



GLOBAL LYME ALLIANCE
Conquering Tick-borne Disease through Research & Education

The Merger

Pro-Forma Financial Statement



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GLA Financial Statement Introduction

The merger of the Lyme Research Alliance (“LRA”) and the Tick-Borne Disease Alliance (“TBDA”) in February of 2015 makes analyzing the financial statements complex due to differing year ends (LRA August 31, TBDA December 31), and the extended time it took from May 2014, when both boards approved the merger and started to work together, to the time New York State approved the merger 9 months later. The regulatory delay was due to a backup at the New York State office which needed to approve the merger. Since a NY based not-for-profit (TBDA) was merging into a Connecticut headquartered group (LRA & subsequently renamed The Global Lyme Alliance “GLA”), NYS approval was required. As a result of differing year ends, the GLA 8/31/15 audit and related 990 are for partial time periods where GLA (LRA) stood alone from Sept 1 2014 to February 20, 2015, and where GLA represents the combined entity (from February 21st, through August 31).

As with all corporate mergers, the subsequent financial statements are adjusted to reflect what the two companies would have looked like had they been together from the first of the fiscal year. This gives investors a more accurate picture of what the financial performance would have been, and is likely to be going forward. The adjusted financial statements are called “Pro-Forma Financial Statements”. The merger of LRA and TBDA to form GLA is no different. Therefore, the board of GLA felt it would be more useful for potential donors and relations of GLA to publish pro forma income statements for the period September 1, 2014 to August 31, 2015.



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The primary adjustments that were made include the following:

- Revenue: Since LRA held its Greenwich gala in April of 2015, the combined group decided to forgo the typical spring TBDA gala in Fiscal Year 2015 in order to host a GLA inaugural NYC gala in FY 2016. The GLA NYC Gala was 5 weeks after the year end, on October 8.
 - Therefore, to create a more accurate reflection of the revenues derived by GLA, and to be conservative in approach, the pro forma income statement includes approximately 70% of the NYC gala gross revenues netted by 100% of the gala expenses.
- Overhead Costs: Due to the regulatory delay, LRA and TBDA had to carry separate overhead structures until the merger was complete.
 - Therefore to more accurately reflect the performance of GLA, the pro forma statements remove the duplicative costs of running two organizations instead of one.
- Overhead Costs: Certain merger related costs were incurred, like accounting and legal expenses, new office equipment, and software installations that were a direct result of the transaction. These were one time in nature, and not in the normal course of business.
 - These costs are excluded in the pro forma financial statement.

The Executive and Finance Committees believe that the pro-forma income statement for FY 2015 is a representation of GLA's performance that will be very useful for the constituents of the organization.



Global Lyme Alliance is the result of a merger of two complementary Lyme related organizations that will provide increased operating efficiency and outstanding programs. LRA primarily provided research funding through a process almost entirely staffed with volunteers. TBDA provided awareness and education campaigns and also relied heavily upon volunteer and paid staff. Each organization’s primary funding was through an annual signature dinner / gala and smaller fundraisers throughout the year. TBDA held a gala in NYC during May and LRA held a gala in Greenwich during April. GLA will continue the tradition – the NYC Gala is now held in the Fall with the Greenwich gala remaining as a kick-off event to the Spring/Summer season.

A typical year for GLA, based upon FYE August 2015, is shown here. GLA intends to increase Program expenditures to 70% of revenue in future years.

Note: Categorization of expenses is as reflected in the functional statement of expenses in a 990 filing.

| | Global Lyme Alliance |
|---------------------------------------|-----------------------------|
| <u>FY Aug 31, 2015</u> | <u>Proforma</u> |
| Fundraising, net, Grants, & Donations | 3,038,639 |
| Other Revenue | (95) |
| Total Revenue | 3,038,544 |
| Program Expenditures | 1,170,273 |
| Management & General | 206,762 |
| Fundraising | 245,156 |
| Total Expenses | 1,622,190 |
| | |
| <u>As % Revenue</u> | |
| Program Expenditures | 39% |
| Management & General | 7% |
| Fundraising | 8% |
| Total Expenses | 53% |



