PHOENIX BIOINFORMATICS CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

ATHERTON & ASSOCIATES, LLP

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INDEPENDENT AUDITOR'S REPORT

April 18, 2024

Audit Committee
Phoenix Bioinformatics Corporation
Fremont, California

Opinion

We have audited the financial statements of Phoenix Bioinformatics Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS will always detect a material misstatement when it exists. The

Scott Kerr | Loren Kuntz | Rebecca Terpstra | Craig Schaurer | Marissa Williams | Jackie Howell | Natalya Mann

P 209.577.4800
F 209.577.1323
1140 Scenic Drive
P.O. Box 4339
Modesto, CA 95352-4339
athertoncpas.com

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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Phoenix Bioinformatics Corporation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Phoenix Bioinformatics Corporation'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.

Atherton & Associates, LLP

ASSETS

CURRENT ASSETS	
Cash	$ 344,688
Restricted cash	110,336
Accounts receivable	8,170
Grants receivable	134,352
Prepaid expenses	27,336
Investments	914,651
Total current assets	1,539,533
PROPERTY AND EQUIPMENT	
Database and software	2,083,698
Computers	41,370
	2,125,068
Less accumulated depreciation	1,506,189
Total property and equipment, net	618,879
TOTAL ASSETS	$ 2,158,412

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 45,573
Accrued vacation	108,873
Accrued liabilities	52,283
Funds held on behalf of others	110,336
Deferred revenue, current portion	506,676
Total current liabilities	823,741
LONG-TERM LIABILITIES, deferred revenue	103,151
NET ASSETS	
Without donor restrictions	
Board designated funds	571,584
Undesignated funds	659,936
Total net assets	1,231,520
TOTAL LIABILITIES AND NET ASSETS	$ 2,158,412

PHOENIX BIOINFORMATICS CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions
REVENUE AND SUPPORT	
Subscription revenue	$ 1,429,651
Program services fees	11,548
Grant revenue	716,769
Contributions	583
Total revenue and support	2,158,551
OTHER REVENUE	
Interest and dividend income	26,143
Other income	3,746
Net realized and unrealized gain on investments	61,012
Total other revenue	90,901
Total revenue, support and other revenue	2,249,452
EXPENSES	
Program services	1,403,506
General and administrative	627,486
Total expenses	2,030,992
Change in net assets	218,460
NET ASSETS AT BEGINNING OF YEAR	1,013,060
NET ASSETS AT END OF YEAR	$ 1,231,520

PHOENIX BIOINFORMATICS CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	General and Administrative	Total
Bank charges and fees	$ 4,457	$ 659	$ 5,116
Conferences and meeting expenses	14,143	6,827	20,970
Depreciation	173,661	4,152	177,813
Dues and subscriptions	70,450	11,596	82,046
Employee benefits	97,066	76,697	173,763
Liability insurance	6,378	4,176	10,554
Outside contract services	136,628	-	136,628
Payroll taxes	61,971	35,010	96,981
Postage and delivery	86	73	159
Professional fees	4,033	12,297	16,330
Rent, parking, and utilities	355	233	588
Salaries and wages	805,305	463,993	1,269,298
Supplies	2,253	1,093	3,346
Telephones	314	191	505
Training	3,380	2,504	5,884
Travel	21,397	6,919	28,316
Workers compensation insurance	1,629	1,066	2,695
TOTAL EXPENSES	$ 1,403,506	$ 627,486	$ 2,030,992

