Disclosure Statement

This Disclosure Statement was prepared by:

Name: **Adriana Polcaro**

Title: **Controller**

Relationship to Issuer: **Consultant**

The following financial statements were prepared in accordance with U.S. GAAP.

The following financial statements were prepared by:

Name: **Adriana Polcaro**

Title: **Controller**

Relationship to Issuer: **Consultant**

Describe the qualifications of the person or persons who prepared the financial statements:

Ms. Polcaro has been a certified public accountant in the state of North Carolina since January 1996. Ms. Polcaro has a master's in accounting from the University of North Carolina at Chapel Hill. Ms. Polcaro started her career at Ernst and Young in 1994 and after eight years moved into a corporate position. Ms. Polcaro has spent 30 plus years in the accounting field, serving various industries with over 16 years in the life sciences industry.

Finch Therapeutics Group, Inc.

Consolidated Financial Statements

As of and For the Year Ended December 31, 2024

Finch Therapeutics Group, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share data)

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 10,262	$ 25,124
Prepaid expenses and other current assets	504	723
Total current assets	10,766	25,847
Property, net	420	594
Right-of-use asset	24,248	26,584
Restricted cash, non-current	2,348	2,348
Total assets	$ 37,782	$ 55,373
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 148	$ 141
Accrued expenses and other current liabilities	764	2,220
Operating lease liabilities, current	2,260	1,723
Total current liabilities	3,172	4,084
Operating lease liabilities, non-current	25,531	28,403
Total liabilities	28,703	32,487
Commitments and contingencies		
Preferred stock (undesignated), $0.001 par value; 10,000,000 shares authorized and no shares issued and outstanding as of December 31, 2024 and 2023	—	—
Stockholders' equity:		
Common stock, $0.001 par value; 200,000,000 shares authorized and 1,605,763 shares issued and outstanding as of December 31, 2024 and 2023	2	2
Additional paid-in capital	373,349	373,279
Accumulated deficit	(364,272)	(350,395)
Total stockholders' equity	9,079	22,886
Total liabilities and stockholders' equity	$ 37,782	$ 55,373

See notes to the consolidated financial statements.

Finch Therapeutics Group, Inc.
Consolidated Statements of Operations
(In thousands, except share and per share data)

	Year Ended December 31,	
	2024	**2023**
Revenue:		
Collaboration revenue	$ —	$ 107
Total revenue	—	107
Operating expenses:		
Research and development	—	7,199
General and administrative	18,859	26,910
Impairment of in-process research and development	—	32,900
Impairment of long-lived assets	—	13,141
Restructuring	34	3,818
Total operating expenses	18,893	83,968
Net loss from operations	(18,893)	(83,861)
Other income, net:		
Interest income, net	796	1,570
Gain on lease termination	—	752
Loss on loan extinguishment	—	(1,366)
Gain on sale and disposal of fixed assets, net	—	637
Sublease and other income	4,220	4,053
Total other income, net	5,016	5,646
Loss before income taxes	(13,877)	(78,215)
Income tax benefit	—	3,461
Net loss	$ (13,877)	$ (74,754)
Net loss per share attributable to common stockholders—basic and diluted	$ (8.64)	$ (46.59)
Weighted-average common stock outstanding—basic and diluted	1,605,763	1,604,549

See notes to the consolidated financial statements.

Finch Therapeutics Group, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands, except share and per share data)

	Common Stock $0.001 Par Value		Additional	Accumulated	Total Stockholders'
	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance, December 31, 2022	1,601,717	$ 2	$ 371,350	$ (275,641)	$ 95,711
Vesting of restricted stock units	4,046	—	—	—	—
Stock-based compensation	—	—	1,929	—	1,929
Net loss	—	—	—	(74,754)	(74,754)
Balance, December 31, 2023	1,605,763	2	373,279	(350,395)	22,886
Stock-based compensation	—	—	70	—	70
Net loss	—	—	—	(13,877)	(13,877)
Balance, December 31, 2024	1,605,763	$ 2	$ 373,349	$ (364,272)	$ 9,079

See notes to the consolidated financial statements.

Finch Therapeutics Group, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2024	**2023**
Cash used in operating activities:		
Net loss	$ (13,877)	$ (74,754)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	174	1,520
Stock-based compensation expense	70	1,929
Impairment of in-process research and development	—	32,900
Impairment of long-lived assets	—	13,141
Gain on lease termination	—	(752)
Loss on loan extinguishment	—	1,366
Gain on sale and disposal of property and equipment	—	(637)
Non-cash operating lease and interest cost	2,336	2,663
Benefit for deferred income taxes	—	(3,461)
Changes in operating assets and liabilities:		
Accounts receivable	—	143
Prepaid expenses and other current assets	220	2,121
Other non-current assets	—	4,033
Accounts payable	7	(956)
Accrued expenses and other current liabilities	(1,456)	(7,829)
Other non-current liabilities	—	(170)
Operating lease liabilities	(2,335)	(2,762)
Net cash used in operating activities	(14,861)	(31,505)
Cash provided by investing activities:		
Proceeds on sale of property and equipment	—	1,327
Net cash provided by investing activities	—	1,327
Cash used in financing activities:		
Repayment of loan	—	(15,000)
Payment of loan prepayment and termination fee and other	—	(1,155)
Net cash used in financing activities	—	(16,155)
Net change in cash, cash equivalents and restricted cash	(14,861)	(46,333)
Cash, cash equivalents and restricted cash at beginning of period	27,472	73,805
Cash, cash equivalents and restricted cash at end of period	$ 12,611	$ 27,472
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ —	$ 202
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Prepaid rent reclassified to operating lease liability	$ —	$ 525
Right-of-use assets and operating lease liability reduced for lease termination	$ —	$ 3,561

See notes to the consolidated financial statements.

