

MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

*As of December 31, 2020 and for the Period from
June 1, 2020 through December 31, 2020*

And Report of Independent Auditor

MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES
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Report of Independent Auditor

To the Board of Directors
Multidisciplinary Association for Psychedelic Studies, Inc.
and Subsidiaries
San Jose, California

Opinion

We have audited the accompanying consolidated financial statements of Multidisciplinary Association for Psychedelic Studies, Inc. and subsidiaries (a nonprofit organization)(the "Organization"), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the seven-month period 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, 2020 and the changes in their net assets and their cash flows for the seven-month period 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.

Emphasis of Matter – Prior Period Adjustments

As discussed in Note 2 to the consolidated financial statements, certain account balances at June 1, 2020 have been restated to correct previously reported misstatements. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 that the consolidated 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 consolidated 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 consolidated 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.

Cherry Bekaert LLP

Austin, Texas
July 14, 2023

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 7,052,205
Investments, at fair value	8,006,027
Contributions receivable, net	7,833,365
Grant contracts receivable, net	1,825,106
Prepaid expenses and other current assets	370,049

Total Current Assets	25,086,752
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Contributions receivable, net	7,111,263
Property and equipment, net	6,711

Total Assets	\$ 32,204,726
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 712,924
Accrued liabilities	712,074
Deferred revenue	435,453

Total Current Liabilities	1,860,451
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Accrued litigation	1,322,312
Paycheck Protection Program loans	890,787

Total Liabilities	4,073,550
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Net Assets:

Without Donor Restrictions:

Board designated	4,705,917
Undesignated	(172,932)

Total Without Donor Restrictions	4,532,985
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With Donor Restrictions	23,598,191
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Total Net Assets	28,131,176
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Total Liabilities and Net Assets	\$ 32,204,726
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The accompanying notes to the consolidated financial statements are an integral part of these statements.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

SEVEN-MONTH PERIOD ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Grants and contributions	\$ 2,260,470	\$ 19,674,460	\$ 21,934,930
Investment income	19,638	-	19,638
Other income	162,233	-	162,233
Net assets released from restriction	12,176,190	(12,176,190)	-
Total Revenues and Other Support	14,618,531	7,498,270	22,116,801
Expenses and Other Costs:			
Program services	10,550,323	-	10,550,323
Fundraising	282,534	-	282,534
Management and general	6,318,992	-	6,318,992
Total Expenses and Other Costs	17,151,849	-	17,151,849
Change in net assets	(2,533,318)	7,498,270	4,964,952
Net assets, June 1, 2020 (restated - Note 2)	7,066,303	16,099,921	23,166,224
Net assets, December 31, 2020	\$ 4,532,985	\$ 23,598,191	\$ 28,131,176

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

SEVEN-MONTH PERIOD ENDED DECEMBER 31, 2020

	Program Services	Fundraising	Management and General	Total
Expenses and Other Costs:				
Clinical research and development	\$ 3,205,012	\$ -	\$ 57,604	\$ 3,262,616
Payroll and related costs	4,717,473	278,295	1,892,417	6,888,185
Contract services	1,701,901	4,239	1,284,018	2,990,158
Grants	103,317	-	-	103,317
Fiscal sponsorships	529,231	-	-	529,231
Information technology	21,488	-	205,074	226,562
Marketing costs	73,547	-	17,053	90,600
Travel and meeting costs	66,214	-	1,444	67,658
Other administrative expenses	132,140	-	2,861,382	2,993,522
Total Expenses and Other Costs	<u>\$ 10,550,323</u>	<u>\$ 282,534</u>	<u>\$ 6,318,992</u>	<u>\$ 17,151,849</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF CASH FLOWS

SEVEN-MONTH PERIOD ENDED DECEMBER 31, 2020

Cash flows from operating activities:

Change in net assets	\$ 4,964,952
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Appreciation on investments	(48,544)
Changes in operating assets and liabilities:	
Contributions receivable, net	(666,885)
Grant contracts receivable, net	(1,825,106)
Prepaid expenses and other current assets	118,258
Accounts payable	(851,924)
Accrued liabilities	170,710
Deferred revenue	1,757,765
Net cash flows from operating activities	<u>3,619,226</u>

Cash flows from investing activities:

Proceeds from sale of investments	2,656,398
Purchases of investments	<u>(671,396)</u>
Net cash flows from investing activities	<u>1,985,002</u>

Net change in cash and cash equivalents	5,604,228
Cash and cash equivalents, beginning of year	<u>1,447,977</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,052,205</u></u>

Supplemental disclosure of cash flow information:

Income taxes paid	<u><u>\$ -</u></u>
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The accompanying notes to the consolidated financial statements are an integral part of these statements.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 1—Organization and significant accounting policies

Nature of Business – The Multidisciplinary Association for Psychedelic Studies, Inc. (“MAPS”), a not-for-profit corporation, was incorporated in 1986 in response to the criminalization of MDMA (methylenedioxymethamphetamine). MAPS was incorporated as a research and educational organization that develops medical, legal, and cultural contexts for people to benefit from the careful uses of psychedelics and marijuana. As the primary drug development research program, MDMA-assisted therapy for PTSD, nears FDA approval, MAPS is developing the educational, advocacy, and harm reduction programs to support legal access to psychedelics for healing and personal growth, in a post-prohibition context, for a billion people by 2035.

MAPS Public Benefit Corporation (“MPBC”) is a public benefit corporation focused on developing and commercializing prescription psychedelics to bring better treatments to those living with mental health conditions. Founded in 2014 as a for profit Delaware corporation, MPBC is a wholly-owned subsidiary of MAPS.

MAPS EU (“MEU”), a for profit Dutch business venture, was established in 2018 for the purpose of balancing the potential income from the legal sale of MDMA with the social benefits of MAPS’s mission by serving as a vehicle for conducting MAPS’s psychedelic and marijuana research initiatives in Europe. MEU is a wholly-owned subsidiary of MAPS.

Basis of Presentation and Accounting – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Principles of Consolidation – The consolidated financial statements include the accounts of MAPS and its 100% owned subsidiaries, MPBC and MEU (collectively, the “Organization”). All significant intercompany accounts and transactions have been eliminated.

Net Asset Classifications – In accordance with U.S. GAAP, the Organization classifies its net assets into two categories as follows:

Net Assets With Donor Restrictions – Net assets which use is subject to donor restrictions that can be fulfilled by actions of the Organization pursuant to those donor restrictions.

Net Assets Without Donor Restrictions – Net assets which are not subject to donor restrictions. Net assets without donor restrictions may be used for any purpose or designated for specific purposes by action of the Board of Directors of the Organization. There was approximately \$4.7 million designated by the Board of Directors for Phase 3 clinical trials related to MDMA treatment for post-traumatic stress disorder as of December 31, 2020.

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 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. Examples of management’s use of estimates and assumptions include, but are not limited to, the allowance for doubtful receivables, the discount associated with long-term receivables, the allocation of functional expenses, estimated losses associated with certain contingencies, valuation of deferred taxes, and the estimated useful lives of property and equipment. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization classifies all highly liquid investment instruments purchased with an original maturity of three months or less as cash equivalents.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 1—Organization and significant accounting policies (continued)

Investments – The Organization has a beneficial interest in a donor-advised investment fund (the “Fund”) held by the San Francisco Foundation. MAPS is the sole designated beneficiary of the Fund and can recommend grants to support its mission. Those investments include cash and cash equivalents, equity securities, digital currencies, and debt securities. Investments in equity securities, digital currencies, and debt securities with readily determinable fair values are based on quoted market values.

Investment income and unrealized gains and losses are reported as increases in net assets without donor restrictions unless the donor placed restrictions on the income's use. The change in fair value between years is reflected in the consolidated statements of activities in the year of the change as investment income in investments.

