

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

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2022

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 (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, based on our audit and the report of the other auditors, as of December 31, 2022, 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.

We did not audit the financial statements of Lykos Therapeutics, Inc. (fka MAPS Public Benefit Corporation and subsidiary), a wholly-owned subsidiary, which statements reflect total assets of \$5,490,000 as of December 31, 2022, and total revenues of \$2,325,000 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lykos Therapeutics, Inc. (fka MAPS Public Benefit Corporation and subsidiary), is based solely on the report of the other auditors.

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 Consolidated 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Correction of Error

As discussed in Note 12 to the financial statements, the December 31, 2021 financial statements have been restated to correct an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated 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 the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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

Tampa, Florida
September 22, 2026

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

DECEMBER 31, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 31,536,657
Investments	493,491
Contributions receivable	2,690,171
Prepaid expenses and other current assets	1,271,132
Total Current Assets	35,991,451

Total Assets

\$ 35,991,451

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 4,125,621
Accrued liabilities	6,713,552
Deferred revenue	1,599,500
Total Current Liabilities	12,438,673

Noncurrent Liabilities:

Convertible notes, net of discount	4,233,972
Derivative liabilities	386,400
Deferred revenue	5,346,532
Sale of revenue interest payments	43,119,962
Other long-term liabilities	122,105
Total Noncurrent Liabilities	65,647,644

Net Assets:

Without donor restrictions	(46,212,197)
With donor restrictions	16,556,004
Total Net Assets	(29,656,193)
Total Liabilities and Net Assets	<u>\$ 35,991,451</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 ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Grants and contributions	\$ 9,152,853	\$ 7,081,689	\$ 16,234,542
Other income	2,624,387	-	2,624,387
Net assets released from restriction	4,236,521	(4,236,521)	-
Total Revenues and Other Support	<u>16,013,761</u>	<u>2,845,168</u>	<u>18,858,929</u>
Expenses and Other Costs:			
Program services	58,821,027	-	58,821,027
Fundraising	1,425,040	-	1,425,040
Management and general	5,810,056	-	5,810,056
Total Expenses and Other Costs	<u>66,056,123</u>	<u>-</u>	<u>66,056,123</u>
Change in net assets	(50,042,362)	2,845,168	(47,197,194)
Net assets, December 31, 2021, as previously reported	<u>4,358,901</u>	<u>13,710,836</u>	<u>18,069,737</u>
Restatement, See Note 12	(528,736)	-	(528,736)
Net assets, December 31, 2021, as restated	<u>3,830,165</u>	<u>13,710,836</u>	<u>17,541,001</u>
Net assets, December 31, 2022	<u>\$ (46,212,197)</u>	<u>\$ 16,556,004</u>	<u>\$ (29,656,193)</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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Fundraising	Management and General	Total
Expenses and Other Costs:				
Clinical research and development	\$ 8,050,161	\$ -	\$ -	\$ 8,050,161
Payroll and related costs	25,125,193	841,412	2,567,108	28,533,713
Contract services	16,935,589	215,460	2,297,918	19,448,967
Grants	1,410,270	-	-	1,410,270
Fiscal sponsorships	1,791,939	-	-	1,791,939
Information technology	1,795,044	20,750	271,862	2,087,656
Advertising and marketing costs	336,981	168,881	72,444	578,306
Travel and meeting costs	985,196	26,768	38,724	1,050,688
Cost of revenue	183,084	-	-	183,084
Other administrative expenses	2,207,570	151,769	562,000	2,921,339
Total Expenses and Other Costs	<u>\$ 58,821,027</u>	<u>\$ 1,425,040</u>	<u>\$ 5,810,056</u>	<u>\$ 66,056,123</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

YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:

Change in net assets	\$ (47,197,194)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Noncash interest expense for the sale of future revenue	165,028
Noncash interest expense related to the convertible notes	20,372
Realized/unrealized loss on investments	109,945
Bad debt expense	591,634
Changes in operating assets and liabilities:	
Contributions receivable	5,279,442
Inventory	1,590,955
Prepaid expenses and other current assets	(985,959)
Accounts payable	1,861,484
Accrued liabilities	5,312,605
Deferred revenue	(713,839)
Sale of revenue interest payments	42,954,934
Other long-term liabilities	(1,200,207)
Net cash flows from operating activities from operations	<u>7,789,200</u>

Cash flows from investing activities:

Proceeds from sale of investments	4,800,000
Purchases of investments	<u>(8,887)</u>
Net cash flows from investing activities	<u>4,791,113</u>

Cash flows from financing activities:

Proceeds from issuance of convertible notes	<u>4,600,000</u>
Net cash flows from financing activities	<u>4,600,000</u>

Net change in cash and cash equivalents	17,180,313
Cash and cash equivalents, beginning of year	<u>14,356,344</u>
Cash and cash equivalents, end of year	<u>\$ 31,536,657</u>

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 THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1—Organization

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. MAPS is developing 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.

