

The Global Alliance for TB Drug Development, Inc.

Financial Statements
Year Ended December 31, 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, 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, 2023

The Global Alliance for TB Drug Development, Inc.

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of The Global Alliance for TB Drug Development, Inc. (TB Alliance), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 TB Alliance as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TB Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 accounting principles generally accepted in the United States of America, 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 TB Alliance's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 TB Alliance'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 TB Alliance'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.

Report on Summarized Comparative Information

We have previously audited TB Alliance's 2022 financial statements and our report, dated June 20, 2023, 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, 2022 is consistent, in all material respects, with the audited financial statements from which it was derived.

BDO USA, P.C.

June 11, 2024

The Global Alliance for TB Drug Development, Inc.

Statement of Financial Position

<i>December 31,</i>	2023	2022
Assets		
Cash and cash equivalents (Note 2)	\$ 142,882,371	\$ 158,312,536
Restricted cash (Note 2)	571,418	1,437,657
Grants and contributions receivable (Note 2)	2,924,273	5,333,614
Investments (Notes 2 and 3)	32,179,312	9,761,242
Prepaid expenses and other assets	1,485,868	1,117,454
Right-of-use assets - operating leases (Notes 2 and 5)	15,740,388	-
Fixed assets, net (Notes 2 and 4)	1,535,911	724,376
Total assets	\$ 197,319,541	\$ 176,686,879
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses (Note 2)	\$ 8,012,333	\$ 11,087,260
Deferred revenue (Note 2)	1,205,080	419,100
Operating lease liabilities (Notes 2 and 5)	16,402,578	-
Total liabilities	25,619,991	11,506,360
Commitments and contingencies (Notes 2, 5, 6, and 7)		
Net assets		
Without donor restrictions (Note 2)	171,699,550	165,180,519
Total liabilities and net assets	\$ 197,319,541	\$ 176,686,879

See accompanying notes to the financial statements.

The Global Alliance for TB Drug Development, Inc.

Statement of Activities

<i>Year ended December 31,</i>	2023	2022
	(Without Donor Restrictions)	
Public support and other revenue		
Grants and contributions	\$ 49,796,816	\$ 52,646,326
Investment income, net	9,750,030	1,812,456
Miscellaneous income	2,260,854	934,739
Total public support and other revenue	61,807,700	55,393,521
Expenses		
Program services (Note 2):		
Research and development	42,131,937	44,011,395
Business development	764,217	767,325
Public affairs and policy	5,947,379	4,892,742
Total program services	48,843,533	49,671,462
Supporting services:		
Management and general	5,180,973	5,348,478
Fundraising	1,260,040	754,480
Total supporting services	6,441,013	6,102,958
Total expenses	55,284,546	55,774,420
Change in net assets, before foreign translation loss	6,523,154	(380,899)
Foreign translation loss (Note 2)	(4,123)	(79,155)
Change in net assets	6,519,031	(460,054)
Net assets, beginning of year	165,180,519	165,640,573
Net assets, end of year	\$ 171,699,550	\$ 165,180,519

See accompanying notes to the financial statements.

The Global Alliance for TB Drug Development, Inc.

Statement of Functional Expenses
(with comparative totals for 2022)