Grants, Contributions, and Receivables – Contributions received (including unconditional promises to give) are recorded as revenue at the date of donation. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or right of release are not recognized until the conditions on which they depend have been substantially met.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a purpose or time restriction is satisfied, the net assets are reclassified to net assets without donor restrictions and presented in the accompanying consolidated statements of activities as net assets released from restrictions.

Contributions receivable with maturity dates due within 12 months are recorded at net realizable value, while receivables with maturity dates in subsequent years are recorded at the present value of their net realizable value using a risk-free interest rate. The Organization evaluates the collectability of its receivables and adequacy of its allowance for doubtful accounts on a periodic basis. The evaluation includes historical loss experience, length of time the receivables are past due, and adverse situations that may affect the donor's ability to honor its contribution. The Organization records and adjusts its allowance for bad debt balance, as necessary. Contribution receivables are considered fully collectible and no allowance for doubtful accounts has been provided at December 31, 2020.

Funding in the form of grant contracts is received from governmental and non-governmental sources. These contracts are classified as contributions, as under such contracts, the funding source receives no direct benefit from the program services provided by the Organization. Under these contracts, revenue is recognized when the donor makes a promise to give, that is, in substance, unconditional. Revenue associated with contracts that include donor conditions, that is, those with a measurable performance obligation or other barrier and a right of return, are not recognized until the conditions are met. As of December 31, 2020, the Organization had approximately \$435,000 in contributions from governmental and non-governmental for which conditions have yet to be met but for which funds have been received. This amount is reflected in deferred revenue in the accompanying statement of financial condition.

The Organization provides fiscal sponsorships to certain 501(c)(3) public charities and entities without exempt status to engage in activities related to the public charity's mission. These arrangements allow non-exempt entities to seek tax-deductible donations under the public charity's exempt status. The Organization receives a 3% to 5% administration fee based on the donations received. During the period from June 1, 2020 through December 31, 2020, the Organization received approximately \$584,000 in donations on behalf of fiscally sponsored entities and is included in contributions with donor restrictions in the accompanying consolidated statement of activities and changes in net assets. Expenses paid to the fiscally sponsored entities are classified under grants and sponsorships in the accompanying statement of functional expenses.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 1—Organization and significant accounting policies (continued)

Contributed Service and Assets – During the period from June 1, 2020 through December 31, 2020, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and no amounts have been recorded. Although individuals volunteer their time and perform a variety of tasks that assist the Organization, these services do not meet the criteria for recognition as contributed services.

The Organization reports contributions of land, buildings, and equipment, and other assets as net assets without donor restriction, unless donor stipulations specify how the donated assets must be used. Gifts of assets with restrictions that specify how the assets are to be used are accounted for as net assets with donor restrictions. All contributed assets are recorded at their fair value on the date of donation.

Other Income – The Organization recognizes other income, which consists mainly of event tickets and merchandise sales, in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) *Topic 606, Revenue from Contracts with Customers*. The Organization recognizes revenue when it transfers promised 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. To determine revenue recognition for contracts with customers, the Organization performs the following five steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Organization satisfies its performance obligations. At contract inception, the Organization will assess the goods or services agreed upon within each contract and assess whether each good or service is distinct and determine those that are performance obligations. The Organization then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. The revenue is generally recognized at a point in time.

Inventory – Inventory is included in prepaid expenses and other current assets in the accompanying consolidated financial statements and consists primarily of raw MDMA materials as well as promotional items available for sale and are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method (FIFO). Cost includes the raw MDMA, the costs to encapsulate and distribute the raw materials for use in research and development activities. Net realizable value is the estimated selling price less costs of encapsulation and distribution. The inventory balance was approximately \$85,000 at December 31, 2020. No allowance was recorded at December 31, 2020.