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

OPERATING ACTIVITIES	
Change in net assets	$ 218,460
Adjustment to reconcile changes in net assets to net cash	
and restricted cash consumed by operating activities:	
Depreciation	177,813
Interest and dividends on investments	(26,122)
Net realized and unrealized gain on investments	(61,012)
(Increase) decrease in operating assets:	
Accounts receivable	33,678
Grants receivable	5,382
Prepaid expenses	(19,783)
Increase (decrease) in operating liabilities:	
Accounts payable	21,265
Accrued vacation	11,300
Accrued liabilities	(237,626)
Funds held on behalf of others	(37,419)
Deferred grant revenue	(95,528)
Deferred revenue	(37,602)
Net cash consumed by operating activities	(47,194)
INVESTING ACTIVITIES	
Purchase of property and equipment	(297,600)
Net cash consumed by investing activities	(297,600)
NET DECREASE IN CASH AND RESTRICTED CASH	(344,794)
CASH AND RESTRICTED CASH AT BEGINNING OF THE YEAR	799,818
CASH AND RESTRICTED CASH AT END OF THE YEAR	$ 455,024
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash as presented on the statement of financial position:	
Cash	$ 344,688
RepBase restricted cash	81,934
CIPRES restricted cash	19,760
CyVerse restricted cash	8,642
	$ 455,024

NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Organization Phoenix Bioinformatics Corporation (the Corporation) is a California non-profit corporation. The Corporation was founded in 2013 by the staff of The Arabidopsis Information Resource (TAIR), a curated database for plant genome information. After TAIR lost grant funding, the Corporation pioneered a new sustainable funding model that provides support for TAIR. The specific purpose for which the Corporation is organized is to make scientific data widely available and accessible to the public and scientific community, including scientists, students, and educators, in order to foster and promote scientific knowledge about the physical, chemical and biological parts and processes related to living things, and in furtherance of this purpose, to: (1) develop and maintain scientific databases for storing and organizing such knowledge, (2) develop and maintain software systems for storing, searching, and accessing such data, and (3) provide assistance and training to users regarding the use of such databases and software systems.

BioCyc Databases Effective December 31, 2022, the Corporation terminated the partnership agreement with SRI International (SRI). There are no restricted cash and liability as funds held on behalf of SRI as of December 31, 2023.

RepBase Databases Effective April 16, 2018, the Corporation entered into an agreement with Genetic Information Research Institute (GIRI), a California private nonprofit institution. The agreement provides that GIRI will develop the Repbase database of eukaryotic transposons and repetitive DNA sequences. The Corporation is responsible for providing services with respect to the databases. GIRI grants the Corporation the non-exclusive right to access the RepBase Databases and to provide access to the database to third parties. Both GIRI and the Corporation may grant licenses to the databases. The Corporation will earn 18% of the revenue for any licenses it sells for the databases. Therefore, when revenue is collected under this agreement a portion of it is to be remitted to GIRI. The amount held on behalf of GIRI as of December 31, 2023, was $81,934 and is included on the statement of financial position as restricted cash and a liability as funds held on behalf of others.

CIPRES Database Effective November 9, 2020, the Corporation entered into an agreement with The Regents of the University of California, on Behalf of the San Diego Campus, a California State Constitutional corporation (UCSD). The agreement provides that UCSD will develop, maintain, and support the CIPRES Science Gateway, a web service that provides browser-based point-and-click access to a login-protected work area that offers at least 21 popular phylogenetics codes that are run efficiently on high performance computers sponsored by the NSF XSEDE project. The Corporation is responsible for providing services with respect to the databases. UCSD monitors usage and controls access to CIPRES databases. The Corporation will earn 20% of the revenue for any licenses it sells for the databases. Therefore, when revenue is collected under this agreement a portion of it is to be remitted to UCSD. The amount held on behalf of UCSD as of December 31, 2023, was $19,760 and is included on the statement of financial position as restricted cash and a liability as funds held on behalf of others.

CyVerse Databases Effective July 7, 2022, the Corporation entered into an agreement with the Arizona Board of Regents, University of Arizona (UArizona), an institution of higher education. The agreement provides that UArizona will develop CyVerse, an Open Science Workspace for Collaborative Data-driven Discovery. The Corporation is responsible for providing services with respect to the cyberinfrastructure platform. UArizona grants the Corporation the non-exclusive right to access the CyVerse cyberinfrastructure platform. UArizona monitors usage and controls access to the CyVerse cyberinfrastructure platform. The Corporation will earn 20% of the revenue for any licenses it sells for the databases. Therefore, when revenue is collected under this agreement a portion of it is to be remitted to UArizona. The amount held on behalf of UArizona as of December 31, 2023, was $8,642 and is included on the statement of financial position as restricted cash and a liability as funds held on behalf of others.

