

# The Global Alliance for TB Drug Development, Inc.

Financial Statements  
Year Ended December 31, 2015

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

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Financial Statements  
Year Ended December 31, 2015

# The Global Alliance for TB Drug Development, Inc.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of The Global Alliance for TB Drug Development, Inc. ("TB Alliance"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited TB Alliance's 2014 financial statements and our report, dated July 7, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

June 13, 2016

# The Global Alliance for TB Drug Development, Inc.

## Statement of Financial Position (with comparative totals for 2014)

<i>December 31,</i>	2015	2014
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 2)	\$101,870,109	\$83,933,910
Accounts receivable (Note 2)	330,688	655,261
Security deposits	46,144	46,144
Other assets	1,155,147	520,891
<b>Total Current Assets</b>	<b>103,402,088</b>	<b>85,156,206</b>
Limited Use - Cash (Note 2)	923,963	923,039
Property and Equipment, Net	665,872	945,666
<b>Total Assets</b>	<b>\$104,991,923</b>	<b>\$87,024,911</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and other liabilities	\$ 10,418,636	\$ 5,224,261
Accrued payroll and payroll related liabilities	1,833,118	1,706,977
Deferred revenue (Notes 2 and 4)	36,796,334	27,264,255
<b>Total Current Liabilities</b>	<b>49,048,088</b>	<b>34,195,493</b>
Deferred Rent	342,123	513,184
<b>Total Liabilities</b>	<b>49,390,211</b>	<b>34,708,677</b>
<b>Commitments and Contingencies (Notes 2, 4, 5, and 6)</b>		
<b>Net Assets:</b>		
Unrestricted (Note 2)	55,601,712	52,316,234
<b>Total Liabilities and Net Assets</b>	<b>\$104,991,923</b>	<b>\$87,024,911</b>

*See accompanying notes to financial statements.*

# The Global Alliance for TB Drug Development, Inc.

## Statement of Activities (with comparative totals for 2014)

<i>Year ended December 31,</i>	2015	2014
<b>Public Support and Other Revenue:</b>		
Contributions	\$52,492,567	\$36,706,699
Grants	8,258,980	8,256,889
Interest and dividend income	77,246	85,335
Miscellaneous income	433,731	847,998
<b>Total Public Support and Other Revenue</b>	<b>61,262,524</b>	<b>45,896,921</b>
<b>Expenses:</b>		
Program services (Note 2):		
Research and development	51,648,251	37,478,840
Business development	269,696	263,050
Public affairs and policy	2,455,155	2,174,325
<b>Total Program Services</b>	<b>54,373,102</b>	<b>39,916,215</b>
Supporting services:		
Management and general	2,538,362	2,477,814
Fundraising	931,202	842,672
<b>Total Supporting Services</b>	<b>3,469,564</b>	<b>3,320,486</b>
<b>Total Expenses</b>	<b>57,842,666</b>	<b>43,236,701</b>
<b>Change in Net Assets Before Foreign Translation Loss</b>	<b>3,419,858</b>	<b>2,660,220</b>
<b>Foreign Translation Loss (Note 2)</b>	<b>(134,380)</b>	<b>(268,513)</b>
<b>Change in Unrestricted Net Assets</b>	<b>3,285,478</b>	<b>2,391,707</b>
<b>Net Assets, Beginning of Year</b>	<b>52,316,234</b>	<b>49,924,527</b>
<b>Net Assets, End of Year</b>	<b>\$55,601,712</b>	<b>\$52,316,234</b>

*See accompanying notes to financial statements.*

The Global Alliance for TB Drug Development, Inc.

Statement of Functional Expenses  
(with comparative totals for 2014)