GLOBAL LYME ALLIANCE
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TBDA Functional Expenses

| | Tick Borne Disease Association | | | |
|---|--------------------------------|------------------|------------------|----------------|
| FY Dec 31, xxxx | 2014 Adj | 2013 | 2012 | 2011 |
| Fundraising, net, Grants, & Donations | 935,224 | 880,433 | 1,090,965 | 430,420 |
| Other Revenue | (117,984) | 934 | 1,463 | 2,623 |
| Total Revenue | 817,240 | 881,367 | 1,092,428 | 433,043 |
| Program Expenditures | 425,497 | 698,679 | 359,302 | |
| Management & General ⁽¹⁾ | 125,340 | 151,131 | 58,996 | |
| Fundraising | 228,797 | 259,333 | 300,476 | |
| Total Expenses | 779,634 | 1,109,143 | 718,774 | 358,336 |
| As % Revenue | | | | |
| Program Expenditures | 52.1% | 79.3% | 32.9% | |
| Management & General | 15.3% | 17.1% | 5.4% | |
| Fundraising | 28.0% | 29.4% | 27.5% | |
| Total Expenses | 95.4% | 125.8% | 65.8% | 82.7% |
| (1) After deducting \$76k legal merger expense and \$29k recruitment one-time | | | | |



- TBDA's Fundraising peaked in FY2012. Total Revenue was negatively impacted when TBDA exited a joint venture.
- The efficiency ratios in FY 2014 are negatively impacted by the write-down (% of Total Revenue).
- Merger expenses in FY2014 have been removed for comparative purposes. [See Appendix A for 990 statement].

Note: Efficiency ratios must be viewed within the context of the organization's financial strategy. As a static point-in-time measurement, the ratio can be misleading if the organization has planned to spend from reserves and/or is in a period of building internal capacity.



GLOBAL LYME ALLIANCE
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TBDA Financial Highlights

| TBDA Dec 31, xxxx | 990 adj | | | |
|--|----------------|------------------|------------------|----------------|
| <i>Revenue:</i> | 2014 | 2013 | 2012 | 2011 |
| Fundraising Events (Part VIII, 1c) | 689,416 | 645,749 | 1,083,832 | 437,086 |
| Direct Fundraising Costs | | - | - | - |
| Net Fundraising | 689,416 | 645,749 | 1,083,832 | 437,086 |
| Grants & Gifts (Part VIII, 1f) | 245,794 | 234,674 | - | - |
| Other Contributions | 14 | 10 | 7,133 | (6,666) |
| Other Revenue (Investment) | (117,984) | 934 | 1,463 | 2,623 |
| Total Revenue (Line 12) | 817,240 | 881,367 | 1,092,428 | 433,043 |
| | | - | - | - |
| <i>Expenses:</i> | | - | - | - |
| Grants (Line 13) | 116,000 | 153,727 | 197,500 | 185,500 |
| Education/Awareness | 150,802 | 486,965 | 112,943 | - |
| Salaries (Part IX, Lines 5 - 10) | 177,076 | 163,132 | 95,838 | 74,131 |
| Consultants | 101,554 | 26,512 | - | 42,799 |
| Legal/Accounting Fees | 27,000 | 38,084 | 39,980 | 21,193 |
| Scientific Conferences/Meetings | 5,118 | 9,610 | 1,044 | 2,787 |
| Office/Supplies/Information Tech/Insur | 68,481 | 84,278 | 61,340 | 22,312 |
| Printing/Publications/creative/Postage | 36,036 | 62,838 | 128,569 | - |
| Other | 97,567 | 83,997 | 81,560 | 9,614 |
| Total Expenses | 779,634 | 1,109,143 | 718,774 | 358,336 |
| <i>Percent of Total Expenses</i> | | - | 0 | 0 |
| <i>Percent of Total Revenue</i> | 95% | 126% | 66% | 83% |
| | | - | 0 | 0 |
| Net Surplus (Line 19) | 37,606 | (227,776) | 373,654 | 74,707 |

Historical **TBDA**
TICK-BORNE DISEASE ALLIANCE

- Salary expense included a full time Executive Director. During FY 2013 and 2014 other part time staff was also included.
- TBDA employed consultants to support programs and operations.
- Legal fees shown are those associated with and specific programs.
- Legal costs associated with the merger and one-time recruitment fees are removed for comparative purposes. [See Appendix A for 2014 990 schedule).