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting The Corporation's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

a) Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations or time. Net assets without donor restrictions may be designated by the Board for a certain purpose. As of December 31, 2023, there was $571,584 as board designated assets.

b) Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Corporation and/or passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Restricted Cash Restricted cash consists of cash collections held on behalf of unrelated parties.

Account and Grant Receivables The direct write-off method is used to account for bad debts in which individual accounts are expensed as they become uncollectible. Accounting principles generally accepted in the United States of America require that account and grants receivable be presented net of an allowance for uncollectible accounts. The difference between these two methods is not material to these financial statements.

Investments As required by the *Accounting for Certain Investments Held by Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Corporation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at As required by the Accounting for Certain Investments Held by Not-for-Profit Organizations topic of the FASB ASC, the Agency carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market value in the statement of financial position. Realized and unrealized gains and losses are recognized in the statement of activities and changes in net assets. Total investments held at December 31, 2023 are as follows:

Corporate stocks	$298,548
Bond funds	616,103
	$914,651

Property and Equipment Acquisitions of property and equipment and expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. The Corporation capitalizes internally developed software that results in additional functionality in accordance with ASC 350-40 Internal Use Software. The accounting for upgrades and enhancements to internal-use software follows the same accounting model as other internal-use software costs (for example, qualifying costs are capitalized during the application development stage). Property and equipment are carried at cost or if donated at the approximate fair value at the date of donation. It is the Corporation's policy to capitalize property and equipment over $2,000. Depreciation is charged to operating expense over the estimated useful lives using the straight-line method of depreciation of the assets with lives ranging from three to five years. Depreciation expense for the year ended December 31, 2023 was $177,813.

Note 1 Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets On an ongoing basis, the Corporation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Corporation recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of December 31, 2023, management believes that no impairments exist.

Deferred Revenue The Corporation has deferred revenue related to payments received for future subscriptions to their databases and accounting software. The income will be recognized by the Corporation on a monthly basis based on the time frame for future subscriptions.

Commitments and Contingencies The Corporation has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expense disallowances under terms of the grants, it is believed that any required reimbursements will not be material to these financial statements.

Revenue Recognition The Corporation has grants and contributions from various grantors. The Corporation has determined that the asset transfers are contributions as the resource provider does not receive commensurate value in exchange for the assets transferred. In accordance with FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* a contribution is considered to be conditional when one or more barriers exist and the right to receive or retain payment or delivery of the promised asset is conditioned on meeting those barriers. The awards are considered conditional contributions due to the limited discretion as a result of those specific requirements on how the assets may be spent. The majority of the Corporation's revenue is from services which are conditional upon certain performance requirements and/or the occurrence of allowable qualifying expenditures in compliance with specific contract or grant provisions. Conditional contributions are not recognized until the conditions on which they depend on have been met. Conditional contributions earned from these services totaled $716,769 for the year ended December 31, 2023.

The Corporation recognizes revenue in accordance with FASB ASC Topic 606, Revenue from *Contracts with Customers.* The Corporation provides annual subscriptions to their databases and accounting software. The Corporation charges annual rates for individuals, for-profit corporations, and non-profit organizations. The Corporation recognizes subscription income on a monthly basis based on the time frame for subscriptions.

The Corporation assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The contract term can differ from the stated term in contracts that include certain termination or renewal rights, depending on whether there are penalties associated with those rights. Contracts generally are standardized and non-cancellable for the duration of the stated contract term. Additionally, each customer being served has its own customer contract for subscriptions.