Lykos Therapeutics, Inc. formerly known as MAPS Public Benefit Corporation (“LYKOS”) 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, a wholly-owned subsidiary of MAPS. On September 15, 2023, MAPS entered into a Transfer Agreement that facilitated the transfer of all intellectual property related to MDMA from MAPS to LYKOS. On September 15, 2023, LYKOS issued a Series A raise which decreased MAPS ownership on a fully diluted basis to 37.1%. Following this, LYKOS ceased being a wholly-owned subsidiary of MAPS and was deconsolidated. The certificate of incorporation was amended and restated, and in January 2024, the subsidiary underwent rebranding and changed its name. See Note 14 for further discussion on the subsequent events.

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. As of September 15, 2023, in connection with the Transfer Agreement the ownership of MEU was transferred from MAPS to LYKOS. See Note 14 for further discussion on the subsequent events.

Note 2—Significant accounting policies

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, LYKOS 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.

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

DECEMBER 31, 2022

Note 2—Significant accounting policies (continued)

Use of Estimates – The preparation of consolidated 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 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.

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 realized 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.

Grants, Contributions, and Receivables – Contributions received (including contributions receivable) 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 credit risk adjusted discount 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, 2022.

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 contribution or grant, 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, 2022, the Organization had approximately \$6.9 million in contributions from governmental and non-governmental sources 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 consolidated statement of financial position.

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

DECEMBER 31, 2022

Note 2—Significant accounting policies (continued)

The Organization provides fiscal sponsorships to certain nonprofits seeking 501(c)(3) status and to entities without exempt status to engage in activities related to the public charity's mission. These arrangements allow nonexempt entities to seek tax-deductible donations under the public charity's exempt status. The Organization receives a 5% administration fee based on the donations received. For the year ending on December 31, 2022, the Organization received approximately \$90,000 in donations on behalf of fiscally sponsored entities and are 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 considered grants and presented independently in the accompanying consolidated statement of functional expense.

Contributed Service and Assets – During the year ended December 31, 2022, 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* ("606"). 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.

Therapist Training Income – The Organization recognizes revenue from therapist education events on an accrual basis. Participants are charged tuition to attend educational events facilitated by the Organization centered around psychedelic-assisted therapy education. Ticket sales for participant tuition are recorded as deferred revenue and the Organization recognizes the earned revenue upon conclusion of the event in accordance with 606.

Advertising and Marketing Costs – Advertising and marketing costs are expensed when incurred. Advertising expense for the year ended December 31, 2022 was approximately \$578,000.

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

DECEMBER 31, 2022

Note 2—Significant accounting policies (continued)

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, 2022. Management believes MAPS continues to satisfy the requirements of a tax-exempt organization as of December 31, 2022.

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 presents 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 depreciation and amortization, and insurance allocated by estimated time and effort 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, 2022, there was approximately \$27.0 million in cash and cash equivalents that exceeded the maximum federal deposit insurance corporation limits. 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, 2022, the Organization had one donor which accounted for 20.0% of the grants and contributions revenue and had no contributions receivable.

Clinical Research and Development – The Organization expenses all clinical research and development costs as incurred. Clinical research and development expense for the year ended December 31, 2022 was approximately \$8.0 million.

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

DECEMBER 31, 2022

Note 2—Significant accounting policies (continued)