1. Nature of Operations

Business

Finch Therapeutics Group, Inc. (the "Company" or "Finch") is a microbiome technology company with a portfolio of intellectual property and microbiome assets. Presently, the Company's objectives are to realize the value of its intellectual property estate through licensing its technology to collaboration partners and enforcing its patents rights against infringing parties and, in certain cases, to generate additional data on selected product candidates through academic collaborations.

The Company is subject to several risks, including risks related to litigation outcomes, government regulation, intellectual property and dependence on key personnel.

Reverse Stock Split

On June 9, 2023, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to effect a reverse stock split of the Company's issued and outstanding common stock, par value $0.001, at a ratio of 1-for-30 (the "Reverse Stock Split"). The Reverse Stock Split was reflected on the Nasdaq Global Select Market beginning with the opening of trading on June 12, 2023. All share amounts and per share amounts disclosed in these consolidated financial statements have been adjusted retroactively to reflect the reverse stock split for all periods presented.

Liquidity

The Company expects that its unrestricted cash and cash equivalents of $10.3 million as of December 31, 2024, will be sufficient to fund its operating expenses and capital expenditure requirements through the first quarter of 2026. The Company has based this estimate on assumptions that may prove to be wrong and could deplete its capital resources sooner than it currently expects. Due to the consideration of certain qualitative factors, including the Company's recurring losses from operations incurred since inception, the expectation of continuing operating losses for the foreseeable future, and uncertainty around its ability to successfully realize the full value of its intellectual property estate and other assets, the Company has concluded that there is substantial doubt regarding the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As a result, the Company may need additional funding to support its operating activities as it seeks to realize value from its intellectual property estate and other assets. Until such time, if ever, that the Company can generate substantial revenue, the Company expects to finance its cash needs through equity offerings, debt financings or other capital sources, including collaborations, licenses or similar arrangements. However, the Company may be unable to raise additional funds or enter such other arrangements when needed or on favorable terms, if at all. If the Company is unable to obtain funding as needed, it may decide to pursue a dissolution and liquidation.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements and the related disclosures have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). In the opinion of management, the consolidated financial statements reflect all normal recurring adjustments considered necessary for a fair presentation of the Company's financial position and the results of its operations for the fiscal years presented. The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, Finch Therapeutics, Inc. and Finch Therapeutics Holdings LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, and the disclosure of contingent assets and liabilities as of and during the reporting period. The Company bases its estimates and assumptions on historical experience when available and on various factors that it believes to be reasonable under the circumstances. This process may result in actual results differing materially from those estimated amounts used in the preparation of the financial statements if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to, accruals and the assessment of impairment of in-process research and development assets ("IPR&D) and long-lived assets. The Company assesses estimates on an ongoing basis; however, actual results could materially differ from those estimates.

Segment Information

The Company operates and manages its business as a single segment for the purposes of assessing performance and making operating decisions. The Company's chief executive officer, who is the chief operating decision maker ("CODM"), reviews the Company's financial information on a consolidated basis for purposes of evaluating financial performance and allocating resources.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed the federal insurance limit. Restricted cash is not available for immediate business use and is cash the Company holds for specific reasons.

The Company's cash equivalents, which are funds held in a money market account, are measured at fair value on a recurring basis. The carrying amount of unrestricted cash and cash equivalents approximates fair value and was determined based upon Level 1 inputs. The money market account is valued using quoted market prices with no valuation adjustments applied and is categorized as Level 1.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents. The Company may maintain deposits in financial institutions more than government insured limits. The Company believes that it is not exposed to significant credit risk as its deposits are held at financial institutions that management believes to be creditworthy, and the Company has not experienced any losses on these deposits. As of December 31, 2024 and 2023, the Company's cash and cash equivalents were held with two financial institutions. The Company believes that the market risk arising from its holdings of these financial instruments is mitigated since many of these securities are either government-backed or of high credit ratings.

Property and Equipment

Property and equipment are recorded at cost. Expenditure on repairs and maintenance are expensed as incurred, while any additions or improvements are capitalized. When assets are retired or disposed of, the assets and related accumulated depreciation are derecognized from the accounts, and any resulting gain or loss is included in the determination of net loss. Depreciation for the Company's office furniture and fixtures is calculated using the straight-line method over the estimated useful life of five years.

Fair Value Measurements

Certain assets and liabilities are reported on a recurring basis at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Impairment of In-Process Research and Development and Long-lived Assets

Acquired IPR&D was evaluated for impairment annually on October 1, or more frequently if events or changes in circumstances indicate that the asset might be impaired. As a result of the decision to discontinue the Company's clinical trials, the Company performed an impairment test of IPR&D asset as of March 31, 2023, the assessment indicated that its fair value was less than the respective carrying value, resulting in a full impairment charge of $32.9 million, which is included as a separate charge within operating expenses on the Company's consolidated statements of operations.