Property and Equipment – Property and equipment purchased for or exceeding \$1,500 and \$5,000 for MAPS and MPBC, respectively, is recorded at cost. Donated property and equipment are recorded at fair value as of the date of donation. Depreciation for property and equipment is provided using the straight-line method over the useful lives of the assets ranging from 3 to 10 years.

Marketing Costs – Marketing costs are expensed when incurred. Marketing expense for the period from June 1, 2020 through December 31, 2020 were not significant.

Clinical Research and Development – The Organization expenses all clinical research and development costs as incurred.

Income Taxes – MAPS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income for MAPS, if any, is subject to federal income taxes. MAPS assesses uncertainties in income taxes in its consolidated financial statements and uses a threshold of more likely than not for recognition and derecognition of tax positions taken. There is no provision or liability for federal income taxes in the accompanying consolidated financial statements related to MAPS. Unrelated business taxable income was nominal for MAPS as of December 31, 2020.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 1—Organization and significant accounting policies (continued)

MPBC and MEU are subject to federal income tax. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently payable plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for consolidated financial statement and income tax purposes. The differences relate primarily to differences between the recognition of certain expense deductions for financial and income tax reporting and the benefits of net operating loss carryforwards. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recorded or settled. Deferred income taxes are classified as noncurrent. Deferred tax assets and liabilities are reduced, if necessary, by a valuation allowance for the amount of tax benefits that may not be realized (see Note 13).

In accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes, MPBC and MEU recognizes the tax benefit from uncertain tax positions only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Based on its evaluation, MPBC has concluded there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. No interest or penalties have been recorded as a result of tax uncertainties.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses present the natural classification of expenses by function. Accordingly, certain expenses are allocated between functional categories based on management's estimates. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. These expenses primarily include payroll and related costs, which are allocated based upon staff time devoted. Other administrative costs include occupancy costs, depreciation and amortization, and insurance are allocated by square footage to programs, fundraising, and management and general services.

Concentration of Credit Risk – Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. As of December 31, 2020, there was approximately \$6.6 million in cash and cash equivalents that exceeded the maximum federal deposit insurance corporation limits, respectively. However, the Organization has not experienced any losses on its deposits.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the near-term could materially affect the amounts reported in the consolidated statement of financial position. For receivables, the Organization performs ongoing evaluations of the donor's or grantor's financial condition.

At December 31, 2020, 36% of the contributions receivable was from two donors. For the period from June 1, 2020 through December 31, 2020, there were no significant concentrations within grants and contributions revenue.

Recently Issued Accounting Standards – The Organization considers the applicability and impact of all accounting standards updates ("ASU") issued by FASB.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize on its balance sheet a right-of-use asset and a lease liability under most operating leases. For private companies, the ASU is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effects that the adoption of ASU 2016-02 will have on its consolidated financial statements.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 1—Organization and significant accounting policies (continued)

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Management's Review – The Organization evaluates events that occur subsequent to the date of the consolidated financial statements, but before the consolidated financial statements are issued, for possible adjustment to, or disclosure in, such financial statements. This evaluation generally occurs through the date at which the Organization's consolidated financial statements are available for issuance. For the consolidated financial statements, this date was July 14, 2023.

Note 2—Prior period adjustments

During the period from June 1, 2020 through December 31, 2020, the Organization identified certain errors in previously reported consolidated financial statement amounts.

Revenues from contributions and accrued expenses have been restated to adjust for the overstatement of revenue and expenses due to errors in the prior year resulting from improper recognition of revenue and an insufficient reserve for uncollectable receivables. Additionally, certain contractor expenses were recorded in the incorrect period. Accordingly, previously reported amounts have been restated in the consolidated financial statements now presented and an adjustment has been made to net assets as of June 1, 2020 to correct the errors.

