

Global Lyme Alliance, Inc.

Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

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 23, 2024

Global Lyme Alliance, Inc.Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,593,750	\$ 3,199,652
Accounts receivable	25,000	-
Pledges and contributions receivable	366,500	60,000
Note receivable	-	200,000
Prepaid expenses	64,488	65,606
Accrued interest receivable	-	7,518
	<hr/>	<hr/>
Total current assets	3,049,738	3,532,776
Pledges and Contributions Receivable, Long-Term, Net	395,369	-
Investments	492,791	156,616
Fixed Assets, Net	3,194	29,378
Right-of-Use Assets	-	82,132
Other Assets	16,867	42,191
	<hr/>	<hr/>
Total assets	<u>\$ 3,957,959</u>	<u>\$ 3,843,093</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 121,513	\$ 69,848
Grants payable	656,370	552,500
Operating lease liability	-	96,705
	<hr/>	<hr/>
Total liabilities	777,883	719,053
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	1,695,593	2,458,077
With donor restrictions	1,484,483	665,963
	<hr/>	<hr/>
Total net assets	3,180,076	3,124,040
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 3,957,959</u>	<u>\$ 3,843,093</u>

See notes to financial statements

Global Lyme Alliance, Inc.Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 782,239	\$ 1,107,150	\$ 1,889,389
Special events income, net of \$435,874 of direct expenses	1,124,108	-	1,124,108
Fee for service income	100,000	-	100,000
Contributed nonfinancial assets	26,470	-	26,470
Interest income	93,841	-	93,841
Gain on lease termination	13,677	-	13,677
Net assets released from donor restrictions	288,630	(288,630)	-
	<u>2,428,965</u>	<u>818,520</u>	<u>3,247,485</u>
Total support and revenue			
Expenses			
Program	2,441,241	-	2,441,241
Management and general	251,060	-	251,060
Fundraising	499,148	-	499,148
	<u>3,191,449</u>	<u>-</u>	<u>3,191,449</u>
Total expenses			
Changes in net assets	(762,484)	818,520	56,036
Net Assets, Beginning	<u>2,458,077</u>	<u>665,963</u>	<u>3,124,040</u>
Net Assets, Ending	<u>\$ 1,695,593</u>	<u>\$ 1,484,483</u>	<u>\$ 3,180,076</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
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
Interest income	33,630	-	33,630
Investment loss	(178,000)	-	(178,000)
Net assets released from donor restrictions	612,538	(612,538)	-
	<u>2,920,018</u>	<u>(204,803)</u>	<u>2,715,215</u>
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>
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 Functional Expenses

Year Ended December 31, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and fringe benefits	\$ 823,879	\$ 42,428	\$ 279,565	\$ 1,145,872
Grants	960,114	-	-	960,114
Awareness	270,168	-	21,859	292,027
Consulting fees	18,254	107,036	119,001	244,291
Clinical studies and other initiatives	124,650	-	-	124,650
Occupancy	83,166	3,465	28,877	115,508
Conferences and meetings	53,556	-	-	53,556
Telephone and website	30,405	8,353	10,157	48,915
Accounting	-	46,725	-	46,725
Travel	16,952	16,518	7,242	40,712
Legal fees	26,470	-	-	26,470
Depreciation and amortization	18,853	785	6,546	26,184
Credit card fees	-	6,279	16,775	23,054
Insurance	9,379	391	3,257	13,027
Miscellaneous	2,481	5,869	4,500	12,850
License fees and permits	-	7,982	-	7,982
Printing, copying and postage	-	5,107	357	5,464
Supplies	2,914	122	1,012	4,048
	<u>2,914</u>	<u>122</u>	<u>1,012</u>	<u>4,048</u>
Total	<u>\$ 2,441,241</u>	<u>\$ 251,060</u>	<u>\$ 499,148</u>	<u>\$ 3,191,449</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
	<u>683</u>	<u>154</u>	<u>564</u>	<u>1,401</u>
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.

