

# **The Global Alliance for TB Drug Development, Inc.**

## **Financial Statements** Year Ended December 31, 2009

The report accompanying these financial statements was issued by BDO Seidman, LLP, a New York limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

**The Global Alliance for  
TB Drug Development, Inc.**

**Financial Statements**  
Year Ended December 31, 2009

# The Global Alliance for TB Drug Development, Inc.

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## Independent Auditors' Report

Board of Directors of  
The Global Alliance for TB  
Drug Development, Inc.

We have audited the accompanying statement of financial position of The Global Alliance for TB Drug Development, Inc. ("TB Alliance") as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of TB Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from TB Alliance's December 31, 2008 financial statements and, in our report dated June 23, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TB Alliance's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Global Alliance for TB Drug Development, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*BDO Seidman, LLP*

May 18, 2010

# The Global Alliance for TB Drug Development, Inc.

## Statement of Financial Position (with comparative totals for 2008)

<i>December 31,</i>	2009	2008
<b>Assets</b>		
Cash and cash equivalents (Notes 2 and 3)	\$45,021,624	\$16,449,713
Assets limited to use (Note 2)	913,224	899,958
Investments at fair value (Note 3)	3,000,000	34,004,450
Accounts receivable	813,499	2,154,037
Pledges receivable	1,439,551	2,806,521
Other assets	337,449	194,699
Fixed assets, net (Notes 2 and 5)	2,703,153	3,016,339
	<b>\$54,228,500</b>	<b>\$59,525,717</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 8,625,235	\$ 2,379,052
Accrued payroll and payroll related liabilities	923,784	1,115,106
Deferred revenue (Note 6)	13,097,138	24,555,552
Deferred rent	1,018,689	1,102,300
<b>Total liabilities</b>	<b>23,664,846</b>	<b>29,152,010</b>
<b>Commitments (Note 7)</b>		
<b>Net assets:</b>		
Unrestricted net assets (Note 2)	30,563,654	30,373,707
	<b>\$54,228,500</b>	<b>\$59,525,717</b>

*See accompanying notes to financial statements.*

# The Global Alliance for TB Drug Development, Inc.

## Statement of Activities (with comparative totals for 2008)

<i>Year ended December 31,</i>	2009	2008
	Unrestricted	
<b>Public support and other revenue:</b>		
Contributions	\$35,910,717	\$28,250,136
Grants	7,997,231	6,482,967
Interest and dividend income	187,444	1,015,819
Net realized and unrealized losses on investments	(21,300)	(38,545)
Miscellaneous income	31,337	-
<b>Total public support and other revenue</b>	<b>44,105,429</b>	<b>35,710,377</b>
<b>Expenses:</b>		
Program services:		
Research and development	37,155,439	26,885,734
Business development	388,356	344,645
Public affairs and policy	2,732,487	2,586,737
<b>Total program services</b>	<b>40,276,282</b>	<b>29,817,116</b>
Supporting services:		
Management and general	3,332,360	3,751,009
Fundraising	297,576	168,293
<b>Total supporting services</b>	<b>3,629,936</b>	<b>3,919,302</b>
<b>Total expenses</b>	<b>43,906,218</b>	<b>33,736,418</b>
<b>Change in net assets before foreign translation loss</b>	<b>199,211</b>	<b>1,973,959</b>
<b>Foreign translation loss (Note 2)</b>	<b>(9,264)</b>	<b>(91,062)</b>
<b>Change in net assets</b>	<b>189,947</b>	<b>1,882,897</b>
<b>Net assets, beginning of year</b>	<b>30,373,707</b>	<b>28,490,810</b>
<b>Net assets, end of year</b>	<b>\$30,563,654</b>	<b>\$30,373,707</b>