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During the year ended December 31, 2023, the Company recorded an impairment charge of $13.1 million to its long-lived assets, as it was determined that certain equipment, leasehold improvements, and software associated with program development would no longer be used following the discontinuation of the Company's clinical trial and significant reduction in the Company's workforce. There were no impairments for the year ended December 31, 2024.

Leases

The Company accounts for leases in accordance with ASC Topic 842, *Leases* for all contracts and agreements that are within its scope. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement including the use of an identified asset(s) and the Company's control over the use of that identified asset. The Company classifies leases with a term greater than one year as either operating or finance leases at the lease commencement date and records a right-of-use ("ROU") asset and current and non-current lease liabilities, as applicable on the consolidated balance sheet. The Company chose not to recognize leases with a lease term of one year or less on its consolidated balance sheet. When an option to extend the lease exists, determination is made whether that option is reasonably certain of exercise based on economic factors present at the measurement date and as circumstances may change.

The Company measures and records its lease liabilities based on the present value of lease payments over the expected remaining lease term. The present value of future lease payments is discounted using the interest rate implicit in the lease contracts if that rate is readily available. As the implicit rate has not historically been readily determinable, the Company utilizes its incremental borrowing rate ("IBR"), which reflects the fixed rate at which the Company could borrow on a collateralized basis over a similar term to fund the amount of lease payments to be made in a similar economic environment. Management determines the appropriate IBR to use based on the Company's credit standing and market environment at lease commencement. The Company measures its ROU assets as the lease liability plus initial direct costs and prepaid lease payments, less lease incentives granted by the lessor.

Components of a lease should be split into three categories: lease components, non-lease components, and non-components. The fixed and in-substance fixed contract consideration (including any consideration related to non-components) must be allocated, based on the respective relative fair values, to the lease components and non-lease components. However, the Company has elected to account for lease and non-lease components together as a single lease component for all underlying assets and allocate all the contract consideration to the lease component only.

After lease commencement and the establishment of a ROU asset and operating lease liability, lease expense is recorded on a straight-line basis over the lease term. Variable costs associated with a lease, such as maintenance and utilities, are not included in the measurement of the lease liabilities and ROU assets but rather are expensed when the events determining the amount of variable consideration to be paid have occurred.

When a lease is modified and the modification is not accounted for as a separate contract, the Company remeasures its ROU assets and lease liabilities. A modification is accounted for as a separate contract if the modification grants the Company an additional ROU asset not included in the original lease arrangement and the increase in lease payments is commensurate with the additional ROU asset. The Company assesses its ROU assets for impairment in a manner consistent with its assessment for long-lived assets held and used in operations.

Sublease income is recognized on a straight-line basis over the term of the sublease agreement and is recorded within other income, net, on the consolidated statements of operations.

Research and Development Expenses

Research and development ("R&D") costs were charged to expenses as incurred. R&D costs consisted of expenses incurred in performing R&D activities, including salaries and benefits, materials and supplies, preclinical expenses, stock-based compensation expense, depreciation of equipment, contract services, facilities, and other outside expenses. Costs for external development activities were recognized based on an evaluation of the progress to completion of specific tasks using information provided to the Company by its vendors.

General and Administrative Expenses

The Company expenses general and administrative ("G&A") costs to operations as incurred. G&A expense consists of compensation, share-based compensation, benefits and other employee-related expenses for personnel and outside consultants providing the Company's administrative, finance, legal, information technology, and human resource functions. Other costs include the legal costs of pursuing patent protection of the Company's intellectual property, G&A related facility costs, insurance costs and professional fees for accounting and legal services.

Costs Associated with Exit Activities

The Company records employee termination costs in accordance with ASC Topic 712, *Compensation - Nonretirement and Postemployment Benefits*, if the Company pays the benefits as part of an ongoing benefit arrangement, which includes benefits provided as part of established severance policies. The Company accrues employee termination costs associated with an ongoing benefit arrangement if the obligation is attributable to prior services rendered, the rights to the benefits have vested, the payment is probable, and the liability can be reasonably estimated. The Company accounts for involuntary employee termination benefits that represent a one-time benefit in accordance with ASC Topic 420, *Exit or Disposal Cost Obligations* ("ASC 420"). The Company records such costs into expense over the employee's future service period, if any.

Stock-based Compensation

The Company accounts for stock-based compensation for all stock-based payment awards granted to employees and non-employees at fair value. The Company's stock-based compensation is comprised of stock options and restricted stock units. The measurement date for employee awards is the date of grant, and costs are recognized as expense over the employees' requisite service period, which is the vesting period, on a straight-line basis. Stock-based compensation costs for non-employees are recognized as expense over the vesting period on a straight-line basis. Stock-based compensation expense is classified in the accompanying consolidated statements of operations based on the function to which the related services are provided. The Company recognizes stock-based compensation expenses for the portion of awards that have vested. Forfeitures are recorded as they occur.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company was a private company until March 2021 and lacks company-specific historical and implied volatility information. Therefore, it estimates its expected stock volatility based on the historical volatility of a publicly traded set of peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The expected dividend yield is based on the Company's historical dividend payments on common stock for which there have been none, and none are expected in the foreseeable future.

Income Taxes

The Company is primarily subject to U.S. federal and Massachusetts state income tax. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's consolidated financial statements and tax returns. Deferred tax assets and liabilities are determined based upon the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and for loss and credit carryforwards, using enacted tax rates expected to be in effect in the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that these assets may not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, none of the benefits attributable to the position are recognized. The tax benefit to be recognized for any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes.