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 56,036	\$ (45,158)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	26,184	53,774
Change in discount on long-term pledges	3,781	(1,425)
Impairment loss on investment	-	178,000
Gain from lease termination	(13,677)	-
Net accretion of operating leases	(896)	(4,146)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(25,000)	-
Pledges and contributions receivable	(705,650)	155,000
Prepaid expenses	1,118	16,039
Accrued interest receivable	-	(7,518)
Other assets	25,324	(1,011)
Other receivables	-	10,275
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	51,665	(51,337)
Grants payable	103,870	(147,074)
	<u>(477,245)</u>	<u>155,419</u>
Cash Flows From Investing Activities		
Investment in third party	(128,657)	-
Payment to third party	-	(200,000)
	<u>(128,657)</u>	<u>(200,000)</u>
Net decrease in cash and cash equivalents	(605,902)	(44,581)
Cash and Cash Equivalents, Beginning	<u>3,199,652</u>	<u>3,244,233</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,593,750</u>	<u>\$ 3,199,652</u>
Noncash Investing Activities		
Conversion of convertible note receivable and accrued interest receivable into investment in third party	<u>\$ 207,518</u>	<u>\$ -</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Description of GLA and Summary of Significant Accounting Policies

Nature of Operations

Global Lyme Alliance, Inc. (GLA) was created in 2015 through the merger of two established tick-borne disease charities. With a strong history of research and outreach, GLA remains committed to tackling Lyme and other tick-borne illnesses through research, education and awareness. Known for funding critical research to enhance diagnostics and treatment, GLA has become a prominent player in the field. Through various programs such as an international Ambassador initiative, an individualized Healthcare Provider search, and accredited Continuing Medical Education (CME) programming, GLA provides vital information to physicians and the public worldwide impacted by tick-borne diseases.

Basis of Accounting

The accompanying financial statements of GLA have been prepared in accordance with 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, 2023 and 2022, 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 (Pledges and 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 Treasury rate, applicable to the periods in which the promises are received. As of December 31, 2023 and 2022, the discount rate on long-term pledges was 4.77% and 0%, 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, 2023 and 2022, contributions expected to be received in future periods are included in pledges and contributions receivable, long-term.

Allowance for Credit Losses

GLA recognizes an allowance for credit losses for accounts receivable to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the statement of financial position date. Receivables are written off when GLA determined that such receivables are deemed uncollectible. GLA pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, GLA measures those receivables individually. GLA also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

GLA utilizes the aging method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on GLA's historical loss experience. In determining its credit loss, GLA evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, GLA considers current and forecasted direction of the economic and business environment. Such forecasted information includes: GDP growth, unemployment rates and interest rates amongst others. There was no allowance for credit losses as of December 31, 2023 and 2022.

Allowance for Doubtful Pledges

Management must make estimates of the uncollectability of all pledges and contributions receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts. As of December 31, 2023 and 2022, 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 31), GLA performs a qualitative assessment considering impairment indicators to evaluate whether the investments are impaired.

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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.

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.

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 \$436,000 and \$400,000 for the years ended December 31, 2023 and 2022, 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 2023 and 2022. There were no contract assets or liabilities as of December 31, 2023 and 2022. As of December 31, 2023 and 2022, GLA had no remaining revenue to be earned in future years and there were no performance obligations from existing contracts that were not met in the respective 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, 2023 and 2022, GLA received contributed nonfinancial assets in the amount of approximately \$26,000 and \$39,000, respectively.

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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.

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.

Reclassification

For comparability, certain 2022 amounts have been reclassified to conform with classifications adopted in 2023. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

Adopted Accounting Pronouncement

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. ASU No. 2016-13 introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU No. 2016-13. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, GLA adopted the ASU No. 2016-13 using the modified retrospective approach. The adoption of ASU No. 2016-13 had no impact on the net assets of GLA. GLA's significant accounting policies (Note 1) have been updated for the adoption of ASU No. 2016-13 but there was no other impact on the financial statements for the year ended December 31, 2023.

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

2. Pledges and Contributions Receivable

Pledges and contributions receivable, reported within current assets and pledges and contributions receivable, long-term in the statements of financial position, include the following unconditional promises to give as of December 31:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 366,500	\$ 60,000
Due in two to five years	399,150	-
Less unamortized discount on long-term pledges	<u>(3,781)</u>	<u>-</u>
Net pledges and contributions receivable	<u>\$ 761,869</u>	<u>\$ 60,000</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, interest accruing at 7% per annum on the outstanding principal balance, which is recorded as a note receivable on the statements of financial position with a maturity date of December 31, 2022. On December 31, 2022, the note was due and payable with interest as the automatic conversion feature did not occur since additional funding was not secured by Flightpath.

On February 13, 2023, as a result of the automatic conversion feature 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, and is included in investments on the statement of financial position as of December 31, 2023. As of December 31, 2023 and 2022, GLA has a note receivable of \$0 and \$200,000, respectively.

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 for the year ended December 31, 2022.