Convertible note – On December 16, 2022, LYKOS created a convertible note offering and raised \$4.6 million during the year ended December 31, 2022. The terms are 5% annual interest over a two-year period. The conversion price for the convertible notes is the per share price equal to the lesser of (i) the price paid per share for preferred stock by the investors for cash in the next equity financing multiplied by 0.875, and (ii) the quotient resulting from dividing \$550,000,000 by the number of outstanding shares of common stock of the Organization immediately prior to the next equity financing. Principal and all unpaid accrued interest pursuant to the convertible notes, were due and payable, on the earliest to occur of: (i) the tenth day following the written election of the investors representing the majority of the principal and BVP XL VIII, LLC (the lead investor) (the “Purchaser Majority”) any time after the maturity date; (ii) the provision of a default notice by the purchaser majority; (iii) the consummation of an voluntary or involuntary liquidations, dissolution or winding up of operations or deemed liquidation event; or (iv) the provision of a notice to the purchasers of LYKOS determined it would not raise additional capital through indebtedness or the sale or issuance of equity securities after the issuance of the convertible notes and before the termination of the notes (the “financing condition”). If immediately prior to the majority dates, the convertible notes had not been previously repaid or converted, then, at the written election of the purchaser majority either (i) LYKOS shall pay the purchasers an amount in cash equal to the outstanding principal plus accrued but unpaid interest immediately on the maturity date, or (ii) the conversion amount shall be converted immediately on the majority date into shares of common stock at a conversion price per share equal to the quotient resulting from developing the \$550 million valuation cap by the number of outstanding shares of common stock on the majority date, but excluding any securities issuable upon the conversion of the convertible notes. The principal and accrued interest could only be repaid prior to the maturity upon consent of a majority of the investors or immediately upon demand. The convertible notes did not provide for prepayment without the written consent of the majority of the purchases, except in relation to the financing condition. The convertible notes contain an embedded equity conversion feature that is not clearly and closely related to the debt host instrument. This feature is bifurcated from the host instrument and recorded at fair value on the date of issuance as derivative liabilities in accordance with ASC 815-15, *Derivatives and Hedging – Embedded Derivatives*. Derivative liabilities are classified in the statement of financial position as current or noncurrent based on whether or not net-cash settlement of the derivative instrument could be required within one year of the statement of financial position date.

The following table shows the net carrying value of the convertible notes from issuance through December 31, 2022 as follows:

Proceeds from the issuance of convertible notes	\$ 4,600,000
Less debt discount	(386,400)
Plus amortization of the debt discount	<u>20,372</u>
Carrying value of the convertible notes as of December 31, 2022, net	<u><u>\$ 4,233,972</u></u>

Liability related to sale of future revenue – The Organization treats the sale of future revenue to Regenerative Financing Vine Limited Partnership, LLC (the purchaser or “vine”) as a debt financing. As a result, the Organization recorded the proceeds from this transaction as a liability related to the sale of future revenue to be accreted to interest expense using the effective interest rate method over the life of the agreement. The liability related to the sale of future revenue and the related interest expenses is based on the Organization’s current estimates of future MDMA related revenue payments expected to be paid over the life of the agreement. The Organization will periodically assess its expected future revenue payments using forecasts based on management’s internal projections. To the extent that the Organization’s future estimates of revenue payments are greater or less than previous estimates, or the estimated timing of such payments is materially different than its previous estimates, the Organization will prospectively recognize noncash interest expense. The accretion of debt is reflected as noncash interest expenses in the consolidated statement of activities and changes in net assets.

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

DECEMBER 31, 2022

Note 2—Significant accounting policies (continued)

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. The Organization adopted the ASU 2016-02 standard as of January 1, 2022, and notes that there is no impact on its 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 consolidated 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 September 22, 2026. See note 14 for subsequent events.

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	\$ 31,536,657
Contributions receivable	2,690,171
Investments	<u>493,491</u>
Total financial assets at year-end	34,720,319
Less amounts not available to be used for general expenditures within one year:	
Restricted by donor with purpose or time restrictions	<u>16,556,004</u>
Financial assets available to meet general expenditures within one year	<u>\$ 18,164,315</u>

Management believes there will be sufficient capital to fund operations and any unanticipated contingencies or losses. During the year ended December 31, 2022, LYKOS incurred losses of \$49.2 million due to its focus on developing and commercializing MDMA. LYKOS continues to focus on research and development efforts, regulatory approvals and commercialization of any of its drug candidates. LYKOS does not expect to generate any product revenue until it obtains regulatory approval and commercializes MDMA for the treatment of PTSD or enters into collaboration agreements with third parties. As of September 15, 2023, MAPS and LYKOS and MEU are considered to be separate entities and will no longer act as a consolidated organization. As a result of this change, the Organization does not expect these start-up costs to continue to occur. See footnote 14 for additional information.

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

DECEMBER 31, 2022

Note 4—Investments

Investments are stated at fair value and consist of the following as of December 31, 2022:

	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	\$ -	\$ -	\$ 492,872	\$ 492,872
Marketable securities	619	-	-	619
	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 492,872</u>	<u>\$ 493,491</u>

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 assets or liabilities 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.

