

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

**Consolidated Financial Statements and
Independent Auditor's Report**

December 31, 2019 and 2018

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

December 31, 2019 and 2018

Financial Statements

Independent Auditor’s Report	1
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7



WOJESKI & COMPANY CPAs, P.C.

159 Wolf Road, Albany, New York 12205 | Phone 518-477-1102 | Fax 518-477-1302 | www.wojeskico.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Cyber Alliance, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Global Cyber Alliance, Inc. and Subsidiaries (the "Organization") (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 the Organization's consolidated financial statements for the year ended December 31, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 30, 2019. 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.

Emphasis of Matter

As discussed in Note D to the consolidated financial statements, the Organization is operating under a grant agreement that expired on June 30, 2020. The Organization did not receive an extension on this grant agreement. Our opinion is not modified with respect to this matter.

Wojeski & Company, CPAs, P.C.

Albany, New York
January 21, 2021

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 5,070,430	\$ 2,102,160
Grant receivables	1,997,500	3,568,431
Prepaid expenses	97,539	-
TOTAL ASSETS	\$ 7,165,469	\$ 5,670,591
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 113,594
Accrued expenses	20,000	-
Deferred revenue	601,225	-
TOTAL CURRENT LIABILITIES	621,225	113,594
NET ASSETS, without donor restrictions	6,544,244	5,556,997
TOTAL LIABILITIES AND NET ASSETS	\$ 7,165,469	\$ 5,670,591

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

	For the Year Ended December 31,	
	2019	2018
REVENUE AND SUPPORT		
Grant revenue	\$ 4,692,061	\$ 5,719,406
Contributions	1,761,864	74,200
Donations in-kind	338,465	378,478
Other income	20,636	1,128
	<u>6,813,026</u>	<u>6,173,212</u>
TOTAL REVENUE AND SUPPORT		
	<u>6,813,026</u>	<u>6,173,212</u>
EXPENSES		
Program	4,780,902	3,331,735
Management and general	603,218	1,246,027
Fundraising	441,659	923,769
	<u>5,825,779</u>	<u>5,501,531</u>
TOTAL EXPENSES		
	<u>5,825,779</u>	<u>5,501,531</u>
CHANGE IN NET ASSETS	987,247	671,681
Net assets at beginning of year	<u>5,556,997</u>	<u>4,885,316</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,544,244</u>	<u>\$ 5,556,997</u>

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019 (with comparative totals for the year ended December 31, 2018)

	Program	Management and General	Fundraising	2019 Total	2018 Total
FUNCTIONAL EXPENSES					
Payroll and related taxes	\$ 2,775,934	\$ 326,581	\$ 163,290	\$ 3,265,805	\$ 2,668,479
Marketing and advertising	344,669	45,956	68,934	459,559	490,981
Consulting	386,593	42,955	-	429,548	635,403
Insurance expense	358,480	42,174	21,087	421,741	218,866
Technology expenses	330,260	29,356	7,340	366,956	786,095
Contributed materials and services	287,695	33,847	16,923	338,465	378,465
Travel	127,906	31,977	159,883	319,766	241,102
Legal and professional fees	97,923	41,967	-	139,890	27,911
Office expense	68,716	8,084	4,042	80,842	51,531
Other expenses	2,726	321	160	3,207	2,698
	<u>\$ 4,780,902</u>	<u>\$ 603,218</u>	<u>\$ 441,659</u>	<u>\$ 5,825,779</u>	<u>\$ 5,501,531</u>

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2019	2018
OPERATING ACTIVITIES		
Change in net assets	\$ 987,247	\$ 671,681
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Grant receivables	1,570,931	(651,631)
Prepaid expenses and other assets	(97,539)	
Deferred revenue	601,225	-
Accrued expenses	20,000	-
Accounts payable	(113,594)	(127,558)
DIVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,968,270</u>	<u>(107,508)</u>
DECREASE) IN CASH AND CASH EQUIVALENTS	2,968,270	(107,508)
Cash and cash equivalents at beginning of year	<u>2,102,160</u>	<u>2,209,668</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,070,430</u>	<u>\$ 2,102,160</u>

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Global Cyber Alliance, Inc. was incorporated on October 13, 2015 in the state of Delaware. The Organization's purpose is to bring an innovative approach to eradicating cyber risk thereby improving the safety and security of the cyber-connected world. The Organization will function as a strategic entity developing and fostering an international cross-disciplinary approach to confront cyber risk, and enhancing cross sector/transnational sharing of actionable data around the specific risk that is being targeted.

Global Cyber Alliance Belgium was established during 2015 and operates in a similar manner to Global Cyber Alliance, Inc. in Belgium. Global Cyber Alliance Belgium is an affiliated organization through common control.

Global Cyber Alliance UK Limited was established during 2016 and operates in similar manner to Global Cyber Alliance, Inc. in London, England. Global Cyber Alliance UK Limited is an affiliated organization through common control.

Principals of Consolidation

The consolidated financial statements include the accounts Global Cyber Alliance, Inc., Global Cyber Alliance Belgium and Global Cyber Alliance UK Limited (collectively the "Organization"). All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The Organization presents its consolidated financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under these provisions net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to usage restrictions based on donor-imposed restrictions. This class also includes net assets previously restricted when restrictions have expired or been met.

Net assets with donor restrictions – Net assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be required to be maintained in perpetuity. There were no assets with donor restrictions at December 31, 2019 and 2018.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements--Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, money market accounts and a certificate of deposit. The Organization's cash balances in financial institutions may at times exceed federally insured limits.

