

GLOBAL LYME ALLIANCE

Greenwich, Connecticut

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of December 31, 2015 and for the Period
September 1, 2015 through December 31, 2015

GLOBAL LYME ALLIANCE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Global Lyme Alliance
Greenwich, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Global Lyme Alliance ("GLA"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period September 1, 2015 through December 31, 2015, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

Board of Directors
Global Lyme Alliance

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, 2015, the changes in its net assets, and its cash flows for the period September 1, 2015 through December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
October 25, 2016

FINANCIAL STATEMENTS

GLOBAL LYME ALLIANCE

STATEMENT OF FINANCIAL POSITION

As of December 31, 2015

ASSETS

CURRENT ASSETS

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 3,389,844 |
| Contributions receivable | 343,661 |
| Prepaid expenses | <u>46,239</u> |
| Total Current Assets | 3,779,744 |

| | |
|-------------------|---------------|
| Fixed Assets, net | 123,138 |
| Trademark | 1,300 |
| Security Deposit | <u>14,376</u> |

TOTAL ASSETS \$ 3,918,558

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 260,820 |
| Deferred revenue | 50,000 |
| Deferred rent | <u>9,450</u> |
| Total Liabilities | <u>320,270</u> |

NET ASSETS

| | |
|------------------|------------------|
| Unrestricted | <u>3,598,288</u> |
| Total Net Assets | <u>3,598,288</u> |

TOTAL LIABILITIES AND NET ASSETS \$ 3,918,558

See notes to financial statements.

GLOBAL LYME ALLIANCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the Period September 1, 2015 through December 31, 2015

UNRESTRICTED SUPPORT AND REVENUE

| | |
|------------------------------------------------------------|------------------|
| Contributions | \$ 121,911 |
| Special events income, net of \$404,869 of direct expenses | 2,548,688 |
| In-kind contributions | 70,022 |
| Investment income | <u>140</u> |
| Total Support and Revenue | <u>2,740,761</u> |

EXPENSES

| | |
|------------------------|----------------|
| Program | 502,097 |
| Management and general | 204,723 |
| Fundraising | <u>261,929</u> |
| Total Expenses | <u>968,749</u> |

Changes in Net Assets, Unrestricted 1,772,012

UNRESTRICTED NET ASSETS, Beginning of Period 1,826,276

UNRESTRICTED NET ASSETS, END OF PERIOD \$ 3,598,288

GLOBAL LYME ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

For the Period September 1, 2015 through December 31, 2015

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|--------------------------|-----------------------------------|--------------------------|--------------------------|
| Salaries and Payroll Taxes | \$ 46,164 | \$ 70,136 | \$ 52,397 | \$ 168,697 |
| Awareness | 37,715 | - | 23,355 | 61,070 |
| Grants | 347,848 | - | - | 347,848 |
| Consulting Fees | 1,282 | 11,144 | 112,496 | 124,922 |
| Legal Fees | 23,107 | 43,964 | 4,902 | 71,973 |
| Accounting | - | 33,000 | - | 33,000 |
| Printing, Copying and Postage | 5,273 | 4,584 | 11,224 | 21,081 |
| Miscellaneous | 5,137 | 1,460 | 4,340 | 10,937 |
| Occupancy | 5,170 | 7,853 | 5,868 | 18,891 |
| Telephone and Website | 10,570 | 4,188 | 5,017 | 19,775 |
| Credit Card Fees | - | 91 | 15,739 | 15,830 |
| Conferences and Meetings | 8,110 | 4,208 | 421 | 12,739 |
| Travel | 3,703 | 7,189 | 16,686 | 27,578 |
| Insurance | 743 | 1,128 | 843 | 2,714 |
| Supplies | 2,566 | 3,899 | 3,296 | 9,761 |
| Depreciation and Amortization | 4,709 | 7,154 | 5,345 | 17,208 |
| License Fees and Permits | - | 4,725 | - | 4,725 |
| Total Functional Expenses | <u>\$ 502,097</u> | <u>\$ 204,723</u> | <u>\$ 261,929</u> | <u>\$ 968,749</u> |

See notes to financial statements.