*See accompanying notes to financial statements.*

# The Global Alliance for TB Drug Development, Inc.

## Statement of Functional Expenses (with comparative totals for 2008)

Year ended December 31,

	Program services				Supporting services			Total	
	Research and development	Business development	Public affairs and policy	Total	Management and general	Fundraising	Total	2009	2008
<b>Salaries and related expenses:</b>									
Salaries	\$ 3,576,288	\$ 24,030	\$ 768,307	\$ 4,368,625	\$1,209,531	\$168,998	\$1,378,529	\$ 5,747,154	\$ 4,552,675
Employee benefits and payroll related taxes	700,123	5,707	166,435	872,265	215,491	38,256	253,747	1,126,012	746,949
Pension	204,031	1,501	44,386	249,918	58,190	10,358	68,548	318,466	188,701
<b>Total salaries and related expenses</b>	<b>4,480,442</b>	<b>31,238</b>	<b>979,128</b>	<b>5,490,808</b>	<b>1,483,212</b>	<b>217,612</b>	<b>1,700,824</b>	<b>7,191,632</b>	<b>5,488,325</b>
<b>Other expenses:</b>									
Research and development portfolio investments	30,175,987	-	-	30,175,987	-	-	-	30,175,987	21,884,752
Consulting	370,091	212,260	383,995	966,346	188,607	56,545	245,152	1,211,498	1,549,184
Policy studies	-	-	-	-	-	-	-	-	18,000
Recruiting and temporary help	389,712	-	159,747	549,459	163,265	230	163,495	712,954	310,624
Meetings, business travel, conferences and services	616,965	-	267,732	884,697	137,196	18,204	155,400	1,040,097	1,269,505
Professional fees	170,142	144,858	4,398	319,398	295,009	2,678	297,687	617,085	569,795
Public and media outreach	-	-	383,823	383,823	-	-	-	383,823	245,319
Publications and website development	1,126	-	195,372	196,498	-	-	-	196,498	192,598
Rent and utilities	548,449	-	253,035	801,484	325,010	-	325,010	1,126,494	1,120,950
Insurance	76,203	-	840	77,043	58,552	-	58,552	135,595	131,130
Telecommunications	130,876	-	54,559	185,435	74,132	-	74,132	259,567	213,889
Equipment rental and expense	52,350	-	25,332	77,682	71,555	-	71,555	149,237	102,197
Office expense	59,350	-	10,313	69,663	102,261	1,905	104,166	173,829	168,524
Dues and subscriptions	83,746	-	14,213	97,959	9,590	402	9,992	107,951	102,768
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	104,683
Depreciation and amortization	-	-	-	-	423,971	-	423,971	423,971	264,175
<b>Total expenses</b>	<b>\$37,155,439</b>	<b>\$388,356</b>	<b>\$2,732,487</b>	<b>\$40,276,282</b>	<b>\$3,332,360</b>	<b>\$297,576</b>	<b>\$3,629,936</b>	<b>\$43,906,218</b>	<b>\$33,736,418</b>

*See accompanying notes to financial statements.*

# The Global Alliance for TB Drug Development, Inc.

## Statement of Cash Flows (with comparative totals for 2008)

<i>Year ended December 31,</i>	2009	2008
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 189,947	\$ 1,882,897
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	423,971	264,175
Loss on disposal of fixed assets	-	104,683
Realized (gain) loss on sales of investments at fair value, net	81,750	(199,495)
Unrealized losses (gains) on investments at fair value	(60,450)	238,040
(Increase) decrease in assets:		
Assets limited to use	(13,266)	(26,480)
Accounts receivable	1,340,538	(1,569,371)
Pledges receivable	1,366,970	(2,806,521)
Other assets	(142,750)	98,380
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	6,246,183	(1,828,586)
Accrued payroll and related liabilities	(191,322)	936,085
Deferred revenue	(11,458,414)	3,866,161
Deferred rent	(83,611)	717,792
<b>Net cash provided by (used in) operating activities</b>	<b>(2,300,454)</b>	<b>1,677,760</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(20,019,670)	(53,126,085)
Proceeds from sale of investments	51,002,820	40,541,660
Purchase of fixed assets	(110,785)	(2,911,033)
<b>Net cash provided by (used in) investing activities</b>	<b>30,872,365</b>	<b>(15,495,458)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>28,571,911</b>	<b>(13,817,698)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>16,449,713</b>	<b>30,267,411</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 45,021,624</b>	<b>\$ 16,449,713</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ -	\$ -

See accompanying notes to financial statements.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

### 1. Organization

The Global Alliance for TB Drug Development, Inc. (“TB Alliance”) is a nonprofit organization incorporated on July 24, 2000 under the General Corporation Law of Delaware and authorized to conduct business in New York under the Not-for-Profit Corporation Law of New York. It operates as a not-for-profit, with offices in New York, New York; Pretoria, South Africa and Brussels, Belgium.

