

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

Audit of Financial Statements and
Supplemental Schedule of Expenditures
of Federal Awards
Year Ended December 31, 2019

The Global Alliance for TB Drug Development, Inc.

Audit of Financial Statements
and Supplemental Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

The Global Alliance for TB Drug Development, Inc.

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, 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 2018 financial statements and our report, dated June 26, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and to other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020 on our consideration of TB Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TB Alliance's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TB Alliance's internal control over financial reporting and compliance.

BDO USA, LLP

June 26, 2020

The Global Alliance for TB Drug Development, Inc.

Statement of Financial Position (with comparative totals for 2018)

December 31,	2019	2018
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 181,417,151	\$ 71,556,062
Contributions and grants receivable (Note 2)	2,599,085	211,416
Security deposits	60,142	60,142
Prepaid expenses and other assets	3,455,762	2,451,450
Total Current Assets	187,532,140	74,279,070
Restricted Cash (Note 2)	1,260,892	864,131
Fixed Assets, Net (Notes 2 and 4)	625,849	28,337
Total Assets	\$ 189,418,881	\$ 75,171,538
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 12,118,780	\$ 8,822,090
Deferred revenue (Note 2)	12,606,418	6,938,408
Total Current Liabilities	24,725,198	15,760,498
Deferred Rent	5,893	1,272
Total Liabilities	24,731,091	15,761,770
Commitments and Contingencies (Notes 2, 5 and 6)		
Net Assets		
Without donor restrictions	164,687,790	59,409,768
Total Liabilities and Net Assets	\$ 189,418,881	\$ 75,171,538

See accompanying notes to financial statements.

The Global Alliance for TB Drug Development, Inc.

Statement of Activities (with comparative totals for 2018)

<i>Year ended December 31,</i>	Without Donor Restrictions 2019	Without Donor Restrictions 2018
Public Support and Other Revenue		
Contributions	\$ 67,327,647	\$ 59,078,276
Grants	960,390	3,174,206
Interest and dividend income	1,399,584	1,019,722
Sale of capital asset (Notes 3 and 8)	105,000,000	-
Miscellaneous income	186,278	11,286
Total Public Support and Other Revenue	174,873,899	63,283,490
Expenses		
Program services (Note 2):		
Research and development	59,508,295	51,695,154
Business development	469,270	295,108
Public affairs and policy	3,821,906	3,628,288
Total Program Services	63,799,471	55,618,550
Supporting services:		
Management and general	4,423,209	3,705,191
Fundraising	1,312,399	991,904
Total Supporting Services	5,735,608	4,697,095
Total Expenses	69,535,079	60,315,645
Change in Net Assets, before foreign translation loss	105,338,820	2,967,845
Foreign Translation Loss (Note 2)	(60,798)	(112,416)
Change in Net Assets	105,278,022	2,855,429
Net Assets Without Donor Restrictions, beginning of year	59,409,768	56,554,339
Net Assets Without Donor Restrictions, end of year	\$ 164,687,790	\$ 59,409,768

See accompanying notes to financial statements.

The Global Alliance for TB Drug Development, Inc.

Statement of Functional Expenses
(with comparative totals for 2018)

Year ended December 31,

	Program Services				Supporting Services			Total	
	Research and Development	Business Development	Public Affairs and Policy	Total	Management and General	Fundraising	Total	2019	2018
Salaries and Related Expenses									
Salaries, benefits and taxes	\$ 9,437,477	\$ 282,922	\$ 1,559,469	\$ 11,279,868	\$ 2,403,833	\$ 965,692	\$ 3,369,525	\$ 14,649,393	\$ 13,493,212
Total Salaries and Related Expenses	9,437,477	282,922	1,559,469	11,279,868	2,403,833	965,692	3,369,525	14,649,393	13,493,212
Other Expenses									
Professional services and agreements	47,317,038	26,020	1,291,417	48,634,475	461,113	16,030	477,143	49,111,618	41,507,916
Meetings, business travel, conferences and services	696,212	6,477	312,258	1,014,947	196,223	175,885	372,108	1,387,055	1,311,382
Rent and utilities	783,280	16,415	174,994	974,689	238,731	100,615	339,346	1,314,035	1,322,088
Office operations	159,850	1,360	86,306	247,516	444,516	3,770	448,286	695,802	555,657
IT and telecommunications	507,364	7,650	100,659	615,673	452,008	49,843	501,851	1,117,524	996,240
Legal and government fees	349,871	128,334	26,453	504,658	132,986	-	132,986	637,644	634,079
Audit and finance	-	-	-	-	92,463	-	92,463	92,463	89,044
Grants	252,950	-	269,386	522,336	-	-	-	522,336	280,427
Depreciation	4,253	92	964	5,309	1,336	564	1,900	7,209	125,600
Total Other Expenses	50,070,818	186,348	2,262,437	52,519,603	2,019,376	346,707	2,366,083	54,885,686	46,822,433
Total Expenses	\$ 59,508,295	\$ 469,270	\$ 3,821,906	\$ 63,799,471	\$ 4,423,209	\$ 1,312,399	\$ 5,735,608	\$ 69,535,079	\$ 60,315,645

See accompanying notes to financial statements.

