponding in-kind expenses were recorded to special events direct expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

GLA qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit organization under the laws of Connecticut. Accordingly, no provision for federal or state income taxes is required.

Uncertain Tax Positions

Management has evaluated GLA's tax positions and concluded that GLA had not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 740.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on GLA's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on GLA's financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU No. 2016-14 has been applied retrospectively to all periods presented.

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The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions;
- The temporarily restricted net asset class has been renamed Net Assets with Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources (Note 8)
- The expenses are reported by both nature and function; as well as the disclosure of specific methodologies used to allocate costs among program and support functions.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The core principle of ASU 2018-08 requires evaluation of whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. ASU 2018-08 is effective for non-public entities for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on GLA's financial statements.

Evaluation of Subsequent Events

Management has evaluated subsequent events through April 9, 2019, the date the financial statements are available for issuance. Subsequent to the year ended December 31, 2018, GLA is subject to a lawsuit and claim with respect to a matter arising in the normal course of business. In the opinion of management, the ultimate liabilities, if any, resulting from this lawsuit or claim, will not materially affect the financial position or results of operations of GLA.

2. Contributions Receivable

Contributions receivable, reported within current assets and contributions receivable, long term in the statements of financial position, include the following unconditional promises to give as of December 31:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 762,894	\$ 363,065
Due in one to five years	415,000	-
Less discount	<u>(16,737)</u>	<u>-</u>
Net contributions receivable	<u>\$ 1,161,157</u>	<u>\$ 363,065</u>

3. Investment in Third Party

On December 31, 2016, GLA entered into an agreement with Ionica Sciences, Inc. ("Ionica") to acquire 15 percent of Ionica's capital stock over time for a total purchase price of \$178,000. The purchase amount will be used for completion of Phase 1, Phase 2, and Phase 3 of the Lyme Disease Diagnostic Test Development Program and to fund all or a portion of the required Directors & Officers insurance levels. GLA's investment in Ionica was \$178,000 and approximately \$85,000 as of December 31, 2018 and 2017, respectively., GLA holds a 15.0% and 7.5% interest in the company as of December 31, 2018 and 2017, respectively. This amount is recorded at cost as an investment in third party in the accompanying financial statements.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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4. Fixed Assets, Net

Fixed assets, net, consists of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 23,840	\$ -
Computer equipment	31,992	31,992
Furniture and fixtures	35,357	17,161
Website	117,839	117,839
	<u>209,028</u>	<u>166,992</u>
Less accumulated depreciation and amortization	<u>139,927</u>	<u>101,273</u>
Total fixed assets, net	<u>\$ 69,101</u>	<u>\$ 65,719</u>

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time and purpose restrictions:		
Research	\$ 333,263	\$ -
Purpose restriction:		
Research	1,205,052	135,052
Personnel	-	100,000
Fellowship	-	375,000
Educational Program	6,123	-
Total	<u>\$ 1,544,438</u>	<u>\$ 610,052</u>

During 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors or release of time restrictions, as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose restriction:		
Research	\$ 135,052	\$ 135,230
Personnel	100,000	100,000
Fellowship	375,000	-
Total net assets released from restrictions	<u>\$ 610,052</u>	<u>\$ 235,230</u>

Global Lyme Alliance, Inc.

Notes to Financial Statements
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6. Concentrations of Credit Risk

Financial instruments which potentially subject GLA to concentrations of credit risk consist principally of cash and cash equivalents. GLA places its temporary cash investments with high credit quality financial institutions; however, in the event of a financial institution's insolvency, recovery of GLA's assets on deposit may be limited to account insurance by the Federal Deposit Insurance Corporation.

As of December 31, 2018, 74% of contributions receivable were from two separate donors, with each individually representing greater than 10% of total receivables. The contributions from these two donors are expected to be received before the end of 2020.

As of December 31, 2017, 62% of contributions receivable were from two separate donors, with each individually representing greater than 10% of total receivables. The contributions from these two donors were received by GLA in first quarter of 2018.

7. Commitments and Contingencies

Operating Lease Obligation

During 2018, GLA entered into a noncancellable operating lease for its office space which expires in November 2023. In November 2017, GLA vacated its former office space due to disputes with the landlord about a mold issue in the building. As of April 9, 2019, the date the financial statements are available for issuance, GLA is involved in a legal matter surrounding its early departure from this office space (See Note 1).

Rent expense is approximately \$55,000 and \$41,000 for the years ended December 31, 2018 and 2017, respectively.

The future minimum payments under the new operating lease are approximately as follows:

Years ending December 31:		
2019	\$	98,000
2020		102,000
2021		106,000
2022		110,000
2023		95,000
		<hr/>
Total	\$	<u>511,000</u>

Global Lyme Alliance, Inc.

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8. Liquidity and Availability

The following table reflects GLA's financial assets available for general expenditure within one year as of December 31, 2018 and 2017. Financial assets are considered unavailable when illiquid or not convertible to cash within one year:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,444,250	\$ 4,001,095
Contributions receivable	1,161,157	363,065
Less those amounts unavailable for general expenditure within one year due to:		
Donor-imposed restricted contributions	(333,263)	-
Unrestricted contributions collectible beyond one year	(65,000)	-
	<u> </u>	<u> </u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,207,144</u>	<u>\$ 4,364,160</u>

As part of GLA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, GLA invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, GLA has a committed line of credit in the amount of \$600,000, which it could draw upon when necessary.

9. Line of Credit

In 2018 GLA obtained a revolving line of credit in the principal amount of \$600,000 which is up for renewal in May 2019. As of December 31, 2018, GLA has not drawn down on the line of credit.