TB Alliance is a product development partnership focused on accelerating the discovery, development, and delivery of new TB drugs that will shorten treatment, be effective against susceptible and resistant strains, be compatible with antiretroviral therapies for those HIV-TB patients currently on such therapies, and improve treatment of latent infection.

Working with public and private partners worldwide, TB Alliance is leading the development of the most comprehensive portfolio of TB drug candidates in history. It is committed to ensuring that approved new regimens are affordable, adopted and available to those who need them.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The financial statements of TB Alliance have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

#### (b) Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

- (i)* **Permanently Restricted** – Net assets resulting from contributions and other inflows of assets whose use by TB Alliance is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of TB Alliance.
- (ii)* **Temporarily Restricted** – Net assets resulting from contributions and other inflows of assets whose use by TB Alliance is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of TB Alliance pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii)* **Unrestricted** – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

(c) *Accounting Changes*

In June 2009, the Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”) effective for certain financial statements issued for interim and annual periods ending after December 15, 2009. The ASC identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (“GAAP”) in the United States. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (“ASU”).

(d) *Cash and Cash Equivalents*

TB Alliance considers short-term investments with original maturities of three months or less to be cash equivalents.

(e) *Assets Limited to Use*

Assets limited to use consist of cash and cash equivalents held by banks providing collateral for certain leases held by TB Alliance.

(f) *Fair Value Measurements*

ASC 820, “Fair Value Measurements” (formerly Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements”) establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as TB Alliance would use in pricing TB Alliance’s asset or liability based on independently derived and objectively determinable market data. Unobservable inputs are inputs

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of TB Alliance are traded. TB Alliance estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly-traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

(g) *Investments at Fair Value*

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Net realized gains and losses and net change in unrealized gains and losses for the period are shown in the statement of activities.

(h) *Depreciation and Amortization*

The cost of property and equipment is depreciated over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the lesser of the life of the lease or asset. The estimated useful lives of the assets are as follows:

Computer equipment	3 – 5 years
Furniture and equipment	3 – 5 years
Leasehold improvements	5 – 10 years

(i) *Income Taxes*

TB Alliance is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and therefore has made no provision for income taxes in the accompanying financial statements. In addition, TB Alliance has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2009.

TB Alliance adopted the provisions of ASC 740, "Income Taxes" (relevant portions of which were previously addressed in FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes") on January 1, 2009. Under ASC 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

upon examination by a taxing authority. The implementation of ASC 740 had no impact on TB Alliance's financial statements. TB Alliance does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. TB Alliance has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, TB Alliance has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. No interest or penalty was accrued as of January 1, 2009 as a result of the adoption of ASC 740. For the year ended December 31, 2009, there was no interest or penalties recorded or included in the statements of activities.

(j) *Contributions and Grants*

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions with purpose or time restrictions (defined by management as unrestricted amounts due in more than one year) are reported as increases in temporarily restricted net assets. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted gifts and grants, received and utilized in the current year, are reflected in the statement of activities in the unrestricted class of net assets.

Public grants from government agencies are recorded based on the terms of the grantor allotment, which generally provides that revenue is earned when the allowable costs or units of services of specific grant provisions have been incurred or provided.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

(k) *Promises to Give*

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received, and are classified as either unrestricted, temporarily restricted, or permanently restricted support. Promises to give are recorded at net realizable value if expected to be collected in one year. Unconditional promises to give that are expected to be collected in the future years are recorded at the present value of these estimated future cash flows.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at the estimated fair value.

(l) *Contributed Goods and Services*

Contributed goods and services are recognized as revenue and expenses if such goods and services meet the criteria for recognition as stated in ASC 958, “Not-for-Profit Entities” (formerly SFAS No. 116, “Accounting for Contributions Received or Contributions Made”).

