

Global Lyme Alliance, Inc.

Financial Statements

December 31, 2022 and 2021

Global Lyme Alliance, Inc.

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Global Lyme Alliance, Inc. (GLA), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GLA as of December 31, 2022 and 2021, and 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GLA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, GLA adopted new accounting guidance related to the accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about GLA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about GLA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

New York, New York
July 7, 2023

Global Lyme Alliance, Inc.Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,199,652	\$ 3,244,233
Contributions receivable, net	60,000	105,000
Note receivable	200,000	-
Prepaid expenses	65,606	81,645
Other receivables	-	10,275
Accrued interest receivable	7,518	-
	<u>3,532,776</u>	<u>3,441,153</u>
Total current assets	3,532,776	3,441,153
Contributions Receivable, Long-Term	-	108,575
Investments	156,616	334,616
Fixed Assets, Net	29,378	83,152
Right-of-Use Assets	82,132	-
Other Assets	42,191	41,180
	<u>42,191</u>	<u>41,180</u>
Total assets	<u>\$ 3,843,093</u>	<u>\$ 4,008,676</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 69,848	\$ 121,185
Grants payable	552,500	699,574
Operating lease liability	96,705	-
Deferred rent payable	-	23,564
	<u>719,053</u>	<u>844,323</u>
Total liabilities	719,053	844,323
Net Assets		
Without donor restrictions	2,458,077	2,293,587
With donor restrictions	665,963	870,766
	<u>3,124,040</u>	<u>3,164,353</u>
Total net assets	3,124,040	3,164,353
Total liabilities and net assets	<u>\$ 3,843,093</u>	<u>\$ 4,008,676</u>

See notes to financial statements

Global Lyme Alliance, Inc.Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 949,109	\$ 407,735	\$ 1,356,844
Special events income, net of \$399,966 of direct expenses	1,370,310	-	1,370,310
Fee for service income	93,925	-	93,925
Contributed nonfinancial assets	38,506	-	38,506
Investment loss, net	(144,370)	-	(144,370)
Net assets released from donor restrictions	612,538	(612,538)	-
	<u>2,920,018</u>	<u>(204,803)</u>	<u>2,715,215</u>
Total support and revenue			
Expenses			
Program	1,920,680	-	1,920,680
Management and general	388,479	-	388,479
Fundraising	451,214	-	451,214
	<u>2,760,373</u>	<u>-</u>	<u>2,760,373</u>
Total expenses			
Changes in net assets	159,645	(204,803)	(45,158)
Net Assets, Beginning	<u>2,298,432</u>	<u>870,766</u>	<u>3,169,198</u>
Net Assets, Ending	<u>\$ 2,458,077</u>	<u>\$ 665,963</u>	<u>\$ 3,124,040</u>