The following sets forth the previously reported and restated amounts of selected items within the consolidated statement of financial position as of June 1, 2020:

	Previously Reported	Increase (Decrease)	As Restated
Selected consolidated statement of net assets data:			
Contributions receivable	\$ 18,136,655	\$ (3,858,912)	\$ 14,277,743
Accrued liabilities	419,259	122,105	541,364
Net assets without donor restrictions	7,583,679	(517,376)	7,066,303
Net assets with donor restrictions	19,563,562	(3,463,641)	16,099,921

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 3—Liquidity

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 7,052,205
Contributions receivable	7,833,365
Grant contracts receivable	1,825,106
Investments	<u>8,006,027</u>
Total financial assets at year-end	24,716,703
Less amounts not available to be used for general expenditures within one year:	
Restricted by donor with purpose or time restrictions	<u>23,598,191</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,118,512</u>

Although \$23.6 million in net assets are restricted by donors, the Organization's total revenues covered operational expenses by approximately \$5.0 million for the period from June 1, 2020 through December 31, 2020. Additionally, cash from operations has been positive during the period from June 1, 2020 through December 31, 2020. Management believes there will be sufficient capital to fund operations any unanticipated contingencies or losses.

Note 4—Investments

Investments are stated at fair value and consist of the following as of December 31, 2020:

San Francisco Foundation Donor - Advised Fund	\$ 7,883,017
Digital currencies	71,851
Marketable securities	<u>51,159</u>
	<u>\$ 8,006,027</u>

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 5—Fair value of financial instruments

The Organization's consolidated financial statements are prepared in conformity with ASC 820, which establishes a fair value hierarchy based on the observability of market prices used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). The guidance establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information.

Investments measured and reported at fair value are classified in one of the following categories:

Level 1 – The values are based on quoted prices readily available in active markets for identical investments.

Level 2 – The values are based on quoted prices in non-active markets for which all significant inputs are observable either directly or indirectly. Inputs may also include pricing models whose inputs are observable or derived principally from or corroborated by observable market data.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for these investments. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. The determination of fair value requires significant management judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would be used if a ready market for these investments existed.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The estimated fair value amounts have been determined by the Organization, using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Organization could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts.

The following is a description of the valuation methodology used for assets measured at fair value:

- *San Francisco Foundation Donor-Advised Fund* – Consists of cash and cash equivalents, equity securities, and debt securities. Investments in equity securities and debt securities with readily determinable fair values are based on quoted market values while pooled funds are reported at net asset value.
- *Digital Currencies* – Digital currencies are carried at fair value based on readily available quoted market values held at an online exchange. Digital currencies held at December 31, 2020 are not significant to the overall consolidated financial statements.
- *Marketable Securities* – Investments in debt and equity securities are carried at fair value based on readily available quoted market values. Investment income and unrealized gains and losses are reported as increases in unrestricted net assets. Gains and losses are reflected as increases or decreases in net assets without donor restrictions in the consolidated statement of activities and changes in net assets.

**MULTIDISCIPLINARY ASSOCIATION FOR PSYCHEDELIC STUDIES, INC.
AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 5—Fair value of financial instruments (continued)

There have been no changes in the methodology used to develop the estimates of fair value as of December 31, 2020.

The following table represents the Organization's fair value hierarchy for its investments measured at fair value on a recurring basis as of December 31, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
San Francisco Fund	\$ -	\$ 7,883,017	\$ -	\$ 7,883,017
Digital currencies	71,851	-	-	71,851
Marketable securities	51,159	-	-	51,159
	<u>\$ 123,010</u>	<u>\$ 7,883,017</u>	<u>\$ -</u>	<u>\$ 8,006,027</u>

Note 6—Property and equipment, net

The following schedule summarizes the property and equipment balances at December 31, 2020:

Computers and software	\$ 5,532
Leasehold improvements	12,493
Property and equipment, gross	18,025
Less accumulated depreciation	(11,314)
Property and equipment, net	<u>\$ 6,711</u>

Depreciation expense for the period from June 1, 2020 through December 31, 2020 was \$-0-.