Year ended December 31,

	Program Services				Supporting Services			Total	
	Research and Development	Business Development	Public Affairs and Policy	Total	Management and General	Fundraising	Total	2023	2022
Salaries, benefits, and taxes	\$ 11,100,764	\$ 611,654	\$ 1,533,693	\$ 13,246,111	\$ 3,155,885	\$ 963,570	\$ 4,119,455	\$ 17,365,566	\$ 16,259,751
Professional services and agreements	28,813,327	8,804	3,368,416	32,190,547	417,379	71,198	488,577	32,679,124	34,330,277
Meetings, travel, conferences, and services	505,130	-	489,264	994,394	204,293	113,777	318,070	1,312,464	647,770
Rent and utilities	478,855	18,009	78,326	575,190	165,017	46,911	211,928	787,118	1,126,468
Office operations	121,736	89	111,002	232,827	406,037	18,894	424,931	657,758	611,249
IT and telecommunications	364,002	12,791	66,619	443,412	609,871	34,170	644,041	1,087,453	1,182,625
Legal and government fees	635,265	108,445	2,457	746,167	48,312	-	48,312	794,479	794,814
Audit and finance	-	-	-	-	135,690	-	135,690	135,690	153,496
Grants	-	-	278,450	278,450	-	-	-	278,450	263,496
Depreciation and amortization	112,858	4,425	19,152	136,435	38,489	11,520	50,009	186,444	404,474
Total expenses	\$ 42,131,937	\$ 764,217	\$ 5,947,379	\$ 48,843,533	\$ 5,180,973	\$ 1,260,040	\$ 6,441,013	\$ 55,284,546	\$ 55,774,420

See accompanying notes to the financial statements.

The Global Alliance for TB Drug Development, Inc.

Statement of Cash Flows

<i>Year ended December 31,</i>	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 6,519,031	\$ (460,054)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	186,444	404,474
Non-cash lease expense	675,528	-
Unrealized and realized (gains) losses on investments, net	(1,806,216)	303,061
Changes in assets and liabilities:		
Grants and contributions receivable	2,409,341	(320,381)
Prepaid expenses and other assets	(368,414)	(93,087)
Accounts payable and accrued expenses	(3,074,927)	1,326,277
Deferred revenue	785,980	(11,740,140)
Principal reduction in operating lease liabilities	(13,338)	-
Net cash provided by (used in) operating activities	5,313,429	(10,579,850)
Cash flows from investing activities		
Purchases of fixed assets	(997,979)	(671,509)
Purchases of investments	(26,506,092)	(10,560,527)
Proceeds from sale of investments	5,894,238	496,224
Net cash used in investing activities	(21,609,833)	(10,735,812)
Decrease in cash, cash equivalents, and restricted cash	(16,296,404)	(21,315,662)
Cash, cash equivalents, and restricted cash, beginning of year	159,750,193	181,065,855
Cash, cash equivalents, and restricted cash, end of year	\$ 143,453,789	\$ 159,750,193
Supplemental disclosures		
Right-of-use assets under operating leases	\$ 16,264,448	\$ -

See accompanying notes to the financial statements.

The Global Alliance for TB Drug Development, Inc.

Notes to the 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 and Pretoria, South Africa.

TB Alliance is a product development partnership committed to 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 Human Immunodeficiency Virus (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.

TB Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and from state and local taxes under comparable laws. In addition, TB Alliance has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the Code.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as applicable to not-for-profit entities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, as well as the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Restricted Cash

TB Alliance considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents. At December 31, 2023, TB Alliance held restricted cash of \$571,418 as collateral under the terms of its lease agreements for the national office (Note 5).

Grants and Contributions Receivable and Provision for Doubtful Accounts

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. At December 31, 2023, grants and contributions receivable balance is \$2,924,273 which represents various grants and contributions and other receivables. Management expects all amounts to be fully collected in 2024. Accordingly, an allowance for doubtful accounts has not been established.

The Global Alliance for TB Drug Development, Inc.

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Investments

Investments are reported at fair value based on quoted market prices. TB Alliance's investments consist of equity securities, mutual funds, and fixed-income securities. Cash and cash equivalents held as part of TB Alliance's investment portfolio are also included in the balances reported as investments.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost at the time of acquisition to the proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing an investment's cost to its fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

TB Alliance's policy is to sell donated securities immediately and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

