

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

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

December 31, 2021 and 2020

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

December 31, 2021 and 2020

Financial Statements

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, 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.

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, 2021, and the changes in their net assets and their 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. 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 the Organization 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 these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 combined 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 the Organization's consolidated financial statements for the year ended December 31, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wojeski & Company, CPAs, P.C.

Albany, New York
November 14, 2022

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 4,773,080	\$ 6,901,983
Account receivables	413,428	-
Employee retention tax credit receivable	283,163	-
Prepaid expenses and other assets	2,107	250,561
	<u>5,471,778</u>	<u>7,152,544</u>
TOTAL ASSETS	\$ 5,471,778	\$ 7,152,544
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,847	\$ 2,847
Accrued expenses and other liabilities	26,543	3,690
Deferred revenue	-	136,135
	<u>29,390</u>	<u>142,672</u>
TOTAL CURRENT LIABILITIES	29,390	142,672
NET ASSETS, without donor restrictions	5,442,388	7,009,872
TOTAL LIABILITIES AND NET ASSETS	\$ 5,471,778	\$ 7,152,544

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

	For the Year Ended December 31,	
	2021	2020
REVENUE AND SUPPORT		
Contributions	\$ 1,706,241	\$ 1,675,228
Grant revenue	924,804	4,603,262
Paycheck protection program loan forgiveness	517,100	-
Donations in-kind	403,465	416,465
Employee retention tax credit	283,163	-
NYPD event revenue	179,945	-
Services	179,822	
Other income	26,930	6,779
	<u>4,221,470</u>	<u>6,701,734</u>
TOTAL REVENUE AND SUPPORT		
	<u>4,221,470</u>	<u>6,701,734</u>
EXPENSES		
Program	4,922,846	5,267,630
Management and general	600,092	644,794
Fundraising	266,016	323,682
	<u>5,788,954</u>	<u>6,236,106</u>
TOTAL EXPENSES		
	<u>5,788,954</u>	<u>6,236,106</u>
CHANGE IN NET ASSETS	(1,567,484)	465,628
Net assets at beginning of year	<u>7,009,872</u>	<u>6,544,244</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,442,388</u>	<u>\$ 7,009,872</u>

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES**Consolidated Statement of Functional Expenses****Year Ended December 31, 2021 (with comparative totals for the year ended December 31, 2020)**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
FUNCTIONAL EXPENSES					
Payroll and related taxes	\$ 3,330,365	\$ 391,808	\$ 195,904	\$ 3,918,077	\$ 4,100,591
Contributed materials and services	342,945	40,347	20,173	403,465	416,465
Outside development work	249,569	22,184	5,546	277,299	-
NYPD Event	250,561	-	-	250,561	-
Insurance expense	212,219	24,967	12,483	249,669	487,704
Technology expenses	162,626	14,456	3,614	180,696	303,298
Consulting	119,776	51,332	-	171,108	389,079
Marketing and advertising	111,231	14,831	22,246	148,308	283,150
Legal and professional fees	74,166	31,785	-	105,951	137,262
Office expense	39,239	4,616	2,309	46,164	54,258
Conferences and events	8,225	968	483	9,676	7,676
Travel	1,653	413	2,066	4,132	42,402
Bad debt expense	-	-	-	-	2,045
Other expenses	20,271	2,385	1,192	23,848	12,176
	<u>\$ 4,922,846</u>	<u>\$ 600,092</u>	<u>\$ 266,016</u>	<u>\$ 5,788,954</u>	<u>\$ 6,236,106</u>

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ (1,567,484)	\$ 465,628
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	-	2,045
Forgiveness of Paycheck Protection Program loan	(517,100)	-
Changes in operating assets and liabilities:		
Accounts receivables	(413,428)	1,995,455
Employee retention tax credit receivable	(283,163)	-
Prepaid expenses and other assets	248,454	(153,022)
Deferred revenue	(136,135)	(465,090)
Accounts payable	-	2,847
Accrued expenses and other liabilities	22,853	(16,310)
	<u>(2,646,003)</u>	<u>1,831,553</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>(2,646,003)</u>	<u>1,831,553</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	517,100	-
	<u>517,100</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
	<u>517,100</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,128,903)	1,831,553
Cash and cash equivalents at beginning of year	<u>6,901,983</u>	<u>5,070,430</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,773,080</u>	<u>\$ 6,901,983</u>

See accompanying notes to financial statements.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2021

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 functions 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 on December 16, 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, 2021 and 2020.

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.

Account Receivables

Account 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, 2021 and 2020, respectively.

Grant Revenue

A substantial portion of the Organization's revenue was received from grant agreements with various donors. Revenue from these grant agreements is recognized when eligible expenses relative to the payment milestones, or terms of the grant, as stipulated in the agreement, are incurred. Funding received from these grants may require 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.

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 or 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.

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.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—Continued

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

Revenue from Contracts with Customers--Continued

Sources of revenue from contracts with customers reported on the financial statements include:

Services – revenue from services rendered is recognized at the time the product is delivered to the customer.

NYPD Event – comprised of ticket sales and sponsorships related to the NYPD Cyber Intelligence and Counterterror Conference. Revenue is recognized when the event occurs.

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.

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, 2021 and 2020.

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, 2018, 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.

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements--Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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.

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, 2020, from which the summarized comparative information was derived.

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, 2021 and November 14, 2022, the date the consolidated financial statements were available to be issued.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,773,080	\$ 6,901,983
Account receivables	696,591	-
	<u>\$ 5,469,671</u>	<u>\$ 6,901,983</u>

GLOBAL CYBER ALLIANCE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements--Continued

NOTE C--CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT ASSISTANCE

In response to the economic impact of the COVID-19 pandemic, the Organization applied for and received assistance made available through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Assistance was received through the following sources:

Paycheck Protection Program

The Paycheck Protection Program (PPP) is a loan program originated from the CARES Act. The PPP intended to provide American small businesses with cash flow assistance through 100 percent federally guaranteed loans. These loans are backed by the Small Business Association (SBA). In February 2021, the Organization received a \$517,100 SBA loan through the PPP loan program. The PPP loan had a term of five years and included interest at 1%. PPP loans are eligible for forgiveness for amounts spent on allowable purposes, as defined in the CARES Act. The Organization was notified in 2021 that the SBA approved the Organization's PPP loan for forgiveness, and accordingly, recognized forgiveness income totaling \$517,100 for the year ended December 31, 2021.

Employee Retention Credit

The Employee Retention Tax Credit (ERTC) is a refundable tax credit designed to reward business owners for retaining employees throughout the COVID-19 pandemic. The ERTC was signed into law on March 27, 2020, as part of the CARES Act, and was significantly expanded in 2021. Business owners impacted by COVID-19 can claim up to \$5,000 in refundable tax credits for each employee on their payroll in 2020 and up to a \$7,000 credit per quarter (excluding the 4th quarter of 2021) for each employee in 2021.

The Organization's credit was submitted during the year ended December 31, 2021 and totaled \$283,163.

NOTE D--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 \$403,465 and \$416,465 for the years ended December 31, 2021 and 2020, respectively. The corresponding fair market value expense for contributed materials and services is also included in the consolidated financial statements.