LRA Functional Expenses

Historical



| | Lyme Research Alliance | |
|---|------------------------|----------------|
| FY Aug 31, xxxx | 2014 Adj | 2013 |
| Fundraising, net, Grants, & Donations | 1,310,796 | 960,381 |
| Other Revenue | 89 | 675 |
| Total Revenue | 1,310,885 | 961,056 |
| Program Expenditures | 566,629 | 521,903 |
| Management & General * | 82,863 | 81,004 |
| Fundraising | 139,137 | 188,708 |
| Total Expenses | 788,629 | 791,615 |
| | | |
| As % Revenue | | |
| Program Expenditures | 43.2% | 54.3% |
| Management & General | 6.3% | 8.4% |
| Fundraising | 10.6% | 19.6% |
| Total Expenses | 60.2% | 82.4% |
| | | |
| * After deducting \$26k in legal and accounting fees - 2014 | | |

- LRA’s fiscal year ends August 31; FYE August 15 is the first GLA year. Shown are the full preceding years.
- Merger fees of approximately \$26 thousand are deducted from M&G in 2014 for comparative purposes. [See Appendix B 990 schedule].
- LRA continued with full operations during the pre-merger period.
- Program Expenditures (i.e., Research grants) are recorded as expenses when paid, not as awarded.

Note: Efficiency ratios must be viewed within the context of the organization’s financial strategy. As a static point-in-time measurement, the ratio can be misleading if the organization has planned to spend from reserves and/or is in a period of building internal capacity.

LRA Financial Highlights

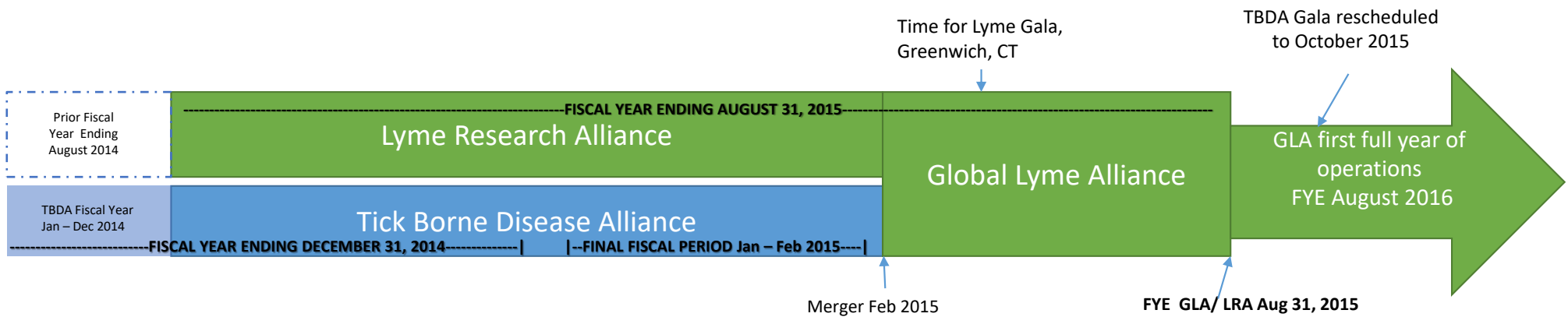
Historical

| | 990 adj | |
|---|------------------|----------------|
| Revenue: | 2014 | 2013 |
| Fundraising Events (Part VIII, 1c) | 1,126,393 | 997,383 |
| Direct Fundraising Costs (Part VIII, 8c(A)) | (174,206) | (197,824) |
| Net Fundraising | 952,187 | 799,559 |
| Grants & Gifts (Part VIII, 1f) | 358,465 | 160,822 |
| Other Contributions | 144 | |
| Other Revenue (Investment Part I, lines 9 & 10) | 89 | 675 |
| Total Revenue (Line 12) | 1,310,885 | 961,056 |
| Expenses: | 2014 | 2013 |
| Research Grants (Part I, Line 13) | 467,658 | 388,952 |
| Education/Awareness | | |
| Salaries (Part I, Line 15) | 78,521 | 125,584 |
| Consultants | 134,725 | 168,704 |
| Legal/Accounting Fees | 7,795 | 5,335 |
| Scientific Conferences/Meetings | 11,415 | 22,590 |
| Office/Supplies/Information Tech | 37,905 | 34,353 |
| Printing/Publications/creative/Postage | 28,447 | 33,486 |
| Other | 22,173 | 12,611 |
| Total Expenses | 788,639 | 791,615 |
| Percent of Total Revenue | | |
| Net Surplus (Line 19) | 522,246 | 169,441 |