The Global Alliance for TB Drug Development, Inc.

Statement of Cash Flows (with comparative totals for 2018)

<i>Year ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 105,278,022	\$ 2,855,429
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of capital asset	(105,000,000)	-
Depreciation	7,209	125,600
(Increase) decrease in:		
Contributions and grants receivable	(2,387,669)	1,733,257
Prepaid expenses and other assets	(1,004,312)	(835,733)
Increase (decrease) in:		
Accounts payable and accrued liabilities	3,296,690	1,137,243
Deferred revenue	5,668,010	(1,807,812)
Deferred rent	4,621	1,272
Net Cash Provided by Operating Activities	5,862,571	3,209,256
Cash Flows from Investing Activities		
Proceeds from sale of capital asset	105,000,000	-
Purchase of fixed assets	(604,721)	(20,312)
Net Cash Provided by (Used in) Investing Activities	104,395,279	(20,312)
Net Increase in Cash and Cash Equivalents	110,257,850	3,188,944
Cash, Cash Equivalents, and Restricted Cash, beginning of year	72,420,193	69,231,249
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 182,678,043	\$ 72,420,193

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 committed to accelerating the discovery, development, and delivery of new tuberculosis (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

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 (U.S. GAAP), as applicable to not-for-profit entities.

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 restriction and reported in the statement of activities as net assets released from restrictions. As of December 31, 2019, TB Alliance had no net assets with donor restrictions.

The Global Alliance for TB Drug Development, Inc.

Notes to Financial Statements

Cash and Cash Equivalents

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

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18). ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018. TB Alliance has adopted this ASU and has applied the retrospective transition method for each period presented.

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$ 181,417,151	\$ 71,556,062
Restricted Cash	1,260,892	864,131
Total	\$ 182,678,043	\$ 72,420,193

Restricted Cash

Restricted cash consists of cash and cash equivalents held by banks and maintained as collateral under the terms of its lease agreements for the national and regional offices.

Contributions and Grants Receivable and Provision for Doubtful Accounts

Contributions and grants receivable are recorded at their net realizable value, which approximates fair value. At December 31, 2019, management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed Assets

TB Alliance capitalizes furniture, equipment and leasehold improvements with a cost of \$5,000 or greater. The cost of furniture and equipment is depreciated over the estimated useful life of the asset and is computed using the straight-line method. Leasehold improvements are amortized over the term of the related lease or the life of the asset—whichever is shorter.

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

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, 2019, there have been no such losses.

The Global Alliance for TB Drug Development, Inc.

Notes to Financial Statements

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 (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2019.

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, 2019, 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.

Contributions and Grants

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 (defined by management as unrestricted amounts due in more than one year) 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.

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

Deferred Revenue

During 2019, TB Alliance received advances, 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 Global Alliance for TB Drug Development, Inc.

Notes to Financial Statements

Funds from the following sources were included in deferred revenue:

December 31, 2019

KFW (Germany)	\$	5,908,027
Department of Foreign Affairs and Trade (Commonwealth of Australia)		5,163,788
Japanese Global Health Innovative Technology Fund		718,272
National Philanthropic Trust		460,462
Cystic Fibrosis Foundation		350,363
Other		5,506
Total Deferred Revenue	\$	12,606,418

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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The Global Alliance for TB Drug Development, Inc.

Notes to Financial Statements

Concentration of Credit Risk

Financial instruments that potentially subject TB Alliance to concentration of credit risk consist primarily of cash and cash equivalents. TB Alliance maintains its cash and cash equivalents with creditworthy, 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 accounting principles generally accepted in the United States of America.

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.

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 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, 2019

Cumulative Translation Gain Adjustment, beginning of year	\$	104,524
Translation adjustment		(60,798)
Cumulative Translation Gain Adjustment, end of year	\$	43,726

The cumulative translation gain is included in net assets without donor restrictions.

Reclassifications

Certain prior-year balances have been reclassified to be consistent with the current-year financial statement presentation.

The Global Alliance for TB Drug Development, Inc.

Notes to Financial Statements

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cashflows arising from contracts with customers, including significant judgements and changes in judgements. The provisions of ASU 2014-09 became effective and were adopted for TB Alliance beginning January 1, 2019.

Effective January 1, 2019, TB Alliance elected the modified retrospective approach in adopting ASU 2014-09 to all contracts under the scope of the guidance. The adoption of this ASU did not have a material impact on the financial statements.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether TB Alliance follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for TB Alliance's calendar year ended December 31, 2019, and the adoption of this update did not have a material impact on TB alliance's financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of the pending adoption of ASU 2016-02.

The Global Alliance for TB Drug Development, Inc.