Investment expenses include the service fees of the investment manager and the custodian. The balances of investment management fees disclosed in Note 3 are those specific fees charged by TB Alliance's investment manager and do not include those fees that are embedded in various other investment accounts and transactions.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property or equipment for a period of time in exchange for consideration. TB Alliance determines if an arrangement is a lease based on whether an identified asset exists and whether it controls the right of use (ROU) of the identified asset at inception. TB Alliance also determines whether the lease classification is an operating or financing lease at the commencement date. Subsequently, if the arrangement is modified, TB Alliance reevaluates the classification. At lease commencement, TB Alliance records either an ROU asset or fixed asset, for operating and finance leases, respectively, and a corresponding lease liability. ROU assets are recognized in an amount equal to the lease liability adjusted for any initial direct costs, prepaid, or deferred rent, and lease incentives. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes the option to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the risk-free discount rate at lease inception for operating leases. Operating lease expense for the lease payments is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less are considered short-term leases and are recognized as rent expense on a straight-line basis over the lease term.

Fixed Assets

Fixed assets are reported at their costs on the dates of acquisition, or at their fair values on the dates of donation, net of accumulated depreciation and amortization. Minor costs of repairs and maintenance are expensed as incurred. TB Alliance capitalizes assets that have a cost of \$5,000 or greater and that have a useful life greater than one year. Depreciation is provided using a

The Global Alliance for TB Drug Development, Inc.

Notes to the Financial Statements

straight-line method over the period of three to five years for computer equipment and furniture and equipment. Amortization of leasehold improvements is provided using a straight-line method over the estimated useful lives of the improvements or the remaining lives of the leases, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. There were no triggering events during 2023 that would require management to test for impairment or require any adjustments to fixed assets. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

Accrued Vacation

Accrued vacation is a liability that represents TB Alliance's obligation for the cost of unused employee vacation time in the event an employee departs; the obligation is recalculated every year. At December 31, 2023, the accrued vacation obligation was \$700,159 and was reported as part of accounts payable and accrued expenses on the statement of financial position.

Deferred Revenue

TB Alliance receives funds in advance, which primarily consist of cash received on conditional grants that have not been expended at year-end and thus, have not met the revenue recognition criteria. The entire balance of deferred revenue is expected to be earned in 2024.

Net Asset Classification

TB Alliance's net assets and its support, revenue, and expenses are based on the existence or absence of donor-imposed restrictions. The amounts are classified in either of the two classes of net assets defined below and displayed in the statement of financial position, and the amounts of change in each of those classes of net assets are displayed in the statement of activities.

These classes are defined as follows:

Without Donor Restrictions - This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of TB Alliance. Expenses are reported as decreases in net assets without donor restrictions.

With Donor Restrictions - This class consists of net assets with donor restrictions whose use is limited by donor-imposed time and/or purpose restrictions. TB Alliance reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of December 31, 2023, TB Alliance had no net assets with donor restrictions.

Grants and Contributions

Grants from government agencies are recorded based on the terms of the grant agreement, which generally provide that revenue is earned when the allowable costs or units of service of specific grant provisions have been incurred or provided.

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Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions. When a donor restriction expires—that is, when a time restriction ends, or purpose restriction is fulfilled—these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions received and utilized in the current year are reflected in the statement of activities in the class of net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized per program in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Program and supporting services expenses are allocated based on a calculation of the ratio of employee time spent on each functional program. Salary costs and indirect expenses, such as depreciation, rent, utilities, information technologies, telecommunications, and other general office expenses, are also calculated using this time allocation method.

The following is a description of TB Alliance's programs:

Research and Development - TB Alliance creates and manages a portfolio of new anti-tuberculosis drug candidates by identifying, evaluating, and acquiring promising molecules from scientific laboratories worldwide and, under the direction of in-house scientific leadership, leads their preclinical and clinical development with public and private partners. Further, TB Alliance develops novel regimens combining multiple drugs with the objective of introducing improved TB treatment regimens.

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.

Public Affairs and Policy - TB Alliance manages critical alliances with public and private organizations to raise awareness about tuberculosis 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. TB Alliance also engages directly with national TB programs and multilateral institutions to accelerate global adoption of TB Alliance's novel TB treatment regimens. It works in close collaboration with private sector partners and employs novel mechanisms like volume guarantees in keeping with the organization's "AAA mandate" that all new products are adopted, available, and affordable to all in need.