- Fundraising through events increased with the direct fundraising costs decreasing from 20% to 17% in FYE2014.
- Grants more than doubled in the period.
- Salary expense includes an Executive Director and a part-time bookkeeper. In FY2014, the ED role was reduced to part-time.
- External support includes event support, PR, marketing consultant and creative services.
- Non-programmatic expenses were reduced by \$55 thousand year-over-year.
- \$26k in one time expenses were removed from Legal and Accounting [See Appendix B for 990 schedule].



Merger Timeline & Financial Impact



Merger preparations begin during FY August 2014 with each organization bearing its preparatory expenses. Upon receiving merger approval in February 2015, the organizations were able to consolidate offices and operations, remove duplicative expenses, streamline and rebuild. Merger expenses continued into FY August 2016 in the form of audit and one-time expenses. Note: The organizations had different fiscal periods.

FYE August 2017 will be first full year without merger related expenses.



GLA Pro-Forma 2015 Components

- The 990 filed for FYE 2015 will include LRA activities from the beginning of its fiscal year (September 2014) through the merger date plus the activities of the merged entity from date of merger through the end of the fiscal period (August 2015).
- TBDA filed a 990 for its fiscal period ending December 2014 plus a 990 for the period from Jan 1 through the merger date.
- **As a result of the differing periods, there will not be a filing that represents the merged entity for a full twelve month period until the filing for FYE 2016.**
- GLA has created a representative pro-forma based upon the general ledger accounts of the organizations.
 - For comparative purposes, the following categories of expenses have been removed: Merger related expenses; expenses that are duplicative and would be consolidated post-merger; and one-time expenses related to establishing GLA as the ongoing entity.
 - The fundraising for FY2015 was negatively impacted by shifting one of the Spring galas to the Fall. The Fall gala is post year-end and therefore not included in actual receipts. For pro-forma purposes, income has been included to reflect a normalized receipt pattern.
 - To conservatively depict receipts from grants and contributions for pro-forma purposes, income does not include extraordinary gifts received. Several donations received were earmarked to specific research grants, education projects, or were concluding payments of a multiyear pledge.
 - TBDA substantially reduced operations in anticipation of the merger as reflected. The Spring gala was moved, as noted previously, and no significant awareness campaigns were launched.



GLA Proforma 2015

| | <i>restated</i> | <i>restated</i> | <i>Gala</i> | |
|---------------------------------------|----------------------|-----------------|-------------|--------------------|
| FY Aug 31, xxxx | GLA/LRA FY 15 | TBDA | Adjustment | Proforma 15 |
| Fundraising, net, Grants, & Donations | 1,076,188 | 202,451 | 1,760,000 | 3,038,639 |
| Other Revenue | (1,415) | 1,320 | | (95) |
| Total Revenue | 1,074,773 | 203,771 | 1,760,000 | 3,038,544 |
| | | | | |
| Program Expenditures | 1,040,351 | 129,922 | | 1,170,273 |
| Management & General | 184,456 | 22,306 | | 206,762 |
| Fundraising | 219,886 | 25,269 | | 245,155 |
| Total Expenses | 1,444,693 | 177,496 | | 1,622,189 |
| | | | | |
| As % Revenue | | | | |
| Program Expenditures | 97% | 64% | | 39% |
| Management & General | 17% | 11% | | 7% |
| Fundraising | 20% | 12% | | 8% |
| Total Expenses | 134% | 87% | | 53% |

The Pro-Forma

- Removed one-time expenses (i.e., office build, website, logo)
- Removed duplicative expenses (i.e., duplicate rent, IT, processing expenses, wages)
- Removed merger expenses (accounting, legal)
- Provided for two galas using approximately 70% of October gala net revenue as a receipts for NY gala
- Received Grant applications in excess of \$3 million; awarded over \$1 million.
- Details on following two pages