See notes to financial statements

Global Lyme Alliance, Inc.Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 1,192,705	\$ 413,000	\$ 1,605,705
Special events income, net of \$161,917 of direct expenses	961,759	-	961,759
Fee for service income	60,525	-	60,525
Contributed nonfinancial assets	63,092	-	63,092
Investment income	1,206	-	1,206
Net assets released from donor restrictions	784,713	(784,713)	-
	<u>3,064,000</u>	<u>(371,713)</u>	<u>2,692,287</u>
Expenses			
Program	2,716,565	-	2,716,565
Management and general	354,513	-	354,513
Fundraising	549,228	-	549,228
	<u>3,620,306</u>	<u>-</u>	<u>3,620,306</u>
Changes in net assets	(556,306)	(371,713)	(928,019)
Net Assets, Beginning	<u>2,849,893</u>	<u>1,242,479</u>	<u>4,092,372</u>
Net Assets, Ending	<u>\$ 2,293,587</u>	<u>\$ 870,766</u>	<u>\$ 3,164,353</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 575,774	\$ 143,181	\$ 221,443	\$ 940,398
Grants	872,859	-	-	872,859
Consulting fees	37,921	122,700	122,643	283,264
Awareness	202,187	-	12,476	214,663
Occupancy	72,536	16,379	28,079	116,994
Accounting	-	54,906	-	54,906
Depreciation and amortization	33,340	7,528	12,906	53,774
Telephone and website	19,366	8,201	20,186	47,753
Clinical studies and other initiatives	45,046	-	-	45,046
Legal fees	29,653	8,853	-	38,506
Credit card fees	-	1,266	21,289	22,555
Conferences and meetings	16,040	-	-	16,040
Travel	8,110	3,703	1,820	13,633
Insurance	7,165	1,618	2,773	11,556
Printing, copying and postage	-	4,307	6,035	10,342
License fees and permits	-	10,326	-	10,326
Interest expense	-	4,200	-	4,200
Miscellaneous	-	1,157	1,000	2,157
Supplies	683	154	564	1,401
Total	<u>\$ 1,920,680</u>	<u>\$ 388,479</u>	<u>\$ 451,214</u>	<u>\$ 2,760,373</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,350,820	\$ -	\$ -	\$ 1,350,820
Salaries and fringe benefits	561,027	122,294	250,252	933,573
Awareness	495,955	-	8,578	504,533
Consulting fees	112,501	108,297	165,592	386,390
Occupancy	67,461	13,271	29,860	110,592
Telephone and website	53,357	13,160	36,956	103,473
Legal fees	15,010	28,865	19,217	63,092
Depreciation and amortization	31,871	6,270	14,106	52,247
Accounting	-	34,000	-	34,000
Clinical studies and other initiatives	19,620	-	-	19,620
Miscellaneous	-	11,623	3,067	14,690
Credit card fees	-	1,261	12,217	13,478
Insurance	6,462	1,271	2,860	10,593
License fees and permits	-	9,385	-	9,385
Pledge write-off	-	-	5,000	5,000
Printing, copying and postage	-	4,344	441	4,785
Supplies	1,943	382	860	3,185
Travel	538	90	222	850
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,716,565</u>	<u>\$ 354,513</u>	<u>\$ 549,228</u>	<u>\$ 3,620,306</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ (45,158)	\$ (928,019)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	53,774	52,247
Pledge write-off	-	5,000
Change in discount on long-term pledges	(1,425)	1,165
Change in deferred rent and revenue	-	(7,263)
Impairment loss on investment	178,000	-
Net accretion of operating leases	(4,146)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	155,000	210,000
Prepaid expenses	16,039	7,731
Accrued interest receivable	(7,518)	-
Other assets	(1,011)	(28)
Other receivables	10,275	66,126
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(51,337)	56,937
Grants payable	(147,074)	231,331
	<u>155,419</u>	<u>(304,773)</u>
Net cash flows from operating activities		
Cash Flows From Investing Activities		
Payment to third party	(200,000)	-
Capital expenditures	-	(19,166)
	<u>(200,000)</u>	<u>(19,166)</u>
Net cash flows from investing activities		
Net decrease in cash and cash equivalents	(44,581)	(323,939)
Cash and Cash Equivalents, Beginning	<u>3,244,233</u>	<u>3,568,172</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,199,652</u>	<u>\$ 3,244,233</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021, 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 restrictions 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.

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, 2022 and 2021, the discount rate on long-term pledges was 0% and 0.72%, respectively. Amortization of the discounts is included in contributions revenue, when applicable. Conditional promises to give are not included as support until the conditions have been met. As of December 31, 2022 and 2021, 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, 2022 and 2021, there is no allowance for doubtful accounts deemed necessary based on management's analysis.

Investments

Investments consist of equity securities in third parties without readily determinable fair values that are 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.

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 leases which contains fixed annual rental increases. The difference between rent expense and payments made under the lease are reflected as deferred rent. As of January 1, 2022, deferred rent was reversed against the right-of-use assets as part of the adoption of Accounting Standards Update (ASU) No. 2016-02, **Leases (Topic 842)**.

Revenue

Contributions and Special Events Revenue

GLA receives substantially all of its revenue from grants and contributions from direct public support and income derived from fundraising events. Unconditional contributions, including unconditional promises to give, are recognized in the period received. Conditional contributions or grants, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Certain of GLA's federal, state and other grants or contracts are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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GLA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Income from fundraising events that are not considered contributions in the amount of approximately \$400,000 and \$162,000 for the years ended December 31, 2022 and 2021, respectively, are recognized as contracts with customers.

Fee for Service Revenue

GLA receives revenue under contracts based on fees for services rendered as defined by the agreements. Revenues from contracts are recognized only after services have been rendered and/or performance milestones deliverables are completed and delivered to the customer. GLA will allocate the transaction price of the contract to the specific performance obligations based on the contract. Payments received in advance of services being rendered will be recorded as deferred revenue on the statements of financial position. Additional conditions for recognition of revenue are that collection of revenue proceeds is reasonably assured and GLA has no further performance obligation.

GLA had one contract during both 2022 and 2021. There were no contract assets or liabilities as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, GLA has remaining revenue to be earned in future years of approximately \$0 and \$19,000, respectively. Substantially all performance obligations from existing contracts that were not met in the year are expected to be earned in the following year.

Contributed Nonfinancial Assets

GLA recognized contributed nonfinancial assets within revenue, which includes contributed services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed services recognized comprise professional services from attorneys advising GLA on various administrative legal matters and are valued and reported at the estimated fair value in the financial statements based on current rates for similar legal services. For the years ended December 31, 2022 and 2021, GLA received contributed nonfinancial assets in the amount of approximately \$39,000 and \$63,000, respectively.