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Note 5—Fair value of financial instruments (continued)

The following are descriptions of the valuation methodologies used for assets measured at fair value:

- *San Francisco Foundation Donor-Advised Fund* – The fair value of beneficial interest in assets of San Francisco Foundation Donor-Advised Fund is based on the fair value of fund investments as reported by the San Francisco Foundation Donor-Advised Fund. These are considered to be Level 3 measurements. The Organization does not develop nor is it provided with the quantitative inputs used to develop the fair market values.
- *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.

There have been no changes in the methodologies used to develop the estimates of fair value as of December 31, 2022.

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, 2022:

	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	\$ -	\$ -	\$ 492,872	\$ 492,872
Marketable securities	619	-	-	619
	<u>\$ 619</u>	<u>\$ -</u>	<u>\$ 492,872</u>	<u>\$ 493,491</u>

The following summarizes the changes in the fair value of MAPS's Level 3 assets for the year ended December 31, 2022:

Beginning balance	\$ 5,319,277
less distribution	(4,826,405)
Ending balance	<u>\$ 492,872</u>

Note 6—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, 2022.

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Note 6—Contributions and grant contracts receivable (continued)

The following schedule summarizes the contributions receivable at December 31, 2022:

Contributions receivable	<u>\$ 2,690,171</u>
Amounts due in:	
Less than one year	<u>\$ 2,690,171</u>

Note 7—Sale of revenue interest payments

On January 21, 2022, MAPS and LYKOS jointly entered into a revenue interests purchase and sale agreement (the "Revenue Interests Agreement") with Regenerative Financing Vine, LLC ("Vine") for up to \$70 million by which Vine purchased the revenue interest assets in the MDMA in return for a pro rata percentage of all potential future MDMA-related revenues over the life of the Revenue Interest Agreements. The actual purchase price was \$43.0 million based on a \$43.0 million financing from Vine's investors. The initial term of the agreement begins the quarter after the Organization has received both regulatory approvals to sell MDMA and has exceeded \$5 million in MDMA related sales and continues for eight years from the date of the initial payment with extensions. If the minimum investment return is not met within the initial term, the payment period is extended through the first quarter after the minimum investment return has been met, but not beyond 25 years from the date of the initial payment. The minimum investment return is the purchase price times the greater of 11% annualized over eight years or the percentage of inflation as set by the Consumer Price Index per year for each year of the initial term, plus the purchase price. (For example, if the purchase price was \$70 million, the minimum investment return would have been \$ 131.6 million, assuming that inflation each year is not greater than 11%, calculated as the sum of (i) \$70 million x 11% x 8 and (ii) \$70 million.)

Vine is entitled to 3.75% of the amounts received as revenue from commercial sales of drug products utilizing MDMA and certain other MDMA related revenue over initial term as extended if required. The 3.75% is subject to reduction if total revenue payments exceed twice the purchase price. The payment obligation is not a fixed sum but a share in the revenue. The Organization and LYKOS are required to submit quarterly financial reports and is subject to annual audit commencing with the 2022 fiscal year. In the event the FDA approval is not obtained and MAPS and LYKOS make commercially reasonable efforts to sell its assets, 50% of the sale will be paid to Vine until the minimum investment return is paid in full. On May 27, 2022, the same parties entered into an amended and restated Revenue Interests Agreement whereby certain lockbox security interest provisions were added to the agreement.

Pursuant to the September 2023 Transfer Agreement (see subsequent events), LYKOS assumed MAPS' share of the revenue interest payments related to the MDMA intellectual property, which included the \$41.9 million as of December 31, 2022, and liability of MAPS' allocation of the \$43.0 million purchase price, as partial consideration for the transfer of the MDMA-related intellectual property.

Note 8—Net assets with donor restrictions

Net assets with donor restrictions represent funds restricted for clinical research or related projects and totaled approximately \$16.6 million as of December 31, 2022.

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Note 9—Commitments and contingencies

Litigation – The Organization was named as a co-defendant 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 and paid in 2023. This is included in accounts payable on the statement of financial position.

Note 10—Related party transactions

Net contributions received from board members and other related parties were approximately \$90 thousand as of December 31, 2022. Contributions receivable from board members and other related parties were approximately \$1 thousand for the year ended December 31, 2022.

Note 11—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 year ended December 31, 2022 the Organization contributed approximately \$0.2 million to this plan.