Loss Contingencies

Loss contingencies are existing conditions, situations or circumstances involving uncertainty as to possible loss that will ultimately be resolved when future events occur or fail to occur. When a loss is considered probable and reasonably estimable, the Company records a liability in the amount of the best estimate for the ultimate loss. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low-end of such range. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and negotiations with or decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be continuously evaluated to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible losses. Disclosure is provided for material loss contingencies when a loss is probable, but a reasonable estimate cannot be made, and when it is reasonably possible that a loss will be incurred, or the amount of a loss will exceed the recorded provision. The Company regularly reviews contingencies to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. Legal fees are recognized as incurred when the legal services are provided.

Net Loss Per Share

The Company has one class of outstanding shares and basic net loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding for the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding stock awards. The weighted-average number of common shares included in the computation of diluted net loss gives effect to all potentially dilutive common equivalent shares. Common stock equivalent shares are excluded from the computation of diluted net loss per share if their effect is antidilutive.

Recently Adopted Accounting Pronouncements

In November 2023, FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The standard expands reportable segment disclosure requirements for public business entities primarily through enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit (referred to as the "significant expense principle"). The Company has adopted this standard for the fiscal year 2024 annual financial statements and has applied this standard retrospectively for all prior periods presented in the financial statements (see Note 14).

Recently Issued and Adopted Accounting Pronouncements

Accounting standards not listed below were assessed and determined not to be applicable or are expected to have a minimal impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes ("Topic 740"): Improvements to Income Tax Disclosures. This ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The standard requires entities to disclose federal, state, and foreign income taxes in their rate reconciliation tables and elaborate on reconciling items that exceed a quantitative threshold. Additionally, it requires an annual disclosure of income taxes paid, net of refunds, categorized by jurisdiction based on a quantitative threshold. For public business entities, the guidance is effective for annual periods beginning after December 15, 2024. This ASU will result in the required additional disclosures being included in our consolidated financial statements, once adopted.

In November 2024, the FASB issued ASU 2024-03, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. This ASU requires disclosure of additional information about specific expense categories in the notes to financial statements for interim and annual reporting periods. For public business entities, the guidance is effective for interim and annual periods beginning after December 15, 2026. Early adoption is permitted for annual consolidated financial statements that have not yet been issued or made available for issuance. The guidance may be applied on a prospective basis or retrospectively for all prior periods presented in the financial statements. This ASU will result in the required additional disclosures being included in our consolidated financial statements, once adopted.

3. Balance Sheet Information

Cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash consisted of the following as of December 31 (in thousands):

	2024	2023
Cash and cash equivalents	$ 10,262	$ 25,124
Restricted cash, non-current	2,348	2,348
Total cash, cash equivalents and restricted cash	$ 12,610	$ 27,472

As of December 31, 2024 and 2023, non-current restricted cash primarily consisted of a $2.3 million security deposit on the Company's operating lease.

Property and equipment

Property, net consisted of office furniture and fixtures of $0.9 million as of both December 31, 2024 and 2023 and accumulated depreciation was $0.5 million and $0.3 million, respectively. Depreciation and amortization expenses were $0.2 million and $1.5 million for the years ended December 31, 2024 and 2023, respectively. For the year ended December 31, 2023, because of focusing solely on objectives to realize the value of the Company's intellectual property estate, all the Company's property and equipment, other than certain office furniture and fixtures, was sold, donated or abandoned. The property and equipment sold for $1.3 million, resulting in a gain of $0.6 million, which was included as a separate charge within other income, net on the Company's consolidated statements of operations for the year ended December 31, 2023.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31 (in thousands):

	2024	2023
Legal and professional fees	$ 479	$ 1,301
Refundable tax credit	—	418
Restructuring costs	—	260
Accrued compensation and benefits	192	125
Accrued other	93	116
Total accrued expenses and other current liabilities	$ 764	$ 2,220

4. Fair Value Measurement

The Company has no assets or liabilities classified as Level 2 or 3 on its consolidated balance sheets as of December 31, 2024 and 2023. The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis classified as Level 1 of the fair value hierarchy as of December 31 (in thousands):

	2024	2023
Money market funds	$ 9,529	$ 24,919

There have been no transfers between fair value levels during the years ended December 31, 2024 and 2023. The carrying values of other current assets, accounts payable and accrued expenses and other liabilities approximate their fair values due to the short-term nature of these assets and liabilities.

5. Leases

The Company was party to a 10-year lease agreement for approximately 36,285 square feet of space for its primary office and laboratory space in Somerville, Massachusetts (the "Inner Belt Road Lease") with lease expense totaling $0.6 million for the year ended December 31, 2023. The Inner Belt Road Lease was terminated and the Company's rent obligations ended on June 30, 2023, resulting in an early termination gain of $0.8 million.

On August 3, 2021, the Company entered into a 10-year lease agreement with Hood Park LLC (the "Hood Lease"), pursuant to which it leases approximately 61,139 square feet of office and laboratory space in Charlestown, Massachusetts. The Hood Lease provides an option to extend the lease for one additional five-year term. The Company subleases all its Hood Lease space. The subleases expire in the second half of 2025. As of December 31, 2024, the Hood Lease accounted for $24.2 million of operating lease ROU assets, $2.3 million of current operating lease liabilities and $25.5 million of non-current operating lease liabilities. As of December 31, 2023, the Hood Lease accounted for $26.6 million of operating lease ROU assets, $1.7 million of current operating lease liabilities and $28.4 million of non-current operating lease liabilities.