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.

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.

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

Tax-Exempt Status

GLA qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (IRC) 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

Effective January 1, 2022, GLA adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. GLA's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statements of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use assets and lease liabilities measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Lease expense for GLA's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. As of January 1, 2022, GLA recorded operating lease right-of-use assets and lease liabilities of \$191,422 and \$210,141, respectively. GLA had a cumulative adjustment of \$4,845 to net assets upon the adoption of Topic 842 related to its leases that existed at the date of adoption.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, GLA elected:

- The package of practical expedients permitted under the transition guidance which does not require GLA to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

The new standard also provides for several accounting policy elections. GLA elected the following:

- When the rate implicit in the lease is not determinable, rather than using GLA's incremental borrowing rate, GLA elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

Additional required disclosures for Topic 842 are contained in Note 6.

During 2022, GLA adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements about contributed services. GLA has adjusted the presentation of these financial statements accordingly. ASU No. 2020-07 has been applied retrospectively to all periods presented.

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
Due within one year	\$ 60,000	\$ 105,000
Due in one to five years	-	110,000
Less allowance for doubtful accounts	-	-
Less unamortized discount on long-term pledges	-	(1,425)
	<u> </u>	<u> </u>
Net contributions receivable	<u>\$ 60,000</u>	<u>\$ 213,575</u>

3. Note Receivable

On April 7, 2022, GLA entered into a note agreement with Flightpath Biosciences, Inc. (Flightpath) for a principal amount of \$200,000, which is recorded as a note receivable on the statements of financial position with a maturity date of December 31, 2022. GLA will receive 7.00% per annum on the outstanding principal balance. The note is due and payable on the maturity date unless automatically converted into fully paid and nonassessable convertible stock with the closing of the sale of convertible stock of Flightpath. As of December 31, 2022, the automatic conversion did not occur as additional funding was not secured by Flightpath at maturity and the note became due with interest continuing to accrue through the conversion date in February 2023 (Note 14).

4. Investments

On December 31, 2016, GLA entered into an agreement with Ionica Sciences, Inc. (Ionica) to acquire 15% of Ionica's capital stock over time for a total purchase price of \$178,000. The purchase amount was to 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 and Officers insurance levels. As of December 31, 2021, GLA held a 25% interest in Ionica and had an investment of \$178,000. As of December 31, 2022, Ionica has permanently suspended its business operations. GLA had no reasonable expectation of recovering the investment in its entirety or a portion thereof. As a result, GLA wrote off such investment of \$178,000 as an impairment loss which is included in investment loss, net on the statement of activities and changes in net assets .

On August 30, 2019, GLA entered into a \$150,000 principal amount 7.00% per annum convertible promissory note agreement with Manus Bio, Inc. (Manus Bio), due December 31, 2020. The purpose of the agreement with Manus Bio 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 nonassessable convertible preferred stock with the closing of the sale of convertible preferred stock of Manus Bio. 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 statements of financial position as of December 31, 2022 and 2021. GLA holds a .05% interest in Manus Bio as of December 31, 2022 and 2021. This amount is recorded at cost, minus impairment, as an investment in the accompanying financial statements.

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

5. Fixed Assets, Net

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

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 23,840	\$ 23,840
Computer equipment	63,178	63,178
Furniture and fixtures	35,357	35,357
Website	228,890	228,890
	<u>351,265</u>	<u>351,265</u>
Less accumulated depreciation and amortization	<u>321,887</u>	<u>268,113</u>
Total fixed assets, net	<u>\$ 29,378</u>	<u>\$ 83,152</u>

6. Leases

Leases, Prior to January 1, 2022

During 2018, GLA entered into a noncancellable operating lease for its office space which expires in November 2023. Rent expense was approximately \$106,000 for the year ended December 31, 2021.

Leases, January 1, 2022 and After

Right-of-use assets represent GLA's right to use an underlying asset for the lease term, while lease liabilities represent GLA's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of the respective leases based on the net present value of lease payments over the lease terms.

Certain of GLA's leases include options to renew or to terminate the lease. The exercise of lease renewal or early termination options is at GLA's sole discretion. GLA regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, GLA includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, GLA uses the rate implicit in the lease, or if not readily available, GLA uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with GLA's long-lived asset policy. GLA reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

GLA made significant assumptions and judgments in applying the requirements of Topic 842. In particular, GLA:

- Evaluated whether a contract contains a lease, by considering factors such as whether GLA obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

GLA does not have any material leasing transactions with related parties.