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, 2023 and 2022. GLA holds a .05% interest in Manus Bio as of December 31, 2023 and 2022. 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, 2023 and 2022

On February 13, 2023, GLA entered into a stock purchase agreement with Flightpath for the converted shares of Flightpath's Series A-2 preferred stock. GLA's investment in Flightpath was \$207,518 at the time of conversion (Note 3). On May 1, 2023, GLA made an additional investment in Flightpath of \$128,657, acquiring 109,203 shares of Series A-1 preferred stock of Flightpath. GLA holds a 2.18% interest in Flightpath as of December 31, 2023. 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:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ -	\$ 23,840
Computer equipment	-	63,178
Furniture and fixtures	-	35,357
Website	228,890	228,890
	228,890	351,265
Less accumulated depreciation and amortization	<u>(225,696)</u>	<u>(321,887)</u>
Total fixed assets, net	<u>\$ 3,194</u>	<u>\$ 29,378</u>

6. Leases

Right-of-use assets represented GLA's right to use an underlying asset for the lease term, while lease liabilities represented GLA's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities were 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 included options to renew or to terminate the lease. The exercise of lease renewal or early termination options was at GLA's sole discretion. GLA regularly evaluated the renewal and early termination options and when they were reasonably certain of exercise, GLA included such options in the lease term.

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

Right-of-use assets were assessed for impairment in accordance with GLA's long-lived asset policy. GLA reassessed lease classification and remeasured right-of-use assets and lease liabilities when a lease was modified and that modification was not accounted for as a separate new lease or upon certain other events that required 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;

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

In November 2023, GLA's lease agreement for office space expired and was not renewed. As a result, GLA wrote-off the balance of the right-of-use asset and operating lease liability as of December 31, 2023. A gain of \$13,677 was recorded in the statement of activities for the year ended December 31, 2023 related to the termination of the lease.

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

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use assets	\$ -	\$ 82,132
Operating lease liabilities:		
Current	\$ -	\$ 96,705
Total operating lease liabilities	<u>\$ -</u>	<u>\$ 96,705</u>

Below is a summary of expenses incurred pertaining to leases as of December 31:

	<u>2023</u>	<u>2022</u>
Operating lease expense:	\$ 115,508	\$ 116,289
Total lease expense	<u>\$ 115,508</u>	<u>\$ 116,289</u>

The right-of-use asset and operating lease liability were calculated using a weighted average discount rate of 0% and 1.25%, respectively, for the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, the weighted average remaining lease term was zero and 0.66 years, respectively.

There are no future minimum lease payments for the year ending after December 31, 2023.

The following table includes supplemental cash flow and noncash information related to the leases for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 115,508	\$ 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>2023</u>	<u>2022</u>
Time and purpose restriction:		
Time restriction only	\$ 657,150	\$ -
Research	25,000	-
Purpose restriction:		
Research	<u>802,333</u>	<u>665,963</u>
Total	<u>\$ 1,484,483</u>	<u>\$ 665,963</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>2023</u>	<u>2022</u>
Time and purpose restrictions:		
Research	\$ -	\$ 99,741
Purpose restriction:		
Research	<u>288,630</u>	<u>512,797</u>
Total net assets released from restrictions	<u>\$ 288,630</u>	<u>\$ 612,538</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, 2023, pledges and contributions receivable from two separate donors approximated 46% and 28%, respectively, of total pledges and contributions receivable. The contributions from these two donors are expected to be received before the end of 2025.

As of December 31, 2022, pledges and contributions receivable from four separate donors approximated 33%, 25%, 25% and 17%, respectively, of total pledges and contributions receivable. The contributions from these four donors were received before the end of 2023.

For the years ended December 31, 2023 and 2022, contributions from board members represented approximately 37% and 38%, respectively, of contributions and special events income, net.

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9. Liquidity and Availability

The following table reflects GLA's financial assets available for general expenditure within one year as of December 31, 2023 and 2022. Financial assets are considered unavailable when illiquid or not convertible to cash within one year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,593,750	\$ 3,199,652
Accounts receivable	25,000	-
Pledges and contributions receivable	366,500	60,000
Note receivable	-	200,000
Accrued interest receivable	-	7,518
Less those amounts unavailable for general expenditure within one year due to:		
Net assets with donor restrictions	<u>(1,089,114)</u>	<u>(665,963)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,896,136</u>	 <u>\$ 2,801,207</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.

10. Line of Credit

GLA has available a line of credit in the principal amount of \$750,000 which expires on September 18, 2024. As of December 31, 2023 and 2022, GLA did not have any outstanding balance on the line of credit.

11. Subsequent Events

Management has evaluated subsequent events through July 23, 2024, the date these financial statements were available for issuance.