The table below summarizes the Company's operating lease costs for the years ended December 31, 2024 and 2023 (in thousands except for lease terms and borrowing rates):

	2024	2023
Lease cost		
Operating	$ 4,968	$ 5,527
Variable	—	304
Short-term	—	17
Sublease income	(4,220)	(3,956)
Total operating lease cost	$ 748	$ 1,892
Other information		
Changes in operating lease liabilities	$ (2,335)	$ (2,762)
Weighted-average remaining lease term (years)	7.0	8.0
Weighted-average discount rate	8.5%	8.5%

The following table presents a summary of the Company's future operating lease payments required as of December 31, 2024 (in thousands):

2025	$	4,931
2026		5,071
2027		5,215
2028		5,364
2029		5,517
Thereafter		11,510
Total future minimum lease payments		37,608
Less: amount representing interest		(9,817)
Present value of future minimum lease payments	$	27,791

The undiscounted cash flows to be received under the operating subleases as of December 31, 2024 was $3.1 million in 2025.

6. Loan Payable

On May 11, 2022 the Company entered into a loan and security agreement (the "Loan Agreement") with Hercules Capital, Inc. On January 25, 2023, the Company voluntarily paid off all outstanding principal, accrued and unpaid interest, fees, costs and expenses under the Loan Agreement, equal to $16.2 million in the aggregate. Upon paying off the balance, all obligations, covenants, debts and liabilities of the Company were satisfied and discharged in full, and the Loan Agreement and all other documents entered into in connection with the Loan Agreement were terminated. As a result of the loan extinguishment, for the year ended December 31, 2023, the Company incurred a loss totaling $1.4 million, which included a final payment fee of $0.8 million, a prepayment fee of $0.3 million and $0.3 million in debt discount and deferred financing fees that were written off.

7. Restructuring

During the year ended December 31, 2023, the Company recognized restructuring charges of $3.8 million. There were nominal charges for the year ended December 31, 2024. These charges consisted of one-time severance payments, healthcare coverage, outplacement services and related expenses. During 2023, the Company had a January 2023 restructuring action, which was substantially completed in the fourth quarter of 2023. The Company incurred a total of $3.9 million related to the January 2023 restructuring action. All restructuring payments were completed as of June 30, 2024. The accrued restructuring liability is included in accrued expenses and other current liabilities on the consolidated balance sheets as of December 31, 2023.

The following table summarizes the restructuring accrual activity for the years ended December 31 (in thousands):

	2024		2023	
Accrued restructuring liability, beginning of the year	$	260	$	201
Restructuring charges		34		3,818
Cash payments		(294)		(3,759)
Accrued restructuring liability, end of the year	$	—	$	260

8. Income Taxes

For the year ended December 31, 2023, the Company recorded a deferred income tax benefit of $3.5 million, of which $1.4 million was federal and $2.1 million was state. The benefit was a result of the full removal of the deferred tax liability on the IPR&D that was written off during the first quarter of 2023 and treated as a discrete item in the tax provision. The Company did not record a deferred income tax expense or benefit for the year ended December 31, 2024. The Company did not record a current income tax expense or benefit for the years ended December 31, 2024 and 2023 due to current and historical losses incurred by the Company.

The effective income tax rate differed from the statutory federal income tax rate for the years ended December 31 due to the following:

	2024	2023
Federal income taxes at 21%	21.00%	21.00%
State income taxes, net of federal benefit and tax credits	1.57	3.39
Permanent differences	(0.08)	(9.12)
Change in valuation allowance	(22.49)	(10.83)
	0.00%	4.44%

Significant components of the Company's net deferred tax assets and liabilities as of December 31 are as follows (in thousands):

	2024	2023
Deferred Tax Assets:		
Net operating losses	$ 79,033	$ 73,677
Tax credits	8,684	8,722
Right of Use Liabilities	6,275	8,230
Section 174 R&D Expenditures	6,000	10,010
Other	1,135	1,423
Total deferred tax assets	101,127	102,062
Valuation allowance	(89,159)	(86,438)
Total net deferred tax assets	11,968	15,624
Deferred Tax Liabilities:		
Intangibles assets	6,403	8,224
Fixed assets	12	20
Right of Use Assets	5,475	7,263
Other	78	117
Total deferred tax liabilities	11,968	15,624
Total net deferred tax liabilities	$ -	$ -

The Company regularly assesses the need for a valuation allowance against its deferred tax assets. In making that assessment, the Company considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more-likely-than-not that some or all the deferred tax assets will not be realized. In assessing the realizability of deferred tax assets, the Company considers taxable income in prior carryback years, as permitted under the tax law, the Company's forecasted taxable earnings, tax planning strategies, and the expected timing of the reversal of temporary differences. This determination requires significant judgment, including assumptions about future taxable income that are based on historical and projected information and are performed on a jurisdiction-by-jurisdiction basis.

During the years ended December 31, 2024 and 2023, management assessed the positive and negative evidence in its U.S. operations, and concluded as of December 31, 2024 that it is more likely than not that all of its net deferred tax assets will not be realized given the Company's history of operating losses. The Company recorded a full valuation allowance against the total net U.S. deferred tax assets. The valuation allowance increased by approximately $2.7 million during 2024 related to a additional net operating losses and tax credits generated in the period.

