

Global Lyme Alliance, Inc.

Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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.



New York, New York
April 13, 2021

Global Lyme Alliance, Inc.

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,568,172	\$ 3,503,307
Contributions receivable, net	330,000	1,408,055
Loan receivable	-	150,000
Prepaid expenses	89,376	65,594
Other receivables	76,401	-
Accrued interest receivable	-	3,567
	<hr/>	<hr/>
Total current assets	4,063,949	5,130,523
Contributions Receivable, Long-Term	99,740	280,672
Investments	334,616	178,000
Fixed Assets, Net	116,233	47,806
Other Assets	41,152	40,000
	<hr/>	<hr/>
Total assets	<u>\$ 4,655,690</u>	<u>\$ 5,677,001</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 64,248	\$ 255,884
Grants payable	468,243	123,784
Deferred rent	30,827	34,037
	<hr/>	<hr/>
Total liabilities	563,318	413,705
Net Assets		
Without donor restrictions	2,849,893	2,861,054
With donor restrictions	1,242,479	2,402,242
	<hr/>	<hr/>
Total net assets	4,092,372	5,263,296
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 4,655,690</u>	<u>\$ 5,677,001</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 2,050,961	\$ 279,000	\$ 2,329,961
Special events income, net of \$331,199 of direct expenses	531,221	-	531,221
In-kind contributions	112,602	-	112,602
Investment income	13,537	-	13,537
Net assets released from donor restrictions	1,438,763	(1,438,763)	-
Total support and revenue	4,147,084	(1,159,763)	2,987,321
Expenses			
Program	2,614,260	-	2,614,260
Management and general	390,840	-	390,840
Fundraising	1,153,145	-	1,153,145
Total expenses	4,158,245	-	4,158,245
Changes in net assets	(11,161)	(1,159,763)	(1,170,924)
Net Assets, Beginning of Year	2,861,054	2,402,242	5,263,296
Net Assets, End of Year	<u>\$ 2,849,893</u>	<u>\$ 1,242,479</u>	<u>\$ 4,092,372</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,016,239	\$ 1,551,396	\$ 2,567,635
Special events income, net of \$572,627 of direct expenses	2,392,348	-	2,392,348
In-kind contributions	44,589	-	44,589
Investment income	49,812	-	49,812
Net assets released from donor restrictions	693,592	(693,592)	-
Total support and revenue	4,196,580	857,804	5,054,384
Expenses			
Program	3,286,963	-	3,286,963
Management and general	410,519	-	410,519
Fundraising	767,825	-	767,825
Total expenses	4,465,307	-	4,465,307
Changes in net assets	(268,727)	857,804	589,077
Net Assets, Beginning of Year	3,129,781	1,544,438	4,674,219
Net Assets, End of Year	<u>\$ 2,861,054</u>	<u>\$ 2,402,242</u>	<u>\$ 5,263,296</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 851,028	\$ 180,501	\$ 335,667	\$ 1,367,196
Grants	929,345	-	-	929,345
Pledge write-off	-	-	725,000	725,000
Awareness	310,455	-	9,659	320,114
Clinical studies and other initiatives	312,263	-	-	312,263
Occupancy	68,321	14,325	27,549	110,195
Legal fees	17,422	66,380	-	83,802
Telephone and website	49,346	10,346	19,897	79,589
Consulting fees	6,738	58,440	-	65,178
Depreciation and amortization	27,635	5,794	11,143	44,572
Accounting	-	34,000	-	34,000
Travel	18,599	3,483	2,042	24,124
Insurance	12,906	2,706	5,204	20,816
Credit card fees	-	2,391	12,870	15,261
Supplies	6,585	1,380	2,655	10,620
License fees and permits	-	10,335	-	10,335
Printing, copying and postage	3,617	759	1,459	5,835
Total	<u>\$ 2,614,260</u>	<u>\$ 390,840</u>	<u>\$ 1,153,145</u>	<u>\$ 4,158,245</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,321,483	\$ -	\$ -	\$ 1,321,483
Salaries and fringe benefits	959,986	157,910	389,476	1,507,372
Awareness	523,162	-	83,251	606,413
Clinical studies and other initiatives	154,326	-	-	154,326
Legal fees	32,324	123,132	-	155,456
Consulting fees	4,764	-	95,000	99,764
Travel	61,229	10,738	41,987	113,954
Telephone and website	52,381	54,201	23,208	129,790
Printing, copying and postage	8,804	1,376	29,300	39,480
Occupancy	65,151	8,834	36,441	110,426
Conferences and meetings	64,118	-	-	64,118
Credit card fees	-	2,266	41,241	43,507
Depreciation and amortization	18,507	2,509	10,352	31,368
Accounting	-	32,000	-	32,000
Miscellaneous	5,254	4,457	11,283	20,994
Supplies	8,064	1,260	3,276	12,600
Insurance	7,410	1,158	3,010	11,578
License fees and permits	-	10,678	-	10,678
Total	<u>\$ 3,286,963</u>	<u>\$ 410,519</u>	<u>\$ 767,825</u>	<u>\$ 4,465,307</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (1,170,924)	\$ 589,077
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	44,571	31,368
Pledge write off	725,000	-
Change in discount on long term pledges	(9,068)	-
Change in deferred rent	(3,210)	845
Loan interest income converted to investments	(3,049)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	543,055	(527,570)
Prepaid expenses	(23,782)	(9,148)
Accrued interest receivable	-	(3,567)
Other assets	(1,152)	-
Other receivables	(76,401)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(191,636)	64,341
Grants payable	344,459	123,784
Refundable advance	-	-
Deferred revenue	-	(50,000)
	<u>177,863</u>	<u>219,130</u>
Net cash flows from operating activities		
Cash Flows From Investing Activities		
Loan receivable	-	(150,000)
Capital expenditures	(112,998)	(10,073)
	<u>(112,998)</u>	<u>(160,073)</u>
Net cash flows from investing activities		
Net increase in cash and cash equivalents	64,865	59,057
Cash and Cash Equivalents, Beginning of Year	<u>3,503,307</u>	<u>3,444,250</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,568,172</u>	<u>\$ 3,503,307</u>
Noncash Investing Activities		
Conversion of convertible loan receivable and accrued interest receivable into investment in third party	<u>\$ 156,616</u>	<u>\$ -</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