Note 7—Paycheck Protection Program loans

In May 2020, MAPS and MPBC entered into unsecured promissory notes under the Paycheck Protection Program ("PPP") loan totaling \$890,787. The PPP loan was granted by the Small Business Administration under The Coronavirus Aid, Relief, and Economic Security ("CARES Act"). PPP loans is accounted and reported as conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The PPP loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the PPP loan program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. Any portion of the PPP loan that is not forgiven has a term of two years from the funding date of the loan with an interest rate of 1%. As of December 31, 2020, the total \$890,787 remained unpaid and is reflected as a liability in the accompanying consolidated statement of financial position. On May 13, 2021, MAPS received forgiveness of the \$403,895 loan balance and on June 3, 2021 MPBC received forgiveness of the \$486,892 loan balance along with the associated interest charges and, therefore, will recognize the full amount as other income in 2021.

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Note 8—Contributions and grant contracts receivable

Contributions and grant contracts receivable are stated at their realizable value net of a discount on long-term pledges and an allowance for uncollectible receivables. No material discounts were required to report long-term pledges to their present value and no allowance for doubtful accounts was deemed necessary at December 31, 2020.

The following schedule summarizes the contributions receivable at December 31, 2020:

Grant contracts receivable	\$ 1,825,106
Contributions receivable	14,954,824
	<u>\$ 16,779,930</u>
Amounts due in:	
Less than one year	\$ 9,668,667
Two to five years	7,111,263
	<u>\$ 16,779,930</u>

Note 9—Net assets with donor restrictions

Net assets with donor restrictions represents funds restricted for clinical research or related projects and totaled approximately \$23.6 million as of December 31, 2020.

Note 10—Commitments and contingencies

Litigation – The Organization was named in a wrongful death suit filed in 2018 accusing the Organization of negligence, negligence in hiring, and intentional and negligent misrepresentations. On November 30, 2022, the jury in *CARLA GATLIN, et al. vs DO LAB INC, et al.* returned a verdict in favor of the plaintiffs on the issues of medical responsibility and damages related to the death of a 20-year-old woman at the 2017 Lightning in a Bottle music festival.

The jury's verdict assigned co-defendants, Do Lab and Richard Gottlieb dba RGX Medical, with collectively 75% of the liability and 25% was assigned to MAPS. As a result, the total damages awarded were approximately \$1.3 million, which has been accrued for as of December 31, 2020, and is included in other administrative expenses in the consolidated statement of functional expenses for the period from June 1, 2020 through December 31, 2020.

Biennial Special Purpose Review – The special purpose of MPBC is to balance income from the legal sale of MDMA with the social benefits of MAPS's mission by serving as a vehicle for conducting MAPS's psychedelic and marijuana research initiative. In accordance with the requirement of Delaware General Corporate Law Section 366, MPBC reports that during the period from June 1, 2020 through December 31, 2020, MPBC earned no income from the legal sale of MDMA. For the period from June 1, 2020 through December 31, 2020, MPBC reported a loss of approximately \$9.8 million. As a result, no funds were available to be set toward the social benefits of MAPS's mission. The Organization does not anticipate generating any income from the legal sale of MDMA until the FDA approval is obtained.

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Note 11—Related party transactions

Net contributions receivable from board members and other related parties were approximately \$4.2 million as of December 31, 2020. Contributions from board members and other related parties were approximately \$2.6 million for the period June 1, 2020 through December 31, 2020.

Note 12—Retirement plan

The Organization has a SEP-IRA plan covering all eligible employees. Depending on the number of years of employment, the Organization can contribute up to 10% of an eligible employee's annual compensation to the plan. Employee contributions are not required under this plan. For the period from June 1, 2020 through December 31, 2020, the Organization contributed approximately \$210,000 to this plan.

Note 13—Income taxes

For the period from June 1, 2020 through December 31, 2020, MPBC and MEU incurred net operating losses and, accordingly, no current provision for income taxes has been recognized. In addition, no benefit for income taxes has been recognized due to the uncertainty of the realization of any net operating losses or other deferred income tax assets.