As of December 31, 2024, the Company had federal net operating losses ("NOLs") of $299.0 million, which may be available to offset future federal income tax liabilities. The Company's federal NOLs incurred prior to 2018 totaling $37.2 million expire through 2037, while its federal NOLs incurred in 2018 and onwards totaling $261.8 million can be carried forward indefinitely. As of December 31, 2024, the Company had post-apportioned state NOLs of $16.3 million that can generally be carried forward 20 years. As of December 31, 2023, the Company had $6.7 million and $2.0 million of federal and state R&D credits, respectively, which will expire at various dates through 2041.

NOL and tax credit carryforwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the Internal Revenue Code, respectively, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The Company has not, yet, conducted a study to determine if any such changes have occurred that could limit its ability to use the NOL and tax credit carryforward.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions. A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. As of December 31, 2024 and 2023, the total amount of uncertain tax liabilities relates to federal and state tax credit carryforwards and are all recorded net in deferred taxes.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits as of December 31 is as follows (in thousands):

	2024	2023
Balance, beginning of year	$ (3,571)	$ 2,473
Additions for tax positions of prior years	—	1,098
Balance, end of year	$ (3,571)	$ (3,571)

The Company recognizes interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. As of December 31, 2024 and 2023, there were no accrued interest or penalties.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The previous three tax years remain open to examination by federal and state tax authorities. There are currently no pending income tax examinations. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service and state tax authorities to the extent utilized in a future period.

9. Commitments and Contingencies

Legal Contingencies

On December 1, 2021, Rebiotix Inc. and Ferring Pharmaceuticals Inc. (collectively, "Rebiotix") filed a complaint against the Company in the U.S. District Court for the District of Delaware (the "Court"). The complaint seeks a declaratory judgment of non-infringement and invalidity with respect to seven United States Patents owned by the Company: U.S. Patent Nos. 10,675,309 (the "'309 Patent"); 10,463,702 (the "'702 Patent"); 10,328,107 (the "'107 Patent"); 10,064,899; 10,022,406 (the "'406 Patent"); 9,962,413 (the "'413 Patent"); and 9,308,226. On February 7, 2022, the Company filed an answer and counterclaims against Rebiotix for infringement of the '107, '702, and '309 Patents. In June 2022, Finch alleged infringement of the '406 and '413 Patents by Rebiotix. On March 7, 2022, the Company filed an amended answer and counterclaims, in which the Company, together with the Regents of the University of Minnesota ("UMN"), alleged infringement by Rebiotix of three U.S. Patents owned by UMN and exclusively licensed to the Company: U.S. Patent Nos. 10,251,914, 10,286,011, and 10,286,012, (collectively, the "UMN Patents"). On April 4, 2022, Rebiotix filed counterclaims for declaratory judgment of non-infringement and invalidity of the UMN Patents. On May 2, 2022, the Company and UMN responded, denying such counterclaims. The Court set a trial date for a five-day trial beginning on May 20, 2024. On January 23, 2023, the Company filed a second amended answer and counterclaims, in which the Company alleged infringement by Rebiotix of two additional U.S. Patents owned by Finch: U.S. Patent Nos. 11,541,080 (the "'080 Patent") and 11,491,193 (the "'193 Patent"). On February 7, 2023, Rebiotix filed counterclaims for declaratory judgment of non-infringement and invalidity of the '080 Patent and '193 Patent. The Court issued a claim construction order on February 28, 2023. On July 6, 2023, Rebiotix filed a motion to dismiss certain counts of our second amended answer and counterclaims based on the assertion that Finch lacks standing to sue as to the '107 Patent, '702 Patent, '309 Patent, '406 Patent, '413 Patent, '193 Patent, and '080 Patent. Rebiotix specifically alleges that the sole named inventor on these patents, Thomas J. Borody, did not assign his rights in those patents to Finch, and as a result, Finch does not own them and therefore does not have standing to assert them. Briefing on this motion is complete. The parties have mutually agreed to narrow the case to include only claims from the '309, '702, '193, '080, '914, and '012 Patents. On December 8, 2023, both parties filed dispositive motions asking the Court to resolve certain aspects of the case in advance of the jury trial. On February 21, 2024, the Company received a notice that the U.S. District Court for the District of Delaware issued an order resetting the trial date from May 20, 2024 to August 5, 2024. On April 15, 2024, Rebiotix filed a motion for leave to amend its Reply and Counterclaims to add a counterclaim of infringement of U.S. Patent 11,944,654 against UMN by UMN's MTP-101-LR product or, in the alternative, add an affirmative defense to patent infringement claims based on the '914 and '012 patents, but has since narrowed its motion to drop its proposed counterclaim, maintaining its motion only as to its unclean hands affirmative defense. The Court denied this motion on March 5, 2025. On August 1, 2024, Rebiotix stipulated that the Company owns the asserted Finch patents.

On August 5, 2024, the case went to trial in the U.S. District Court for the District of Delaware. The trial involved a total of five asserted patent claims from three patents. Two claims were asserted from each of the '309 Patent and the '080 Patent owned by the Company, and one claim was asserted from the '914 Patent owned by UMN. On August 9, 2024, the jury rendered a verdict finding that Rebiotix had infringed the asserted claims, that such infringement was willful, that one claim each from the '309 Patent and the '080 Patent was invalid, and that the remaining claims were not invalid.