Revenues are recognized over time as the customer consumes the benefits of the services for the length of the subscription term. The timing of revenue recognition is based on an input measure, which is based on labor and material costs incurred to date as they relate to the estimated total cost to complete the engagement. Estimates of total service revenue and cost of services are monitored regularly during the term of the contract. Related fulfillment costs are expensed as incurred.

Certain contracts may include explicit options to renew services at a stated price. These options generally are priced in line with the standalone selling price and therefore do not provide a material right to the customers.

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued) The transaction price is the amount of consideration to which the Corporation expects to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which includes fixed consideration and estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Corporation's contracts with customers have variable consideration. The Corporation estimates the amount of variable consideration at the expected value based on its assessment of legal enforceability, anticipated performance and a review of specific transactions, historical experience and market and economic conditions. The Corporation historically has not experienced any significant incidents affecting the defined levels of reliability and performance as required by the contracts.

The Corporation has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less. The Corporation does not enter into contracts in which the period between payment by the customer and the transfer of the promised goods or services to the customer is greater than 12 months.

The Corporation records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. The Corporation does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset. If revenue has not yet been recognized, a contract liability (deferred income) is also recorded.

Advertising The Corporation expenses advertising costs in the period in which they are incurred.

Income Tax Status The Corporation operates as a non-profit corporation, other than a private foundation, exempt from income tax under Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for federal or state income taxes.

Management has evaluated the Corporation's tax positions and concluded that the Corporation had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Corporation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for tax years ending December 31, 2019 and before.

Functional Allocation of Expenses The costs of providing services of the Corporation have been summarized on a functional basis in the statement of functional expenses. General and administrative expenses have been allocated among the programs based upon an estimation of personnel time for the related activities.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1 Summary of Significant Accounting Policies (Continued)

Risk and Uncertainties The Corporation invests in various investment securities. 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 that changes in the values of investment securities will occur in the near term and that such changes could materially affect balances and the amounts reported in the statements of financial position.

Fair Value of Financial Instruments The carrying amounts of financial instruments, including cash, receivables, accounts payable, and accrued expenses, approximate fair value.

Subsequent Events In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 18, 2024, the date the financial statements were available to be issued.

Note 2 Concentration of Credit Risk

The Corporation maintains cash balances at various financial institutions, which at times may exceed federally insured limits. The Corporation had uninsured cash balances of $152,018 as of December 31, 2023.

One grantor and one subscriber consists of 41% of total unrestricted revenue and support for the year ended December 31, 2023. One grantor consists of 100% of grants receivable as of December 31, 2023.

Note 3 Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2023:

Cash	$ 344,688
Accounts receivable	8,170
Grants receivable	134,352
Investments	914,651
	$1,401,861

As part of the liquidity management plan, the Corporation invests cash in excess of daily requirements in short-term investments.

Note 4 Employee Benefit Plan

The Corporation sponsors a 401(k) retirement plan for the benefit of its employees. The Corporation can contribute a discretionary employer matching contribution as well as a discretionary profit-sharing contribution. An employee has to be at least 21 years of age and have one month of eligibility service in order to be eligible to participate in the plan. Employer contributions were $100,695 for the year ended December 31, 2023.

Note 5 Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs that are unobservable inputs for the asset or liability.

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.

There have been no changes in the methodologies used at December 31, 2023. The following is a description of the valuation methodologies used for assets measured at fair value.

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Bond funds: Valued at the daily closing price as reported by the fund. Bond funds held by the Corporation are residential mortgage-backed securities and corporate bonds that are registered with the United States Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The bond funds held by the Corporation are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Corporation's assets measured on a nonrecurring basis as of December 31, 2023:

Note 5 Fair Value Measurements (Continued)

	Level 1	Level 2	Level 3	Total
Corporate stocks	$298,548	$ -	$ -	$298,548
Bond funds	616,103	-	-	616,103
Total assets required to be reported at fair value	$914,651	$ -	$ -	$914,651