(m) *Program Services*

(i) **Research and Development** – TB Alliance creates and manages a portfolio of new anti-TB drug candidates by identifying, evaluating and acquiring promising molecules from scientific laboratories worldwide and outsourcing their development to appropriate public and private partners. Further, TB Alliance invests in infrastructure research projects that accelerate anti-TB drug development and analyzes existing scientific gaps to address these as part of the overall development strategy.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

(ii) **Business Development** – TB Alliance negotiates, implements and manages agreements with public and private organizations worldwide and does so by adhering to sound business practices while ensuring the public good. Specifically, TB Alliance negotiates terms that support the development and access of new affordable anti-TB drugs equitably to those areas most in need while encouraging the private sector to help develop new medicines for TB indications.

(iii) **Public Affairs and Policy** – TB Alliance manages critical alliances with public and private organizations to raise awareness about tuberculosis (“TB”) and advocate for public and private involvement in research for new anti-TB medicines. It develops landmark studies to support policy developments seeking to accelerate anti-TB drug research and mobilizes networks of researchers and investigators worldwide to focus on the development of these medicines.

(n) *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

(o) *Concentration of Credit Risk*

Financial instruments which potentially subject TB Alliance to concentration of credit risk consist primarily of cash and cash equivalents. At various times during the year, TB Alliance had cash deposits at financial institutions which exceeded the FDIC insurance limit.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

(p) *Comparative Financial Information*

The financial statements include certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the prior year financial statements from which the summarized information was derived. With respect to the statement of functional expenses, the prior year expenses by expense classification are presented in total rather than by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

(q) *Pledges Receivable*

The net present value of pledges receivable is calculated using a discount rate equal to the risk-free interest rate, which is the U.S. Treasury note interest rate in effect at the time pledges are made and equal in duration to the length of time that the pledge is expected to be paid over.

(r) *Foreign Currency Translation*

All elements of the financial statements reflecting TB Alliance's operations in Brussels are translated into U.S. dollars using applicable exchange rates. For assets and liabilities, this is the rate in effect at the statement of financial position date, with the exception of property and equipment which is measured at the historical rate. For revenue and expense items, translation is performed monthly using the average rate for the month. The exchange rate as of December 31, 2009 was \$1.4333 EUR/USD.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

Foreign currency is translated in accordance with the provisions of ASC 830, “Foreign Currency Matters” (formerly SFAS No. 52, “Foreign Currency Translation”). Under the provisions of ASC 830, the local currency used in TB Alliance’s foreign operations is considered to be the functional currency of these operations. Translation of the financial statements of these operations resulted in a translation gain as follows:

*December 31, 2009*

Cumulative translation gain adjustment,	
beginning of year	\$504,090
Translation adjustment	(9,264)
Cumulative translation gain adjustment,	
end of year	\$494,826

The cumulative translation gain is included in unrestricted net assets.

### 3. **Financial Instruments and Fair Value**

TB Alliance adopted ASC 820 relating to fair value measurements. There were no Level 1 or Level 3 investments within the investment hierarchy used in measuring fair value. TB Alliance Level 2 investments consist of Market Linked Investments (the “MLI”). The fair value of the MLI is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility. They are bank deposits with absolute

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

returns which can only generate a gain if during the duration of the contract the index that it follows does not exceed a certain absolute percentage at any point in time. As of December 31, 2009, the indices which the MLI follow have exceeded its absolute return parameters and are valued at their principal investment of \$3,000,000. Since the MLI do not have quoted market prices and are not actively traded their valuation is based on Level 2 inputs within the hierarchy used in measuring fair value.

Level 3 – Valuation based on inputs that are unobservable and reflect management’s best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments. TB Alliance does not currently invest in any Level 3 investments.

Below sets forth a table of assets measured at fair value as of December 31, 2009:

Description	Fair value measurement at reporting date using			Balance as of December 31, 2009
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	
MLI	\$-	\$3,000,000	\$-	\$3,000,000

TB Alliance’s cost and fair value of investments are summarized as follows:

<i>December 31, 2009</i>	Fair value	Cost
MLI	\$3,000,000	\$3,000,000

In addition to the above investments, the investment portfolio included \$28,958,273 of cash and cash equivalents at December 31, 2009.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

4. **Pledges Receivable, Net** As of December 31, 2009, TB Alliance had \$1,439,551 in pledges receivable. All pledges were due within one year and as such, no present value discounts were made.