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	<u>\$ 82,132</u>
Operating lease liabilities:	
Current	<u>\$ 96,705</u>
Total operating lease liabilities	<u>\$ 96,705</u>

Below is a summary of expenses incurred pertaining to leases for the year ended December 31, 2022:

Operating lease expense	<u>\$ 116,289</u>
Total lease expense	<u>\$ 116,289</u>

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 1.25%. As of December 31, 2022, the weighted average remaining lease term was 0.66 years.

The table below summarizes GLA's scheduled future minimum lease payments for the year ending after December 31, 2022:

Year ending 2022:	
2023	<u>\$ 97,151</u>
Total lease payments	97,151
Less present value discount	<u>446</u>
Total lease liabilities	96,705
Less current portion	<u>96,705</u>
Long-term lease liabilities	<u>\$ -</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 116,289

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7. Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Time and purpose restrictions:		
Research	\$ -	\$ 99,741
Purpose restriction:		
Research	<u>665,963</u>	<u>771,025</u>
Total	<u>\$ 665,963</u>	<u>\$ 870,766</u>

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:

	<u>2022</u>	<u>2021</u>
Time and purpose restrictions:		
Research	\$ 99,741	\$ -
Purpose restriction:		
Research	512,797	779,713
Educational program	<u>-</u>	<u>5,000</u>
Total net assets released from restrictions	<u>\$ 612,538</u>	<u>\$ 784,713</u>

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, 2022, contributions receivable from four separate donors approximated 33%, 25%, 25% and 17% respectively, of total receivables. The contributions from these four donors are expected to be received before the end of 2023.

As of December 31, 2021, contributions receivable from three separate donors approximated 70%, 14% and 12%, respectively, of total receivables. The contributions from these three donors are expected to be received before the end of 2024, 2023 and 2022, respectively.

9. Contingencies

In November 2017, GLA vacated its former office space (Note 6) due to disputes with the landlord about a mold issue in the building. As of July 7, 2023, 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.

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10. Liquidity and Availability

The following table reflects GLA's financial assets available for general expenditure within one year as of December 31, 2022 and 2021. Financial assets are considered unavailable when illiquid or not convertible to cash within one year:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,199,652	\$ 3,244,233
Contributions receivable	60,000	105,000
Note receivable	200,000	-
Accrued interest receivable	7,518	-
Other receivables	-	10,275
Less those amounts unavailable for general expenditure within one year due to:		
Net assets with donor restrictions	<u>(665,963)</u>	<u>(771,025)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,801,207</u>	 <u>\$ 3,359,508</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

On March 18, 2020, GLA entered into a line of credit in the principal amount of \$750,000 which expired on March 18, 2022. The line of credit has been extended to March 18, 2024. As of December 31, 2022 and 2021, GLA did not have any outstanding balance on the line of credit.

12. Paycheck Protection Program Loan

On February 9, 2021, GLA received second draw proceeds in the amount of \$197,855 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act (as amended by the American Rescue Plan Act (ARPA) on March 11, 2021). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit 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 24 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% during the covered period. GLA initially recorded the funds as a refundable advance and recorded forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right of return on the PPP loan or when such conditions were explicitly waived.

On January 6, 2022, GLA received notice from the SBA that it had forgiven \$197,855 of the PPP loan proceeds. Therefore, GLA has recorded contribution revenue of \$197,855 within its statement of activities and changes in net assets for the year ended December 31, 2021, as GLA had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP loan. There were no PPP loan proceeds for the year ended December 31, 2022.

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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 (as amended by the EAA and the ARPA), all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven 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. Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA), and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. GLA qualified for the ERC as it experienced a significant decline in gross receipts (for 2020, defined as a 50% decline in gross receipts when compared to the same calendar quarter in 2019 and for 2021, defined as a 20% decline in gross receipts when compared to the same quarter in 2019). GLA averaged less than 100 full-time employees (FTEs) during 2019, therefore, it was considered a small employer during 2020 and 2021. As a small employer, all of GLA's otherwise qualified wages were eligible for the ERC. For 2020, the ERC equaled 50% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit for each employee of \$5,000. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

GLA accounts for this federal funding in accordance with FASB ASC 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. GLA claimed credits of \$217,822 on timely filed forms 941 and recorded contributions revenue of the same amount in the statement of activities and changes in net assets for the year ended December 31, 2022.

14. Subsequent Events

Management has evaluated subsequent events through July 7, 2023, 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 13, 2023, as a result of an automatic conversion event pursuant to the terms of the convertible promissory note, GLA's principal amount of \$200,000 as well as \$7,518 in accrued interest converted into 218,804 shares of series A-2 preferred stock of Flightpath representing 2.35% of the outstanding shares of Flightpath's capital stock and 2.075% of the shares of Flightpath's capital stock on a fully diluted basis.