Year ended December 31,

	Program Services				Supporting Services			Total	
	Research and Development	Business Development	Public Affairs and Policy	Total	Management and General	Fundraising	Total	2015	2014
<b>Salaries and Related Expenses:</b>									
Salaries, benefits and taxes	\$ 7,388,409	\$224,017	\$ 998,032	\$ 8,610,458	\$1,300,303	\$553,886	\$1,854,189	\$10,464,647	\$ 9,971,309
<b>Total Salaries and Related Expenses</b>	<b>7,388,409</b>	<b>224,017</b>	<b>998,032</b>	<b>8,610,458</b>	<b>1,300,303</b>	<b>553,886</b>	<b>1,854,189</b>	<b>10,464,647</b>	<b>9,971,309</b>
<b>Other Expenses:</b>									
Professional services and agreements	41,392,595	10,914	460,429	41,863,938	156,968	160,253	317,221	42,181,159	28,031,321
Meetings, business travel, conferences and services	769,912	3,014	361,939	1,134,865	136,546	79,157	215,703	1,350,568	1,546,971
Rent and utilities	788,487	16,650	114,598	919,735	151,915	65,732	217,647	1,137,382	1,127,795
Office operations	148,011	985	51,180	200,176	273,110	7,245	280,355	480,531	552,835
IT and telecommunications	634,049	9,900	103,289	747,238	366,416	46,547	412,963	1,160,201	1,065,149
Legal and government fees	335,489	-	4,929	340,418	35,764	1,740	37,504	377,922	481,854
Audit and finance	-	-	-	-	78,000	-	78,000	78,000	59,000
Grants	-	-	332,462	332,462	-	-	-	332,462	112,833
Depreciation and amortization	191,299	4,216	28,297	223,812	39,340	16,642	55,982	279,794	287,634
<b>Total Expenses</b>	<b>\$51,648,251</b>	<b>\$269,696</b>	<b>\$2,455,155</b>	<b>\$54,373,102</b>	<b>\$2,538,362</b>	<b>\$931,202</b>	<b>\$3,469,564</b>	<b>\$57,842,666</b>	<b>\$43,236,701</b>

See accompanying notes to financial statements.



# The Global Alliance for TB Drug Development, Inc.

## Statement of Cash Flows (with comparative totals for 2014)

<i>Year ended December 31,</i>	2015	2014
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 3,285,478	\$ 2,391,707
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	279,794	287,634
(Increase) decrease in assets:		
Accounts receivable	324,573	3,180,536
Security deposits	-	7,438
Other assets	(634,256)	429,380
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	5,194,375	2,615,394
Accrued payroll and payroll related liabilities	126,141	152,110
Deferred revenue	9,532,079	10,104,723
Deferred rent	(171,061)	(171,061)
<b>Net Cash Provided By Operating Activities</b>	<b>17,937,123</b>	<b>18,997,861</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	-	(20,594)
Limited use - cash	(924)	(1,030)
<b>Net Cash Used In Investing Activities</b>	<b>(924)</b>	<b>(21,624)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>17,936,199</b>	<b>18,976,237</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>83,933,910</b>	<b>64,957,673</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$101,870,109</b>	<b>\$83,933,910</b>

*See accompanying notes to financial statements.*

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

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### 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 tuberculosis 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.

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.

#### *(c) Cash and Cash Equivalents*

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

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

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### *(d) Limited Use - Cash*

Limited use - cash consists of cash and cash equivalents held by a bank providing collateral for a lease held by TB Alliance.

### *(e) Accounts Receivable*

Accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. Periodically, the receivables are reviewed and evaluated as to their collectability. A receivable balance is considered past due once it has not been received by its scheduled due date. If necessary, an allowance is recorded based on these evaluations. At December 31, 2015, management determined that there was no allowance that needed to be recorded.

### *(f) Depreciation and Amortization*

The cost of fixed assets 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:

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

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TB Alliance follows the policy of capitalizing all fixed asset acquisitions in excess of \$5,000. Maintenance and repairs are charged to operations when incurred. When fixed assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

### *(g) Impairment of Fixed Assets*

TB Alliance reviews fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2015, there have been no such losses.

### *(h) 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 2015.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Income Taxes," 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 upon examination by a taxing authority. 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. For the year ended December 31, 2015, there was no interest or penalties recorded or included in the statement of activities. TB Alliance is subject to routine audits by a taxing authority. As of December 31, 2015, TB Alliance was not subjected to any examination by a taxing authority prior to 2012.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

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### *(i) 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.

### *(j) Deferred Revenue*

Receipts which have not been spent are available for applicable future years and are, therefore, classified as deferred revenue.

### *(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) 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.
- (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.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

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### *(m) 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.