5. **Fixed Assets, Net** Fixed assets, net, stated at cost, consists of the following:

<i>December 31, 2009</i>	
Computer equipment	\$ 513,059
Furniture and equipment	465,547
Leasehold improvements	2,682,523
Total fixed assets	3,661,129
Less: Accumulated depreciation and amortization	(957,976)
Fixed assets, net	\$2,703,153

6. **Deferred Revenue** In November 2006, the Department of Development of the Netherlands Ministry of Foreign Affairs (“DDC”) approved an 8,000,000 EUR three-year grant for the period from 2006 to 2009 for research and development to optimize tuberculosis drug therapy. The contract stipulates that any unused funds be returned to the DDC at the expiration of the grant term. As of December 31, 2009, TB Alliance has received and expensed \$10,602,919 related to this grant. In November 2009, TB Alliance received an additional 150,000 EUR one-year grant for the development of a series of discussion papers on key issues facing product development partnerships (“PDPs”) in order to enhance the effectiveness and efficiencies of PDPs. The work will be managed collaboratively by a Steering Committee and carried out using a combination of PDP staff contributing their time together with paid consultants. The TB Alliance will perform project administration including the contracting of the consultants on behalf of the Steering Committee. This funding will be used exclusively for PDP-wide access activities and will not be used to support any other activities. At December 31, 2009, TB Alliance deferred \$84,234 related to this grant.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

In May 2006, TB Alliance received a conditional promise to give award from the Bill & Melinda Gates Foundation in the amount of \$104,403,823 for the period of May 1, 2006 to May 1, 2011. To date, TB Alliance has received \$89,215,157 of the award. As of December 31, 2009, TB Alliance recognized \$76,247,253 income on the grant for project milestones achieved and has included \$12,967,904 in deferred revenue. The remaining amount of \$15,188,666 has not been recognized in the financial statements.

In addition, TB Alliance received \$45,000 in 2009 from AstraZeneca for an Education Grant related to the Open Forum. The Open Forum takes place in 2010 and therefore the entire \$45,000 remains in deferred revenue at December 31, 2009.

### 7. Commitments

TB Alliance has operating lease agreements for office space in New York, New York; Brussels, Belgium and Pretoria, South Africa. The TB Alliance New York office lease expires in December 2017, the Pretoria lease expires in October 2012 and the Brussels lease agreement expires in January 2010.

The following is a schedule of future minimum rental payments under those lease agreements as of December 31, 2009:

<i>Year ending December 31,</i>	
2010	\$1,137,184
2011	1,174,317
2012	1,171,904
2013	1,149,785
2014	1,149,785
Thereafter	1,184,982
	<hr/>
	\$6,967,957

TB Alliance has research and development agreements with several research institutions to fund various research and development contracts useful for treatment of TB. The agreements' expiration dates are undeterminable as of December 31, 2009.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

The following is a schedule of future minimum research and development payments under the above agreements as of December 31, 2009:

<i>Year ending December 31,</i>	
2010	\$6,360,262
2011	532,000
2012	500,000
2013	500,000
2014	500,000
Thereafter (per year)	500,000

- 8. Pension Plan** TB Alliance has a 401(k) plan that covers all employees who are age 21 and older. Employees may contribute up to 15% of their pay each pay period. Catchup deferral of up to \$5,500 in 2009 is available for eligible employees 50 years old or older during the plan year. TB Alliance matches 50% of the first 3% of the pay contributed through the employee's salary deferral. Discretionary and qualified non-elective contributions are also made to the plan. Pension expense was \$318,485 for the year ended December 31, 2009. In January 2006, TB Alliance converted into a 401(k) Safe Harbor Plan.
- 9. Subsequent Events** TB Alliance's management has performed subsequent event procedures through May 18, 2010, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustments to the financial statements or disclosures as stated herein.