GLA / LRA Merger adjustments

| <u>FY Aug 31, xxxx</u> | <u>GLA/LRA FY 15</u> | <u>adj.</u> | <u>note</u> | <i>restated</i> <u>GLA/LRA FY 15</u> |
|---------------------------------------|----------------------|-------------|-------------|---|
| Fundraising, net, Grants, & Donations | 1,540,216 | 464,028 | 1 | 1,076,188 |
| Other Revenue | (1,415) | | | (1,415) |
| Total Revenue | 1,538,801 | | | 1,074,773 |
| Program Expenditures | 1,058,238 | 17,887 | a | 1,040,351 |
| Management & General | 278,652 | 94,196 | b,c,d,e,f | 184,456 |
| Fundraising | 222,026 | 2,140 | g,h | 219,886 |
| Total Expenses | 1,558,916 | | | 1,444,693 |
| As % Revenue | | | | |
| Program Expenditures | 69% | | | 97% |
| Management & General | 18% | | | 17% |
| Fundraising | 14% | | | 20% |
| Total Expenses | 101% | | | 134% |

Adjustments

| | | |
|---|--|---------|
| 1 | GLA - Research funding | 140,350 |
| | GLA- Education | 25,000 |
| | GLA - Multiyear pledge | 250,000 |
| | GLA - One time contributions | 48,678 |
| a | GLA - Website content development | 17,887 |
| b | GLA - Executive Search and Compensation Review | 70,241 |
| c | GLA - Legal for Merger | 3,568 |
| d | GLA - Office Move, Duplicate Office | 18,480 |
| e | GLA - One Time Logo Creative | 1,181 |
| f | GLA - Consolidate Insurance | 726 |
| g | GLA - Duplicate Database | 1,575 |
| h | GLA - Duplicate Gateway | 565 |



TBDA Merger Adjustments

| <u>FY Aug 31, xxxx</u> | <u>TBDA</u> | <u>adj.</u> | <u>note</u> | <i>restated</i> <u>TBDA</u> |
|---------------------------------------|----------------|-------------|-------------|--------------------------------|
| Fundraising, net, Grants, & Donations | 202,451 | | | 202,451 |
| Other Revenue | 1,320 | | | 1,320 |
| Total Revenue | 203,771 | | | 203,771 |
| | | | | |
| Program Expenditures | 130,587 | 665 | 1 | 129,922 |
| Management & General | 117,848 | 95,542 | 2,3,4,5,6 | 22,306 |
| Fundraising | 27,487 | 2,218 | 7,8 | 25,269 |
| Total Expenses | 275,922 | | | 177,496 |
| | | | | |
| As % Revenue | | | | |
| Program Expenditures | 64% | | | 64% |
| Management & General | 58% | | | 11% |
| Fundraising | 13% | | | 12% |
| Total Expenses | 135% | | | 87% |

Adjustments

| | | |
|---|--|--------|
| 1 | TBDA - Website duplication | 665 |
| 2 | TBDA - Office Management duplication | 39,070 |
| 3 | TBDA - One time merger legal & audit | 41,078 |
| 4 | TBDA - Duplicate rent, web, IT, financial software | 9,122 |
| 5 | TBDA - Duplicate insurance | 4,832 |
| 6 | TBDA - Duplicate fees | 1,440 |
| 7 | TBDA - Duplicate Database fees | 1,064 |
| 8 | TBDA - Duplicate Merchant Fees | 1,154 |