Notes to Financial Statements

3. Revenue Recognition

TB Alliance adopted ASC Topic 606, *Revenue from Contracts with Customers (ASC 606)*, on January 1, 2019. TB Alliance recognizes revenue when control of the promised services is transferred to outside parties in an amount that reflects the consideration they expect to be entitled to in exchange for those services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

TB Alliance has identified the 2019 sale of a priority review voucher (PRV) in the amount of \$105,000,000, which has been capitalized and presented in the financial statements as a capital asset, as an exchange transaction subjected to ASC 606.

The revenue recognized as the sale of a capital asset reflects an amount paid to TB Alliance in exchange for a PRV issued to the organization upon approval of its new drug application for pretomanid. Since TB Alliance's performance obligation was satisfied when the sale occurred, revenue was recognized at a point in time. TB Alliance has no further contractual obligations to satisfy.

4. Fixed Assets, Net

A summary of fixed assets follows:

December 31, 2019

Computer equipment	\$	618,618
Furniture and equipment		467,776
Leasehold improvements		3,317,524
Total Fixed Assets		4,403,918
Less: accumulated depreciation		(3,778,069)
Fixed Assets, Net	\$	625,849

Depreciation expense for the year ended December 31, 2019 was \$7,209.

5. Lease Commitments

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.

The Brussels lease agreement was canceled on October 31, 2019 due to the official closing of the Branch office in Belgium.

The Global Alliance for TB Drug Development, Inc.

Notes to Financial Statements

The following is a schedule of future minimum rental payments under those lease agreements as of December 31, 2019:

Year ending December 31,

2020	\$	1,195,617
2021		1,197,142
2022		1,181,388
2023		97,771

Rent expense for the year ended December 31, 2019 amounted to \$1,203,330 and included in rent and utilities in 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 \$786,376 for the year ended December 31, 2019.

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, 2019

Total Current Assets	\$	187,532,140
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other assets		(3,455,762)
Security deposits		(60,142)
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	184,016,236

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 Financial Statements

8. Sale of Capital Asset

TB Alliance was awarded a PRV in August 2019 upon approval by the U.S. Food and Drug Administration of pretomanid as part of a three-drug, six-month, all-oral regimen for the treatment of people with extensively drug-resistant tuberculosis or multidrug-resistant tuberculosis who are treatment-intolerant or non-responsive. In December 2019, TB Alliance completed a sale of the PRV with an unaffiliated entity.

9. Subsequent Events

TB Alliance's management has performed subsequent event procedures through June 26, 2020, which is the date the financial statements were available to be issued. Other than the uncertainty regarding the COVID-19 outbreak (described below), there were no subsequent events requiring adjustment to the financial statements or disclosures stated herein, except the following:

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

While the full impact of the COVID-19 outbreak continues to evolve as of the date of this report, its future impact may have a continuing material adverse impact on economic and market conditions, thus triggering a period of global economic slowdown. This has the potential to, but not certainty of, impacting TB Alliance's operations, which are heavily dependent on private and public donations and grants from individuals, foundations, and corporations. TB Alliance expects committed funding to support all expenses in 2020.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. TB Alliance has opted not to apply for a loan through the Paycheck Protection Program or any other programs.

Given the great uncertainty as to the full magnitude that the pandemic may have on future economic and market conditions, we are not able, at this moment, to estimate the effects of the COVID-19 outbreak on our fiscal year 2020 results of operations, financial condition, or liquidity.

The Global Alliance for TB Drug Development, Inc.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Agency for International Development				
USAID Foreign Assistance for Programs Overseas	98.001	N/A	\$ -	\$ 3,600,000
National Institute of Allergy and Infectious Disease				
Research and Development Cluster: Allergy and Infectious Disease Research	93.855	N/A	1,237,039	3,734,501
Total Expenditures of Federal Awards			\$ 1,237,039	\$ 7,334,501

The accompanying notes are an integral part of this schedule.

The Global Alliance for TB Drug Development, Inc.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Global Alliance for TB Drug Development, Inc. (TB Alliance) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of TB Alliance, it is not intended to and does not present the financial position, changes in net assets or cash flows of TB Alliance.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

TB Alliance has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered TB Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TB Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of TB Alliance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of TB Alliance's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether TB Alliance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 26, 2020



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited The Global Alliance for TB Drug Development, Inc.'s (TB Alliance) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TB Alliance's major federal programs for the year ended December 31, 2019. TB Alliance's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of TB Alliance's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TB Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of TB Alliance's compliance.

Opinion on Each Major Federal Program

In our opinion, TB Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.



Report on Internal Control Over Compliance

Management of TB Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered TB Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TB Alliance's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

June 26, 2020

The Global Alliance for TB Drug Development, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2019

Section 1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.855	Research and Development Cluster: Allergy and Infectious Diseases Research

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section 2. Financial Statement Findings

There were no findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

Section 3. Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards (as defined in 2 CFR 200.516(a)) that are required to be reported.