Income Taxes

TB Alliance is subject to the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. TB Alliance does not believe it has taken any material uncertain tax positions and, due to its general not-for-profit status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on TB Alliance's financial statements.

The Global Alliance for TB Drug Development, Inc.

Notes to the Financial Statements

Concentration of Credit Risk

Financial instruments that potentially subject TB Alliance to a concentration of credit risk consist principally of investments held at credit-worthy, high-quality financial institutions. At various times during the year, TB Alliance had cash deposits at financial institutions that exceeded the Federal Deposit Insurance Corporation insurance limit. TB Alliance has not experienced any losses in such accounts, and management does not believe TB Alliance is exposed to any significant credit risk on cash and cash equivalents.

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 GAAP.

Foreign Currency Translation

All elements of the financial statements reflecting TB Alliance's operations in South Africa are translated into U.S. dollars using the applicable exchange rate. For assets and liabilities, this is the rate in effect at the statement of financial position date, except for 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. Foreign currency is translated in accordance with the provisions of ASC 830, *Foreign Currency Matters*. Under the provisions of ASC 830, the local currency used in TB Alliance's foreign operations is the functional currency of these operations.

Accounting Pronouncements Recently Adopted

Financial Instruments - Credit Losses (Topic 326)

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. TB Alliance adopted the standard for the year ended December 31, 2023, and this accounting guidance did not have a material effect on TB Alliance's financial statements.

The Global Alliance for TB Drug Development, Inc.

Notes to the Financial Statements

3. Investments and Fair Value Measurements

ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy for fair value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.

Level 2 - Valuations are based on: (i) quoted prices for similar investments in active markets; (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3 - Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the assets and liabilities; or (ii) the assets and liabilities cannot be independently valued.

TB Alliance's investments are subject to various risks, such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following table is a summary of the fair values of investments at year-end, in accordance with the ASC Topic 820 hierarchy levels:

December 31, 2023

	Level 1	Level 2	Total
Government bonds	\$ -	\$ 2,309,428	\$ 2,309,428
Corporate bonds	-	530,567	530,567
Equity securities	8,458,694	-	8,458,694
Mutual funds:			
Fixed income	15,182,541	-	15,182,541
Equities	5,228,638	-	5,228,638
	<u>\$ 28,869,873</u>	<u>\$ 2,839,995</u>	31,709,868
Cash and cash equivalents			<u>469,444</u>
Total			<u>\$ 32,179,312</u>

The Global Alliance for TB Drug Development, Inc.

Notes to the Financial Statements

The following are descriptions of the valuation techniques applied to TB Alliance's major categories of investments measured at fair value:

Fixed Income - TB Alliance's fixed-income investments include government and corporate bonds. When trading fixed-income securities, pricing is determined using relevant market information, benchmark curves, benchmarking of similar securities, sector groupings, and matrix pricing. TB Alliance classifies these investments as Level 2 of the fair value hierarchy.

Equity Securities - TB Alliance equity securities consist of investments in publicly traded U.S. and foreign common stocks. The fair value of these investments is based on quoted market prices. Investments listed on an exchange are generally valued at the last reported sale price. TB Alliance classifies these investments as Level 1 of the fair value hierarchy.

Mutual Funds - TB Alliance has an ownership interest in the funds, but not in the individual securities held by the fund. The assets of each fund primarily consist of shares of the underlying holdings invested in fixed-income and equity securities. The value of mutual funds is based on each share's net asset value (NAV), calculated once daily due to the constantly changing value of the stocks within the fund. Investments listed on an exchange are generally valued at the last reported sale price. TB Alliance classifies mutual funds as Level 1 investments of the fair value hierarchy.

4. Fixed Assets, Net

Fixed assets consist of the following:

December 31, 2023

Computer equipment	\$	758,058
Furniture and equipment		1,406,509
Leasehold improvements		4,325,574
Total fixed assets		6,490,141
Less: accumulated depreciation and amortization		(4,954,230)
Fixed assets, net	\$	1,535,911

Depreciation and amortization expense for the year ended December 31, 2023, was \$186,444.