Note 12—Correction of Error

In preparing the December 31, 2022 financial statements, management became aware of an error in the recording of journal entries and later consolidation of MEU. Inter-entity journal entries were not properly recorded within the MEU financial records. This resulted in an overstatement of prior year net assets as follows:

Net assets, as previously reported, December 31, 2021	\$ 18,069,737
Correction of Error	<u>(528,736)</u>
Net assets, as restated, December 31, 2021	<u><u>\$ 17,541,001</u></u>
Net assets - without donor restrictions, as previously reported, December 31, 2021	\$ 4,358,901
Correction of Error	<u>(528,736)</u>
Net assets - without donor restrictions, as restated, December 31, 2021	<u><u>\$ 3,830,165</u></u>

Note 13—Income taxes

MAPS is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Management believes MAPS continues to satisfy the requirements of a tax-exempt organization as of December 31, 2022.

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Note 13—Income taxes (continued)

For the year ended December 31, 2022, 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, 2022:

Deferred tax assets:

Accrued payroll and vacation	\$ 637,000
R&D credit	5,773,000
Net operating loss	20,553,000
174 capitalization	7,100,000
Vine liability	47,000
Other	546,000
Total deferred tax asset	34,656,000
Less valuation allowance	(34,656,000)
Total deferred tax assets	<u>\$ -</u>

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, 2022.

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. LYKOS's cumulative losses are the most compelling form of negative evidence considered by management in making this determination. For the year ended December 31, 2022, management has determined, based on all available evidence, a full valuation allowance against the deferred tax assets is appropriate.

As of December 31, 2022, LYKOS had U.S. net operating loss (NOL) carryforwards of approximately \$98.9 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. 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.

Note 14—Subsequent events

On September 15, 2023, MPBC amended and restated its certificate of incorporation to effectuate, among other things, the subdivision and change of each share of LYKOS's common stock then outstanding or held in treasury into treasury into 14,382.7304 shares of common stock (the "Forward Stock split"). Immediately following the Forward Stock Split, each outstanding share of old common stock was reconstituted and reclassified into one share of Class B Common Stock. Pursuant to the amended and restated certificate of incorporation, the total number of shares of all classes of stock which LYKOS has authority to issue is 36,825,000 shares of Class A Common Stock, 13,016,371 shares of Class B Common Stock, and 30,674,123 shares of preferred stock.

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Note 14—Subsequent events (continued)

Coincident with the amendment and restatement of LYKOS's certificate of incorporation, LYKOS completed the following transactions through the execution of a series of agreements by and among the Organization, LYKOS, outside investors, Vine, and certain members of Vine.

- Pursuant to the terms of the Series A Stock Purchase Agreement, MBPC completed the sale of 4,236,018 shares of Series A-1 Preferred Stock to outside investors for \$42,360,180 in cash proceeds, issued 4,383,329 shares of Series A-2 Preferred Stock upon the conversion of convertible notes payable totaling \$38,354,304 in outstanding principal and accrued interest, and issued 13,016,371 shares of Class M Preferred Stock to the Organization upon the conversion of all of the then outstanding shares of Class B Common Stock.
- Pursuant to the terms of various transfer agreements, LYKOS issued 3,815,423 shares of Series A-2 Preferred Stock to certain limited partners of Vine in exchange for their partnership interests valued at \$33,385,000, (the "Vine Interests") representing an approximately 78%-member interest in Vine.
- Pursuant to (i) a transfer agreement among the Vine general partner, LYKOS, and the Organization and (ii) a transfer agreement between the Organization and LYKOS, LYKOS transferred the Vine interests to the Organization. As partial consideration for the Vine interests, the Organization transferred to LYKOS all rights to the intellectual property of the MDMA product, the ability to commercialize MDMA, and all other assets related to the research, development, and commercialization of MDMA, along with the Organization's payment obligations under the Revenue Interests Agreement with Vine.
- The Organization, LYKOS, and Vine entered into an amended and restated Revenue Interests Agreement dated September 14, 2023, to reflect and allow for the consummation of the transactions described above and to eliminate joint liability for payments under the Revenue Interests Agreement.
- On September 15, 2023, and on various dates through May 24, 2024, pursuant to the terms of the Series A Stock Purchase Agreement, LYKOS completed the sale of an additional 1,377,844 shares of Series A-1 Preferred Stock to outside investors for \$13,778,440 in cash proceeds.
- As of September 15, 2023, and as a result of these aforementioned transactions and agreements, MAPS and LYKOS and MEU are considered to be separate entities and will no longer act as a consolidated organization.