The jury awarded royalty damages to the Company and UMN in the amount of a $25.0 million upfront payment and $0.8 million in running royalties for commercial sales of Rebyota, a microbiome-based therapy for the treatment of recurrent infection of Clostridioides difficile marketed by Ferring Pharmaceuticals Inc. (“Ferring”), for the period between its commercial launch through the date of trial.

Since the conclusion of the trial, the Company filed post-trial motions to ask the court to triple the damage award, award supplemental damages from the beginning of trial to its end, impose an ongoing royalty for sales of Rebyota, award prejudgment interest, and award post-judgment interest. Rebiotix filed post-trial motions seeking judgment as a matter of law of non-infringement, no willful infringement, invalidity, and that there was no legally sufficient basis to support the $25.0 million upfront payment as part of the damage award. Rebiotix alternatively seeks an order from the court to reduce the damages award.

The outcome of the lawsuit is subject to inherent uncertainties, and the actual legal fees and costs and the amount of recovery, if any, after deducting legal fees and costs will depend upon many unknown factors, including the ultimate resolution of the proceedings. The outcome of the pending lawsuit cannot be predicted with certainty. The Company has determined that there is no probable or estimable loss contingency that is required to be recorded as of December 31, 2024.

License and Royalty Payments

The Company is party to license agreements under which it is obligated to make milestone and royalty payments and incur annual maintenance fees. Under the agreement with the University of Minnesota, the Company owes an annual minimum royalty that escalates each year ranging from $20 thousand in 2024 up to a maximum of $0.1 million in 2031 and thereafter. In addition, there is a nominal annual maintenance fee. The minimum payments continue in perpetuity until the agreement is terminated. Under an agreement for patents owned by Arizona State University the Company is required to pay minimum royalties of $20 thousand annually.

Under an agreement with Microbiome Health Research Institute, Inc. ("OpenBiome") the Company is required to pay certain milestone fees of up to $26.0 million upon the occurrence of certain R&D events, regulatory approvals, and commercial sales, and low single digit royalties on net sales of products on a product-by-product and country-by-country basis, as well as a mid-single digit royalties on sublicensing revenue related to such products.

Royalty Income

The Company is party to the LMIC License Agreement (“LMIC Agreement”) with OpenBiome, pursuant to which the Company granted OpenBiome a non-exclusive license, with the right to grant sublicenses, under certain patents, patent applications, and know-how that are reasonably necessary or useful for the exploitation of products manufactured directly from donor-sourced stool without the use of culturing or replication, or certain natural products (“OpenBiome Royalty Products”). The Company owns all improvements and modifications made to the licensed intellectual property throughout the term of the LMIC Agreement, while OpenBiome is responsible for all manufacturing efforts and all expenses associated with these efforts. The LMIC Agreement will continue in perpetuity until the last royalty is earned under the LMIC Agreement unless otherwise terminated by either party. OpenBiome has the right to terminate the LMIC Agreement for convenience upon 90 days specified prior written notice to the Company. Either party may terminate the LMIC Agreement in the event of an uncured material breach by the other party.

The only consideration provided to the Company under the LMIC Agreement is in the form of future royalties on net sales of OpenBiome Royalty Products. The Company is entitled to receive tiered royalties on net sales of certain products, ranging from mid-single digit to low second decile digits on a product-by-product and country-by-country basis. The Company did not recognize any revenue related to the LMIC Agreement for the years ended December 31, 2024 and 2023 as there are currently no marketable OpenBiome Royalty Products.

10. Stockholders’ Equity

The Company’s amended and restated certificate of incorporation authorizes the issuance of up to 200,000,000 shares of $0.001 par value common stock and up to 10,000,000 shares of $0.001 par value undesignated preferred stock. The Board of Directors (the “Board”) may designate the rights, preferences, privileges, and restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, and number of shares constituting any series or the designation of any series. The issuance of preferred stock could have the effect of restricting dividends on the Company’s common stock, diluting the voting power of the Company’s common stock, impairing the liquidation rights of the Company’s common stock, or delaying or preventing a change in control. As of December 31, 2024, no shares of preferred stock were outstanding.

Each share of common stock entitles the holder to one vote, together with the holders of preferred stock, on all matters submitted to the stockholders for a vote. Common stockholders are also entitled to receive dividends. As of December 31, 2024, no cash dividends have been declared or paid.

As of December 31, 2024 and 2023 the Company reserved 44,463 and 51,331 shares of common stock, respectively, for options to purchase common stock.

11. Stock-Based Compensation

2021 Equity Incentive Plan

In March 2021, the Board adopted, and the stockholders approved, the 2021 Equity Incentive Plan as amended (the "2021 Plan"). The 2021 Plan provides for the grant of incentive stock options to employees of the Company, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other forms of awards to employees, directors and consultants, including employees and consultants of the Company's affiliates. Awards under the 2021 Plan generally vest over a period of four years and have a maximum contractual term of ten years.

The number of shares of common stock reserved for issuance under the Company's 2021 Plan automatically increases on January 1 of each calendar year through January 1, 2031, in an amount equal to (i) 5.0% of the total number of shares of common stock outstanding on December 31 of the year before the date of each automatic increase, or (ii) a lesser number of shares determined by the Board prior to the applicable January 1. The maximum number of shares of common stock that may be issued on the exercise of incentive stock options will be 470,000 shares. Shares subject to stock awards granted that expire or terminate without being exercised in full or that are paid out in cash rather than in shares will not reduce the number of shares available for issuance under the 2021 Plan. As of December 31, 2024, there were 44,463 shares of common stock issuable upon the exercise of outstanding options and there were 364,567 shares available for future issuance.