The components of the net deferred tax assets were as follows as of December 31, 2020:

Deferred tax assets:

Accrued payroll & vacation	\$	53,382
Other deferred adjustments		2,116
Federal NOL carryforwards		8,022,372
State NOL carryforwards		1,764,454
Foreign NOL carryforwards		56,456
Total deferred tax asset		9,898,780
Less valuation allowance		(9,898,780)
Total deferred tax assets	\$	-

Management believes it is more likely than not that the deferred assets will not be fully realizable. Accordingly, management has applied a full valuation allowance against its net deferred tax assets at December 31, 2020.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant, negative evidence exists. MPBC's cumulative losses are the most compelling form of negative evidence considered by management in making this determination. For the period from June 1, 2020 through December 31, 2020, management has determined, based on all available evidence, a full valuation allowance against the deferred tax assets is appropriate.

As of December 31, 2020, MPBC had U.S. net operating loss carryforwards of approximately \$28.6 million of which approximately \$9.2 million will begin to expire in various years from 2034 to 2037, if not utilized. The remaining net operating loss carryforwards have an indefinite carryforward period. Utilization of the net operating loss carryforwards may be subject to annual limitations due to the "change in ownership" provisions (Section 382) of the Internal Revenue Code ("IRC"). The annual limitations may result in the expiration of net operating losses before their utilization. The net operating loss carryforwards are subject to Internal Revenue Service adjustments until the statute closes on the year the net operating loss is utilized.

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Note 14—Subsequent events

On April 28, 2021, MPBC received a second PPP loan totaling \$1.1 million that was subsequently forgiven on November 13, 2021 in total.

On September 9, 2021, MAPS entered into a three year grant agreement with the state of Michigan Department of Licensing and Regulatory Affairs. The grant period is August 16, 2021 through July 31, 2024 with a total authorized budget of \$13 million. The Organization received a cash advance of approximately \$6.5 million on October 14, 2021.

On September 13, 2021, MPBC entered into a Memorandum of Understanding (MOU) agreement with Wesana Health, Inc. This was a potential joint venture for the treatment of Traumatic Brain Injury. The agreement was discontinued and MPBC recorded the \$1.5 million non-refundable deposit as revenue in 2021.

On January 24, 2022, MAPS and MPBC jointly entered into a revenue interests purchase and sale agreement with Regenerative Financing Vine, LLC for up to \$70 million. The initial term of the agreement begins the quarter after MPBC has received both regulatory approval to sell MDMA and has exceeded \$5 million in MDMA related sales and continues for 8 years with extensions up to 25 years. The minimum investment return is 11% times the purchase price annualized over 8 years or the percentage of inflation as set by the Consumer Price Index per year plus the purchase price paid quarterly. The purchaser is entitled to approximately 3.75%, adjusted based on funds raised, of the product revenue and the MDMA related revenue over the 8-year period. The payment is not a fixed sum but a share in the revenue until the minimum investment is met. MPBC is required to submit quarterly financial reports and is subject to annual audit commencing with the 2022 fiscal year. In the event FDA approval is not obtained, MPBC will take commercially reasonable efforts to sell its assets and 50% of the sale will be paid to the purchaser until the minimum investment return is paid in full. As of the date of this report, MAPS has received approximately \$42 million and MPBC has received approximately \$1 million.

On December 16, 2022, MPBC created a convertible note offering – investor program. The terms are 5% annual interest over a two-year period. The conversion price is expected to be paid through the issuance of a 12.5% discount in the next qualified preferred stock financing transaction. MPBC has raised a total of \$28.5 million under this offering as of the date of this report.

On June 15, 2023, MAPS entered into a one year \$5 million grant agreement with a private foundation to provide general mission support and to help further the development and commercialization of MDMA-assisted therapies. The grant period is June 15, 2023 through May 30, 2024 and includes requirements to achieve certain milestones throughout the grant period.