5. Leases

TB Alliance has operating lease agreements for office space in New York, New York and Pretoria, South Africa. On September 27, 2019, TB Alliance signed the second amendment to its New York office lease for an additional three years and one month, commencing on January 1, 2020 and ending on January 31, 2023. On June 2, 2022, TB Alliance signed a 15-year lease agreement, commencing in July 2023, for new office space in New York, New York, containing provisions for future rent increases and rent-free periods.

On April 27, 2022, TB Alliance signed the second amendment to its Pretoria, South Africa office lease for an additional three years and one month, commencing on May 1, 2022 and ending on April 30, 2025.

The Global Alliance for TB Drug Development, Inc.

Notes to the Financial Statements

Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year (or greater than one year remaining under the lease at the date of adoption of ASU 2016-02, *Accounting for Leases (Topic 842)*), TB Alliance records the related ROU assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. TB Alliance's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the ROU assets and liabilities, unless the variable lease payments depend on an index or rate or are, in substance, fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the ROU assets and liabilities unless TB Alliance is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease. TB Alliance has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all its asset classes, as permitted by ASU 2016-02. As such, TB Alliance accounts for the applicable non-lease components together with the related lease components when determining the ROU assets and liabilities.

TB Alliance has made an accounting policy election not to record leases with an initial term of less than a year as ROU assets and liabilities.

The following table summarizes information related to the lease assets and liabilities:

Year ended December 31, 2023

Operating lease cost	\$	675,528
Operating cash flows used to pay operating leases		13,338

December 31, 2023

ROU assets - operating leases	\$	15,740,388
Lease liabilities		16,402,578

Other information about lease amounts recognized in the financial statements is as follows:

Weighted-average remaining lease term - operating leases	16 years
Weighted-average discount rate - operating leases	1.56%

ROU assets - operating leases and operating lease liabilities are recorded in the statement of financial position.

The Global Alliance for TB Drug Development, Inc.

Notes to the Financial Statements

The following table reconciles the undiscounted operating lease payments to the lease liabilities recorded on the accompanying statement of financial position at December 31, 2023:

Year ending December 31,

2024	\$	14,676
2025		1,147,726
2026		1,142,733
2027		1,142,733
2028		1,142,733
Thereafter		14,187,138
Total minimum lease payments		18,777,739
Less: imputed interest		(2,375,161)
Total operating lease liabilities	\$	16,402,578

Aggregate rent expense under the above leases for the year ended December 31, 2023 was \$760,609, which is included as rent and utilities on the statement of functional expenses.

6. Employee Benefit Plan

TB Alliance offers a 401(k) plan to all employees meeting certain qualifications. Under the terms of the plan, employees are allowed to contribute either as a pre-tax deferral or a Roth elective deferral subject to annual limitations imposed by the Code. TB Alliance matches 50% of the first 3% of pay contributed through the employee's salary deferral. Discretionary and qualified non-elective contributions are also made to the 401(k) plan. Employee benefit plan expense was \$1,249,795 for the year ended December 31, 2023.

7. Liquidity and Availability of Resources

TB Alliance's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Year ended December 31, 2023

Cash and cash equivalents	\$	142,882,371
Grants and contributions receivable		2,924,273
Investments		32,179,312
Total financial assets available to management for general expenditures within one year	\$	177,985,956

Liquidity Management

As part of TB Alliance'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, TB Alliance invests cash in excess of daily requirements in short-term, liquid investments to help manage unanticipated liquidity needs.

The Global Alliance for TB Drug Development, Inc.

Notes to the Financial Statements

8. Subsequent Events

TB Alliance's management has performed subsequent events procedures through June 11, 2024, which is the date the financial statements were available to be issued. TB Alliance is not aware of any subsequent events that would require recognition or disclosure in the financial statements.