2021 Employee Stock Purchase Plan

In March 2021, the Board adopted the 2021 Employee Stock Purchase Plan as amended (the "2021 ESPP"). The 2021 ESPP is administered by the Board or by a committee appointed by the Board. The 2021 ESPP provides participating employees with the opportunity to purchase shares of common stock. Each offering to employees to purchase shares will begin on each June 1 and December 1 and will end on the following November 30 and May 31, respectively. On each purchase date, which will fall on the last date of each offering period, participants will purchase shares of common stock at a price per share equal to 85% of the lesser of (1) the fair market value of the shares on the offering date or (2) the fair market value of the shares on the purchase date. The occurrence and duration of offering periods are subject to the determinations of the Board.

The number of shares of common stock reserved for issuance under the Company's 2021 ESPP will automatically increase on January 1 of each calendar year, starting on January 1, 2022 through January 1, 2031, in an amount equal to the lesser of (i) 1.0% of the total number of shares of common stock outstanding on December 31 of the year before the date of each automatic increase, or (ii) 46,666 shares, unless a lesser number of shares is determined by the Board. As of December 31, 2024, 3,354 shares have been issued under the 2021 ESPP and 61,224 shares are available for future issuance.

Stock Option Valuation

There were no grants during the year ended December 31, 2024 and the assumptions that the Company used in Black-Scholes option-pricing model to determine the grant-date fair value of stock options granted for the year ended December 31, 2023 is as follows:

Risk-free interest rate	3.88%
Expected term (in years)	6.03
Expected volatility	106.4%
Expected dividend yield	0.0%

The following table summarizes the activity of the Company's stock options for the year ended December 31, 2024:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2023	51,331	$ 39.05	8.0	$ —
Forfeited, cancelled or expired	(6,868)	$ 151.83		
Outstanding as of December 31, 2024	44,463	$ 21.56	7.8	$ 105
Options exercisable as of December 31, 2024	24,403	$ 32.59	7.2	$ 42
Options vested or expected to vest as of December 31, 2024	44,463	$ 21.56	7.8	$ 105

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the

Company's common stock. There were no options exercised in 2024 or 2023. There were no stock options granted during the year ended December 31, 2024. The weighted-average grant date fair value of stock options granted during the year ended December 31, 2023 was $6.76 per option. As of December 31, 2024, there was nominal unrecognized stock-based compensation expense remaining to be recognized over a weighted average period of 2.4 years.

Stock-Based Compensation Expense

Stock-based compensation expense was allocated as follows for the years ended December 31 (in thousands):

	2024	2023
Research and development	$ —	$ 231
General and administrative	70	1,698
Total	$ 70	$ 1,929

12. Defined Contribution Plan

The Company has a defined contribution plan intended to qualify under Section 401(k) of the Internal Revenue Code covering all eligible employees of the Company. All employees were eligible to become participants in the plan at the beginning of the next full quarter after their hire date. Each active employee could elect, voluntarily, to contribute a percentage of their compensation to the plan each year, subject to certain limitations. The Company made nominal contributions to the plan for the years ended December 31, 2024 and 2023. As of December 31, 2024, the Company terminated the plan.

13. Loss Per Share

Basic and diluted loss per share, which is computed by dividing net loss attributable to common stockholders by the weighted-average common shares outstanding, is as follows for the years ended December 31 (in thousands, except share and per share data):

	2024	2023
Numerator:		
Net loss attributable to common stockholders	$ (13,877)	$ (74,754)
Denominator:		
Weighted-average common stock outstanding—basic and diluted	1,605,763	1,604,549
Net loss per share attributable to common stockholders, basic and diluted	$ (8.64)	$ (46.59)

The weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded options to purchase common stock of 44,463 and 51,331 from the computation of diluted net loss per share attributable to common stockholders as of December 31, 2024 and 2023 because including them would have had an anti-dilutive effect.

14. Segment Reporting

The Company conducts business as a single operating segment which is based upon the Company's organizational and management structure, as well as information used by the CODM to allocate resources and other factors. The accounting policies of the segment are the same as those described in Note 2.

The key measure of segment profitability that the CODM uses to allocate resources and assess performance is consolidated net loss, as reported on the consolidated statements of operations. The CODM utilizes consolidated net loss by comparing actual results against forecasted amounts on an as needed basis. The CODM does not review assets in evaluating the results and therefore, such information is not presented.

The following table presents the significant revenue and expense categories of the Company's single operating segment as of December 31 (in thousands):

	2024	2023
Revenue	$ —	$ 107
Less: Significant operating expenses		
Impairment	—	46,041
Legal fees and related costs	9,471	11,762
Facilities and supplies	4,972	6,068
Insurance	1,450	2,483
Accounting and other professional fees	1,160	4,583
Personnel expenses (including stock-based compensation)	716	5,450
Information technology	348	1,300
Restructuring	34	3,818
Other	741	2,463
Plus: Other segment income	5,016	5,646
Income tax benefit	—	3,461
Net loss	$ (13,877)	$ (74,754)