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Historical **TBDA**
 TICK-BORNE DISEASE ALLIANCE
 Appendix A – 2014 990
 Functional Expenses as Reported

| Analysis of TBDA Expenses | | | | 990 |
|--|----------------|------------------|----------------|-----------------|
| <i>TBDA DEC 2014</i> | | | | |
| <i>Revenue:</i> | | | | 2014 |
| Net Fundraising | | | | 689,416 |
| Grants & Gifts (Part VIII, 1f) | | | | 245,794 |
| Other Contributions | | | | 14 |
| Other Revenue (Investment) | | | | (117,984) |
| Total Revenue (Line 12) | | | | 817,240 |
| <i>Expenses:</i> | <i>Program</i> | <i>M & G</i> | <i>F/R</i> | |
| Grants (Line 13) | 116,000 | | | 116,000 |
| Education/Awareness | 150,802 | | | 150,802 |
| Salaries (Part IX, Lines 5 - 10) | 72,773 | 43,456 | 60,847 | 177,076 |
| Consultants | 78,725 | 22,829 | | 101,554 |
| Legal/Accounting Fees | | 103,688 | | 103,688 |
| Scientific Conferences/Meetings | | 427 | 4,691 | 5,118 |
| Office/Supplies/Information Tech/Insur | 2,629 | 26,587 | 39,265 | 68,481 |
| Printing/Publications/creative/Postage | | | 36,036 | 36,036 |
| Other | 4,568 | 34,207 | 87,958 | 126,733 |
| Total Expenses | 425,497 | 231,194 | 228,797 | 885,488 |
| Percent of Total Revenue | 52% | 28% | 28% | 108% |
| Net Surplus (Line 19) | | | | (68,248) |



GLOBAL LYME ALLIANCE
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Historical



Appendix B 2014 LRA 990
Functional Expense as Reported

| | LRA AUG 2014 | | | 990 |
|---|---------------------|------------------|----------------|------------------|
| Revenue: | | | | 2014 |
| Fundraising Events (Part VIII, 1c) | | | | 1,126,393 |
| Direct Fundraising Costs (Part VIII, 8c(A)) | | | | (174,206) |
| Net Fundraising | | | | 952,187 |
| Grants & Gifts (Part VIII, 1f) | | | | 358,465 |
| Other Contributions | | | | 144 |
| Other Revenue (Investment Part I, lines 9 & 10) | | | | 89 |
| Total Revenue (Line 12) | | | | 1,310,885 |
| Expenses: | Program | M & G | F/R | 2014 |
| Research Grants (Part I, Line 13) | 467,658 | | | 467,658 |
| Education/Awareness | | | | |
| Salaries (Part I, Line 15) | 20,998 | 31,434 | 26,089 | 78,521 |
| Consultants | 47,083 | 7,992 | 79,650 | 134,725 |
| Legal/Accounting Fees | | 33,795 | | 33,795 |
| Scientific Conferences/Meetings | 8,041 | 2,682 | 692 | 11,415 |
| Office/Supplies/Information Tech | 4,938 | 24,685 | 8,282 | 37,905 |
| Printing/Publications/creative/Postage | 14,605 | 1,579 | 12,263 | 28,447 |
| Other | 3,306 | 6,696 | 12,171 | 22,173 |
| Total Expenses | 566,629 | 108,863 | 139,147 | 814,639 |
| Percent of Total Revenue | 43% | 8% | 11% | |
| Net Surplus (Line 19) | | | | 496,246 |



GLOBAL LYME ALLIANCE
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| Expenditures as % of Revenue | | | | | | |
|------------------------------|------------|------|-------|-------|----------------|------|
| TBDA | Historical | | | | Proforma | |
| | 2011 | 2012 | 2013 | 2014 | GLA | 2015 |
| Programs | | 32.9 | 79.3 | 52.1 | Programs | 39 |
| M&G | | 5.4 | 17.1 | 15.3 | M&G | 7 |
| Fundraising | | 27.5 | 29.4 | 28 | Fundraising | 8 |
| Total Expenses | 82.7 | 65.8 | 125.8 | 95.4 | Total Expenses | 54 |
| LRA | | | | | | |
| | | | 2013 | 2014 | | |
| Programs | | | 54.3 | 43.2 | | |
| M&G | | | 8.4 | 6.3 | | |
| Fundraising | | | 19.6 | 10.61 | | |
| Total Expenses* | | | 82.4 | 60.2 | | |
| * Rounding differences | | | | | | |

Appendix C Summary of Historical and Pro-Forma Functional Expenses

Note: Efficiency ratios must be viewed within the context of the organization's financial strategy. As a static point-in-time measurement, the ratio can be misleading if the organization has planned to spend from reserves and/or is in a period of building internal capacity.