

**GLOBAL LYME ALLIANCE, INC.**

Greenwich, Connecticut

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

# GLOBAL LYME ALLIANCE, INC.

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2016

---

<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Global Lyme Alliance, Inc.  
Greenwich, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Global Lyme Alliance, Inc. ("GLA"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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, Inc.

**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, 2016, the changes in its net assets, and its cash flows for the year 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 17, 2017

## **FINANCIAL STATEMENTS**

**GLOBAL LYME ALLIANCE, INC.**

STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

---

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 4,582,426
Contributions receivable	401,203
Prepaid expenses	<u>39,901</u>
Total Current Assets	5,023,530

Fixed Assets, net	110,909
Trademark	1,300
Security Deposit	<u>14,376</u>

**TOTAL ASSETS** \$ 5,150,115

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 62,560
Grants payable	29,500
Deferred revenue	58,375
Deferred rent	<u>18,652</u>
Total Liabilities	<u>169,087</u>

**NET ASSETS**

Unrestricted	4,745,798
Temporarily restricted	<u>235,230</u>
Total Net Assets	<u>4,981,028</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 5,150,115

See notes to financial statements.

## GLOBAL LYME ALLIANCE, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 482,211	\$ 235,230	\$ 717,441
Special events income, net of \$641,513 of direct expenses	3,143,611	-	3,143,611
In-kind contributions	546,282	-	546,282
Investment income	1,842	-	1,842
Total Support and Revenue	<u>4,173,946</u>	<u>235,230</u>	<u>4,409,176</u>
<b>EXPENSES</b>			
Program	1,995,737	-	1,995,737
Management and general	393,378	-	393,378
Fundraising	637,321	-	637,321
Total Expenses	<u>3,026,436</u>	<u>-</u>	<u>3,026,436</u>
<b>Changes in Net Assets</b>	1,147,510	235,230	1,382,740
NET ASSETS, Beginning of Year	<u>3,598,288</u>	<u>-</u>	<u>3,598,288</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,745,798</u>	<u>\$ 235,230</u>	<u>\$ 4,981,028</u>

See notes to financial statements.

**GLOBAL LYME ALLIANCE, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program	Management and General	Fundraising	Total
Grants	\$ 749,653	\$ -	\$ -	\$ 749,653
Salaries and Payroll Taxes	401,213	75,530	131,115	607,858
Awareness	470,840	388	82,503	553,731
Legal Fees	104,055	142,338	32,854	279,247
Consulting Fees	8,277	-	223,277	231,554
Management Fees	30,687	61,170	18,259	110,116
Conferences and Meetings	71,337	5,254	2,847	79,438
Printing, Copying and Postage	6,141	8,210	47,700	62,051
Travel	26,867	19,638	11,418	57,923
Occupancy	37,692	7,096	12,318	57,106
Depreciation and Amortization	29,228	5,502	9,552	44,282
Telephone and Website	23,823	10,929	8,162	42,914
Miscellaneous	10,557	1,093	14,766	26,416
Accounting	-	37,500	-	37,500
Supplies	21,605	4,067	10,540	36,212
Credit Card Fees	-	271	30,576	30,847
License Fees and Permits	-	11,388	205	11,593
Insurance	3,762	708	1,229	5,699
Recruitment	-	2,296	-	2,296
<b>Total Functional Expenses</b>	<b><u>\$ 1,995,737</u></b>	<b><u>\$ 393,378</u></b>	<b><u>\$ 637,321</u></b>	<b><u>\$ 3,026,436</u></b>

See notes to financial statements.



## GLOBAL LYME ALLIANCE, INC.

### STATEMENT OF CASH FLOWS For the Year Ended December 31, 2016

---

#### CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 1,382,740
Adjustments to reconcile changes in net assets to net cash flows from operating activities	
Depreciation and amortization expense	44,282
Changes in operating assets and liabilities	
(Increase) decrease in assets:	
Contributions receivable	(57,542)
Prepaid expenses	6,338
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	(113,451)
Grants payable	(55,309)
Deferred revenue	8,375
Deferred rent	9,202
Net Cash Flows from Operating Activities	<u>1,224,635</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures	<u>(32,053)</u>
Net Cash Flows from Investing Activities	<u>(32,053)</u>

**Net Change in Cash and Cash Equivalents** 1,192,582

CASH AND CASH EQUIVALENTS, Beginning of Year 3,389,844

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 4,582,426

# GLOBAL LYME ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

---

## **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.

**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.

### *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 as of December 31, 2016.

# GLOBAL LYME ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

---

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

---

### *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, 2016, 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 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 year ended December 31, 2016, GLA received in-kind contributions of professional services in the amount of approximately \$546,000. This amount was recorded as in-kind contributions revenue in the statement of activities and changes in net assets.

### *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.

# GLOBAL LYME ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

---

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

---

### *Recent accounting pronouncements*

In May 2014, the Financial Accounting Standards Board ("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 balance sheet 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 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-14 on GLA's financial statements.

### *Evaluation of Subsequent Events*

Management has evaluated subsequent events through April 17, 2017, 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, 2016:

Leasehold Improvements	\$	74,407
Computer Equipment		31,992
Furniture and Fixtures		17,161
Website		<u>69,839</u>
		193,399
Less Accumulated Depreciation and Amortization		<u>82,490</u>
Total Fixed Assets, net	\$	<u>110,909</u>

## GLOBAL LYME ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

---

### NOTE 3 - Temporarily Restricted Net Assets

---

Temporarily restricted net assets are available for the following purposes or periods as of December 31, 2016:

Time and Purpose Restrictions:	
Research	\$ 125,000
Personnel	100,000
Purpose Restriction:	
Research	<u>10,230</u>
	<u>\$ 235,230</u>

---

### NOTE 4 - 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.

As of December 31, 2016, 69% of contributions receivable were from three separate donors, with each individually representing greater than 10% of total receivables. The contributions from these three donors were received by GLA in first quarter of 2017.

---

### NOTE 5 - 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 recorded 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:

2017	\$ 60,000
2018	62,000
2019	63,000
2020	<u>43,000</u>
Total	<u>\$ 228,000</u>

Rent expense for the year ended December 31, 2016 approximated \$57,000.