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 in accordance with principles generally accepted in the United States of America (U.S. GAAP) using 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, 2020 and 2019, 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. Income from fundraising events that are not considered contributions in the amount of approximately \$331,000 and \$573,000 for the years ended December 31, 2020 and 2019, respectively, are recognized as contracts with customers.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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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, which is the two-year Treasury rate, applicable to the periods in which the promises are received. As of December 31, 2020, the discount rate on long-term pledges was 0.13 percent. As of December 31, 2019, the discount rate on long-term pledges ranged between 1.58 percent and 2.48 percent. 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 met. As of December 31, 2020 and 2019, contributions expected to be received in future periods are included in contributions receivable, long term.

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, 2020 and 2019, GLA recorded \$700,000 and \$0, respectively, as an allowance for doubtful accounts based on management's analysis.

Investments

Investments consist of equity securities in third parties without readily determinable fair value that is recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. As of each reporting period (December 31st), GLA performs a qualitative assessment considering impairment indicators to evaluate whether the investments are impaired. For the years ended December 31, 2020 and 2019, no impairment loss is deemed necessary.

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.

Refundable Advance

Refundable advance represents support from third parties received for expenditures in future years on the statements of financial position.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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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, 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.

In-Kind Contributions

For the years ended December 31, 2020 and 2019, GLA received in-kind contributions of professional services in the amount of approximately \$113,000 and \$45,000, respectively. GLA records donated professional services at the respective fair values of the services received. 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, 2020, corresponding in-kind expenses were recorded to legal fees and rent expenses. For the year ended December 31, 2019, corresponding in-kind expenses were recorded to legal fees and special events direct expenses.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Adopted Accounting Pronouncements

In 2019, GLA adopted 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. GLA has implemented Topic 606 retrospectively to all periods presented but there was no impact on GLA's revenue recognition methodology.

In 2019, GLA adopted 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. GLA implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no impact to GLA's financial statements.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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In 2019, GLA adopted the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income. An entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Organizations may use a qualitative approach to identify impairment. GLA implemented the provisions of ASU 2016-01 prospectively; there was no impact to GLA's financial statements.

Recent Accounting Pronouncements

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 nonpublic entities for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of ASU 2016-02 on GLA's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after December 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of ASU 2020-07 on GLA's financial statements.

Reclassification

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

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>2020</u>	<u>2019</u>
Due within one year	\$ 1,030,000	\$ 1,408,055
Due in one to five years	100,000	290,000
Less allowance for doubtful accounts	(700,000)	-
Less unamortized discount on long term pledges	(260)	(9,328)
	<u>\$ 429,740</u>	<u>\$ 1,688,727</u>
Net contributions receivable		

3. Loan Receivable

On August 30, 2019, GLA entered into a \$150,000 principal amount 7.00 percent per annum convertible promissory note agreement with Manus Bio, Inc. (Manus Bio), due December 31, 2020. The purpose of the agreement with Manus Bio, Inc. is for GLA to support the development of its environmentally friendly tick repellent product. Per the terms of the convertible note agreement, the outstanding principal and unpaid interest of the note were due and payable on the maturity date unless automatically converted into fully paid and non-assessable convertible preferred stock with the closing of the sale of convertible preferred stock of Manus Bio.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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On April 16, 2020, as a result of an automatic conversion event pursuant to the terms of the convertible promissory note agreement, GLA's principal amount of \$150,000 as well as \$6,616 in accrued interest converted into 2,938 shares of Series B-3 preferred shares of Manus Bio, and is included in investments on the statement of financial position as of December 31, 2020. As of December 31, 2020 and 2019, GLA had a loan receivable of \$0 and \$150,000, respectively.