### *(n) 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.

### *(o) 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.

### *(p) Foreign Currency Translation*

All elements of the financial statements reflecting TB Alliance's operations in Brussels and South Africa 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 fixed assets which are 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, 2015 was \$1.09/EUR., \$0.06/ZAR, \$1.48/GBP and \$0.02/INR.

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, 2015*

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Cumulative translation gain adjustment, beginning of year	\$ (15,535)
Translation adjustment	(134,380)
Cumulative translation gain adjustment, end of year	\$(149,915)

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The cumulative translation loss is included in unrestricted net assets.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

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### 3. Fixed Assets, Net

Fixed assets, net, stated at cost, consists of the following:

*December 31, 2015*

Computer equipment	\$ 609,767
Furniture and equipment	467,777
Leasehold improvements	2,692,488
Total fixed assets	3,770,032
Less: Accumulated depreciation and amortization	(3,104,160)
Fixed assets, net	\$ 665,872

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### 4. Deferred Revenue

In November 2010, TB Alliance received a conditional promise to give award from the Bill & Melinda Gates Foundation in the amount of \$164,910,038 for the period of November 18, 2010 to October 31, 2015. As of December 31, 2015, TB Alliance has received \$164,910,038 of the award, of which \$14,310,323 is deferred revenue.

In May 2014, TB Alliance received a \$1,640,000 grant to provide flexible project funding for new areas of exploration and innovation from the Bill and Melinda Gates Foundation. The period of this grant agreement is May 6, 2014 to April 30, 2016. As of December 31, 2015, TB Alliance has received \$1,640,000 of the grant, of which \$15,217 is deferred revenue.

In November 2014, TB Alliance received a \$25,000,000 grant from the Bill and Melinda Gates Foundation to support the STAND trial, which is the first Phase 3 registration trial testing a drug regimen for use against both TB and multidrug-resistant TB (MDR-TB). The period of this grant agreement is November 3, 2015 to February 28, 2019. As of December 31, 2015, TB Alliance has received \$19,572,000 of the grant, all of which has been deferred as of December 31, 2015.

On May 1, 2015, TB Alliance received a \$3,000,000 grant from the National Philanthropic Trust to develop the capacity of clinicians, researchers, drug suppliers and health care providers to help in the prevention and treatment of tuberculosis in Indonesia. The period of this grant agreement is through March 2017. As of December 31, 2015, TB Alliance has received \$1,500,000 of the grant, of which \$1,350,445 has been deferred as of December 31, 2015.

In October 2015, TB Alliance received a \$1,885,605 grant from the Bill and Melinda Gates Foundation to accelerate global health drug development and registration by creating a public database of chemistry, manufacturing and controls ("CMC") regulatory requirements for target global health countries. The period of this grant agreement is October 23, 2015 to December 31, 2016. As of December 31, 2015, TB Alliance has received \$1,228,895 of the grant, all of which has been deferred as of December 31, 2015.

Other deferred revenue includes \$319,454 from grants.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

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### 5. Commitments

(a) 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 and the Pretoria and Brussels leases expire in November 2018.

The following is a schedule of future minimum rental payments under those lease agreements as of December 31, 2015:

*Year ending December 31,*

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2016	\$1,210,824
2017	1,212,895
2018	30,170
	<hr/>
	\$2,453,889

Rent expense for the year ended December 31, 2015, which included month-to-month leases, amounted to \$1,043,196.

(b) 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, 2015.

The following is a schedule of future minimum research and development payments under the above agreements as of December 31, 2015:

*Year ending December 31,*

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2016	\$5,496,959
2017	1,035,995
2018	578,175
2019	500,000
Thereafter (per year)	500,000

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### 6. Pension Plan

TB Alliance has a 401(k) plan that covers all employees who are age 21 and older. Employees may designate all or a portion of the 401(k) elective deferral contributions as Roth elective deferral contributions instead of pre-tax elective deferral contributions. For 2015, the combined limit for the amount an employee can defer under both plans is \$18,000. Catchup deferral of up to \$6,000 in 2015 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 \$473,984 for the year ended December 31, 2015.

# The Global Alliance for TB Drug Development, Inc.

## Notes to Financial Statements

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### 7. Subsequent Events

TB Alliance's management has performed subsequent event procedures through June 13, 2016, 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.