Grant Receivables

Grant receivables represent amounts due as reimbursements under grant agreements and are non-interest bearing. Receivables are recorded at their estimated collectible amounts. Receivable balances are periodically reviewed for collectability based on past history and current economic conditions. In the opinion of management, the receivables are fully collectible; accordingly, no allowance for doubtful accounts was recorded at December 31, 2019 and 2018, respectively.

Revenue Recognition

A substantial portion of the Organization's revenue was received from a grant agreement with the Office of the District Attorney, New York County ("DANY"). Revenue from this grant agreement is recognized when eligible expenses relative to the payment milestones, as stipulated in the agreement, are incurred. Cash received on this grant agreement in excess of eligible expenses incurred is recorded as deferred revenue. Funding received from this grant requires fulfillment of certain conditions as set forth in the grant document or contract. As indicated in the grant agreement, funding may be subject to audit by the funding source. In the event that a subsequent audit or evaluation determines that an adjustment is required, the amount will be recognized in the period which it becomes determinable.

Revenue from Contracts with Customers

Revenue for promised goods or services are recognized when control is transferred to the customers in an amount that reflects the consideration expected to be entitled to in exchange for those goods or services. The Organization evaluates whether a contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and could change the amount of revenue recorded in a given period. Contracts are considered to be a single performance obligation if the promise to transfer individual goods and services are not distinct or separately identifiable from other promises in the contracts.

The transaction price is allocated to the separate performance obligations based on the best estimate of the relative standalone selling prices.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements--Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Contributions

Contributions, including unconditional promises to give, are recorded in the period received. Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in on the statement of activities as net assets released from restrictions. However, if a donor restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as an increase in net assets without donor restrictions.

Tax Status

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization does not conduct unrelated business activities and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements.

The Organization has adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions, including interest and penalties attributable thereto, and concluded that the Organization has taken no tax positions that require adjustment to its consolidated financial statements as of December 31, 2019 and 2018.

The Organization's information return filings are subject to audit by various taxing authorities. The Organization is no longer subject to examinations by taxing authorities for the years ending before December 31, 2016, and currently, there are no examinations in process nor has the Organization been informed of any pending examination.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the program and services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services receiving the benefit. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include salaries and wages, technology, consulting and other expenses. The Organization goes through a review process in the determination of the allocation which is based on the services and work performed in a particular program and the knowledge of the expenses that are recorded in the various expense categories.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements--Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Comparative Totals, Summarized Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class, and expenses not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized comparative information was derived.

Accounting Standards Update Adopted

In 2019, the Organization adopted ASU No. 2014-09 — *Revenue from Contracts with Customers (Topic 606)*: ASU 2014-09 is a comprehensive new revenue recognition standard that supersedes nearly all existing revenue recognition guidance under U.S. GAAP and is based on the principle that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization applied ASU 2014-09 on a retrospective basis and the adoption did not result in any material impact on the consolidated financial statements.

In 2019, the Organization adopted ASU No. 2018-08-Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 assists Organizations in (1) evaluating whether grants and similar transactions should be accounted for as contributions (nonreciprocal) within the scope of Topic 958, or as exchanges (reciprocal) subject to guidance in Topic 606 and (2) determining whether a contribution is conditional. The Organization applied ASU 2018-08 on a retrospective basis and the adoption did not result in any material impact on the financial statements.

Subsequent Events

In accordance with U.S. GAAP, the Organization has evaluated subsequent events for disclosure between the consolidated statement of financial position date of December 31, 2019 and January 21, 2021, the date the consolidated financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings in businesses and affecting production and sales across a wide range of industries. The extent of the impact on COVID-19 to the Organization's operational and financial performance will depend on certain elements, including the duration of the spread of the outbreak, impact on customers, employees and vendors, all of which are uncertain and cannot be predicted. At the point, the extent to which COVID-19 may impact the Organization's financial condition or results of its operations is uncertain.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements--Continued

NOTE B--LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it invests cash in excess of daily deposits in time deposits or other cash equivalents. The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures. Adherence to the operating budgets allow the Organization to meet its liabilities and other obligations as they become due. The Organization does receive a significant portion of its revenue from grant contracts (see Note D). The Organization does not have a line of credit. The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,070,430	\$ 2,102,160
Grant receivables	1,997,500	3,568,431
	<u>\$ 7,067,930</u>	<u>\$ 5,670,591</u>

NOTE C--CONTRIBUTED MATERIALS AND SERVICES

A substantial amount of time and expenses were made as contributions to the Organization. The Organization values donated materials, office space and professional services based on the estimated market value of the materials and services provided. The fair market value of the contributed materials and services was \$338,465 and \$378,465 for the years ended December 31, 2019 and 2018, respectively. The corresponding fair market value expense for contributed materials and services is also included in the consolidated financial statements.

NOTE D--CONTINGENCY

In 2015, the Organization received a grant agreement to fund substantially all operations with an initial term through June 30, 2018, with options for up to two additional years at substantially the same funding levels. In June 2019, this grant agreement was extended for a fifth year, through June 30, 2020. During that time, this grant agreement represented a significant portion of the Organization's operating plan.

To continue operations, the Organization will enter 2021 with approximately \$7,000,000 in cash accounts and has decreased budgeted expenses by \$700,000, primarily by reducing staff. Ongoing revenue includes an annual grant of \$750,000 from Craig Newmark Philanthropies, an annual grant of \$200,000 from the Center for Internet Security, and a grant from the Singaporean Government in the amount of \$750,000 paid over three years. Additional funds are received from paid partners who currently contribute \$500,000 per year. This program continues to grow and the Organization works continually to expand its partnerships. Additionally, Bloomberg Associates has agreed to match cash donations to the Organization up to \$1,000,000 per year, for the next five years.