4. Investments

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 as of December 31, 2020 and 2019. GLA holds a 25.0 percent interest in the company as of December 31, 2020 and 2019. This amount is recorded at cost, minus impairment, as an investment in the accompanying financial statements.

On April 16, 2020, GLA entered into a stock purchase agreement with Manus Bio for the converted shares of Manus Bio's convertible preferred stock. GLA's investment in Manus Bio was \$156,616 as of December 31, 2020. GLA holds a .05 percent interest in the Manus Bio as of December 31, 2020. This amount is recorded at cost, minus impairment, as an investment in the accompanying financial statements.

5. Fixed Assets, Net

Fixed assets, net, consists of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 23,840	\$ 23,840
Computer equipment	63,178	42,065
Furniture and fixtures	35,357	35,357
Website	209,724	117,839
	<u>332,099</u>	<u>219,101</u>
Less accumulated depreciation and amortization	<u>215,866</u>	<u>171,295</u>
Total fixed assets, net	<u>\$ 116,233</u>	<u>\$ 47,806</u>

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Time and purpose restrictions:		
Research	\$ 99,741	\$ 215,672
Purpose restriction:		
Research	1,137,738	2,186,570
Educational program	5,000	-
Total	<u>\$ 1,242,479</u>	<u>\$ 2,402,242</u>

Global Lyme Alliance, Inc.

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During 2020 and 2019, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Time and purpose restrictions:		
Research	\$ 215,672	\$ -
Purpose restriction:		
Research	1,200,591	687,469
Educational program	<u>22,500</u>	<u>6,123</u>
Total net assets released from restrictions	<u>\$ 1,438,763</u>	<u>\$ 693,592</u>

7. Fiscal Sponsorship

During 2019, GLA entered into an agreement with CNY Institute for Lyme and Tick-borne Diseases (grantee) to act as the grantee's fiscal sponsor for the purposes of receiving contributions and distributing funds on behalf of the grantee. For the years ended December 31, 2020 and 2019, GLA received \$4,000 and \$174,000, respectively, in contributions with donor restrictions on behalf of the grantee but was given variance power by the donors. For the years ended December 31, 2020 and 2019, GLA incurred approximately \$162,000 and \$16,000, respectively, as grant expense related to this agreement. As of December 31, 2020, the obligations under the agreement have been fulfilled.

8. 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, 2020, contributions receivable from two separate donors approximated 41 percent and 35 percent, respectively, of total receivables. The contributions from these two donors are expected to be received before the end of 2021 and 2023, respectively.

As of December 31, 2019, contributions receivable from three separate donors approximated 42 percent, 21 percent and 10 percent of total receivables. The contributions from these three donors are expected to be received before the end of 2021.

9. 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 13, 2021, the date the financial statements are available for issuance, GLA is involved in a legal matter surrounding its early departure from this office space. 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.

Rent expense is approximately \$102,000 and \$98,000 for the years ended December 31, 2020 and 2019, respectively.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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The future minimum payments under the new operating lease are approximately as follows:

Years ending December 31:		
2021	\$	106,000
2022		110,000
2023		95,000
		<hr/>
Total	\$	<u>311,000</u>

10. Liquidity and Availability

The following table reflects GLA's financial assets available for general expenditure within one year as of December 31, 2020 and 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,568,172	\$ 3,503,307
Contributions receivable	330,000	1,408,055
Loan receivable	-	150,000
Other receivables	76,401	-
Accrued interest receivable	-	3,567
Less those amounts unavailable for general expenditure within one year due to:		
Net assets with donor restrictions	<u>(1,142,739)</u>	<u>(2,121,570)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,831,834</u>	<u>\$ 2,943,359</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 \$750,000, which it could draw upon when necessary.

11. Line of Credit

In 2019, GLA obtained a revolving line of credit in the principal amount of \$600,000 which was set to expire on June 1, 2020. This line of credit was terminated by GLA in March 2020.

On March 18, 2020, GLA entered into a new line of credit in the principal amount of \$750,000 which expires on March 18, 2021. In April 2021, GLA finalized the renewal of the line of credit which was extended to March 13, 2022. As of December 31, 2020, GLA has not drawn down on the line of credit.

12. Paycheck Protection Program Loan

On April 5, 2020, GLA received proceeds in the amount of \$197,800 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. GLA initially recorded the funds as a refundable advance and will record forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return on the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2020, GLA had expended all of the PPP funds received on qualified expenses, met all of the conditions attached to the PPP loan, and, on February 17, 2021, received notice from the SBA that forgiveness of the \$197,800 of the PPP proceeds was granted. Therefore, GLA has recorded the PPP funds as contribution revenue of \$197,800 within its statement of activities and changes in net assets for the year end December 31, 2020.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan or repaid in full and to provide that documentation to the SBA upon request. GLA does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

13. Subsequent Events

Management has evaluated subsequent events through April 13, 2021, the date these financial statements were available for issuance.

Based on that evaluation, GLA has determined that no subsequent events have occurred, which require disclosure in the financial statements, other than the following:

On February 17, 2021, GLA received notice from the SBA that it has forgiven \$197,800 of the PPP proceeds (Note 12).