GLOBAL LYME ALLIANCE

STATEMENT OF CASH FLOWS

For the Period September 1, 2015 through December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-----------------------------------------------------------------------------------------------|------------------|
| Changes in net assets | \$ 1,772,012 |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities | |
| Depreciation and amortization expense | 17,208 |
| Changes in operating assets and liabilities | |
| (Increase) decrease in assets: | |
| Contributions receivable | (72,236) |
| Prepaid expenses | 44,250 |
| Security deposit | 5,983 |
| Increase (decrease) in liabilities: | |
| Accounts payable and accrued expenses | 10,964 |
| Deferred revenue | (599,000) |
| Deferred rent | 9,450 |
| Net Cash Flows from Operating Activities | <u>1,188,631</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------------------------|-----------------|
| Capital expenditures | <u>(68,687)</u> |
| Net Cash Flows from Investing Activities | <u>(68,687)</u> |

Net Change in Cash and Cash Equivalents 1,119,944

CASH AND CASH EQUIVALENTS, Beginning of Period 2,269,900

CASH AND CASH EQUIVALENTS, END OF PERIOD \$ 3,389,844

GLOBAL LYME ALLIANCE

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2015 and for the Period September 1, 2015 through December 31, 2015

NOTE 1 - Description of Organization and Summary of Significant Accounting Policies

Nature of Operations

Global Lyme Alliance, Inc. ("GLA") is a public charity dedicated to finding a cure and accurate test for Lyme disease as well as educating physicians and the public about the dangers of Lyme and other tick-borne diseases.

GLA was formed on February 20, 2015, by way of a merger between Tick-Borne Disease Alliance, a New York not-for-profit Corporation, and Lyme Research Alliance, a Connecticut not-for-profit corporation. The merger allows for greater resources to be applied to research on urgently needed improvements in diagnostics and treatments, while maintaining awareness programs for the general public and physicians.

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:

Unrestricted - 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.

Temporarily restricted - 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. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, GLA reports the support as unrestricted. There were no temporarily restricted net assets at December 31, 2015.

Permanently restricted - Net assets that are subject to donor-imposed stipulations that must be maintained in perpetuity. GLA does not have any permanently restricted net assets.

Revenue

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

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.

GLOBAL LYME ALLIANCE

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2015 and for the Period September 1, 2015 through December 31, 2015

NOTE 1 - Description of Organization and Summary of Significant Accounting Policies (cont.)

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. All contributions receivable are considered current at December 31, 2015.

Allowance for Doubtful Accounts and Pledges

Management must make estimates of the uncollectability of all accounts and 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, 2015, 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 and furniture and fixtures are depreciated over periods ranging from three to five years on a straight-line basis.

Deferred Revenue

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

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain overhead costs have been allocated among the programs and supporting services benefited based on the percentage of time and salaries charged to each functional area.

In-kind Contributions

During the period September 1, 2015 through December 31, 2015, GLA received in-kind contributions of legal services in the amount of \$70,022. This amount was recorded as in-kind contributions revenue in the statement of activities and changes in net assets.

GLOBAL LYME ALLIANCE

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2015 and for the Period September 1, 2015 through December 31, 2015

NOTE 1 - Description of Organization and Summary of Significant Accounting Policies (cont.)

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. With few exceptions, GLA is no longer subject to income tax examinations by the United States federal, state or local tax authorities for the tax periods before 2012, which is the standard statute of limitations look-back period.

Evaluation of Subsequent Events

Management has evaluated subsequent events through October 25, 2016, the date the financial statements are available for issuance. No matters were identified for recognition or disclosure.

NOTE 2 - Fixed Assets, Net

Fixed Assets, net, consists of the following as of December 31, 2015:

| | | |
|-----------------------------------------------------|----|----------------|
| Leasehold Improvements | \$ | 59,007 |
| Computer | | 30,653 |
| Furniture and Fixtures | | 17,161 |
| Website in Progress | | <u>54,525</u> |
| | | 161,346 |
| Less Accumulated Depreciation | | <u>38,208</u> |
| Total Fixed Assets, net of accumulated depreciation | \$ | <u>123,138</u> |

GLOBAL LYME ALLIANCE

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2015 and for the Period September 1, 2015 through December 31, 2015

NOTE 3 - Concentration 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.

NOTE 4 - Commitments and Contingencies

Operating Lease Obligation

GLA is obligated under a noncancellable operating lease for its office space, which expires in August 2020. Rent expense is recognized on a straight-line basis over the term of the lease. Minimum future rental payments under the lease are approximately as follows for the year ending December 31:

| | | |
|-------|----|----------------|
| 2016 | \$ | 58,000 |
| 2017 | | 60,000 |
| 2018 | | 62,000 |
| 2019 | | 63,000 |
| 2020 | | <u>43,000</u> |
| Total | \$ | <u>286,000</u> |

Rent expense for the period September 1, 2015 through December 31, 2015 approximated \$19,000.