MAXCYTE, INC. AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
MaxCyte, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of MaxCyte, Inc. and Subsidiary (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ CohnReznick LLP

We have served as the Company's auditor since 2018.

Tysons, Virginia
April 20, 2021

MaxCyte, Inc.

Consolidated Balance Sheets

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 18,755,200	$ 15,210,800
Short-term investments, at amortized cost	16,007,500	1,497,800
Accounts receivable, net	5,171,900	3,244,500
Inventory	4,315,800	3,701,800
Other current assets	1,003,000	797,100
Total current assets	**45,253,400**	**24,452,000**
Property and equipment, net	4,546,200	3,280,100
Right of use asset – operating leases	1,728,300	2,253,300
Right of use asset – finance leases	218,300	—
Other assets	33,900	—
Total assets	**$ 51,780,100**	**$ 29,985,400**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 890,200	$ 2,089,400
Accrued expenses and other	5,308,500	3,551,600
Operating lease liability, current	572,600	508,900
Deferred revenue	4,843,000	3,193,200
Total current liabilities	**11,614,300**	**9,343,100**
Note payable, net of discount and deferred fees	4,917,000	4,895,300
Operating lease liability, net of current portion	1,234,600	1,807,100
Other liabilities	788,800	338,100
Total liabilities	**18,554,700**	**16,383,600**
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, $0.01 par; 200,000,000 shares authorized, 77,382,473 and 57,403,583 shares issued and outstanding at December 31, 2020 and 2019, respectively	773,800	574,000
Additional paid-in capital	127,673,900	96,433,700
Accumulated deficit	(95,222,300)	(83,405,900)
Total stockholders' equity	**33,225,400**	**13,601,800**
Liabilities and stockholders' equity	**$ 51,780,100**	**$ 29,985,400**

See accompanying notes to the consolidated financial statements.

MaxCyte, Inc.

Consolidated Statements of Operations
For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenue	**$ 26,168,900**	**$ 21,620,700**
Costs of goods sold	2,767,000	2,499,200
Gross profit	**23,401,900**	**19,121,500**
Operating expenses:		
Research and development	17,744,300	17,601,200
Sales and marketing	8,328,700	7,852,100
General and administrative	8,385,600	6,088,200
Total operating expenses	**34,458,600**	**31,541,500**
Operating loss	**(11,056,700)**	**(12,420,000)**
Other income (expense):		
Interest and other expense	(825,600)	(681,100)
Interest and other income	65,900	206,100
Total other income (expense)	**(759,700)**	**(475,000)**
Net loss	**$(11,816,400)**	**$(12,895,000)**
Basic and diluted net loss per common share	**$ (0.17)**	**$ (0.23)**
Weighted average common shares outstanding, basic and diluted	**69,464,751**	**56,397,524**

See accompanying notes to the consolidated financial statements.

MaxCyte, Inc.

Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2020 and 2019

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance January 1, 2019	**51,332,764**	**$513,300**	**$82,279,300**	**$(70,510,900)**	**$ 12,281,700**
Issuance of stock in public offering	5,908,319	59,100	12,271,200	—	12,330,300
Stock-based compensation expense	—	—	1,752,100	—	1,752,100
Exercise of stock options	162,500	1,600	131,100	—	132,700
Net loss	—	—	—	(12,895,000)	(12,895,000)
Balance December 31, 2019	**57,403,583**	**$574,000**	**$96,433,700**	**$(83,405,900)**	**$ 13,601,800**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance January 1, 2020	**57,403,583**	**$574,000**	**$ 96,433,700**	**$(83,405,900)**	**$ 13,601,800**
Issuance of stock in public offering	19,181,423	191,800	28,375,400	—	28,567,200
Stock-based compensation expense	—	—	2,471,800	—	2,471,800
Exercise of stock options	797,467	8,000	393,000	—	401,000
Net loss	—	—	—	(11,816,400)	(11,816,400)
Balance December 31, 2020	**77,382,473**	**$773,800**	**$127,673,900**	**$(95,222,300)**	**$ 33,225,400**

See accompanying notes to the consolidated financial statements.

MaxCyte, Inc.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net loss	$(11,816,400)	$(12,895,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization on property and equipment, net	1,047,700	613,500
Net book value of consigned equipment sold	79,900	25,000
Loss on disposal of fixed assets	25,900	1,700
Fair value adjustment of liability classified warrant	366,500	14,000
Stock-based compensation	2,471,800	1,752,100
Bad debt (recovery) expense	(117,200)	54,200
Amortization of discounts on short-term investments	(3,800)	(32,600)
Noncash interest expense	21,700	51,900
Changes in operating assets and liabilities:		
Accounts receivable	(1,810,200)	1,592,000
Inventory	(890,600)	(1,890,200)
Other current assets	(205,900)	66,600
Right of use asset – operating leases	525,000	474,600
Right of use asset – finance lease	83,400	—
Other assets	(33,900)	—
Accounts payable, accrued expenses and other	391,000	1,160,200
Operating lease liability	(508,800)	68,600
Deferred revenue	1,649,800	795,900
Other liabilities	(58,000)	(655,000)
Net cash used in operating activities	(8,782,100)	(8,802,500)
Cash flows from investing activities:		
Purchases of short-term investments	(22,505,900)	(7,424,100)
Maturities of short-term investments	8,000,000	9,149,900
Purchases of property and equipment	(2,072,100)	(1,271,300)
Net cash (used in) provided by investing activities	(16,578,000)	454,500
Cash flows from financing activities:		
Net proceeds from sale of common stock	28,567,200	12,330,300
Borrowings under notes payable	1,440,000	4,953,300
Principal payments on notes payable	(1,440,000)	(5,105,500)
Proceed from exercise of stock options	401,000	132,700
Principal payments on finance leases	(63,700)	—
Net cash provided by financing activities	28,904,500	12,310,800
Net increase in cash and cash equivalents	3,544,400	3,962,800
Cash and cash equivalents, beginning of year	15,210,800	11,248,000
Cash and cash equivalents, end of year	$ 18,755,200	$ 15,210,800
Supplemental cash flow information:		
Cash paid for interest	$ 421,400	$ 669,600
Supplemental noncash information:		
Property and equipment purchases included in accounts payable	$ 70,900	$ 399,900
Issuance of warrant in conjunction with debt transaction	—	$ 60,700

See accompanying notes to the consolidated financial statements.

1. Organization and Description of Business

MaxCyte, Inc. (the “Company” or “MaxCyte”) was incorporated as a majority owned subsidiary of EntreMed, Inc. (“EntreMed”) on July 31, 1998, under the laws and provisions of the state of Delaware and commenced operations on July 1, 1999. In November 2002, MaxCyte was recapitalized and EntreMed was no longer deemed to control the Company.

MaxCyte is a global life sciences company focused on advancing the discovery, development and commercialization of next-generation cell therapies. MaxCyte leverages its proprietary cell engineering technology platform to enable the programs of its biotechnology and pharmaceutical company customers who are engaged in cell therapy, including gene editing and immuno-oncology, as well as in drug discovery and development and biomanufacturing. The Company licenses and sells its instruments and technology and sells its consumables to developers of cell therapies and to pharmaceutical and biotechnology companies for use in drug discovery and development and biomanufacturing. In early 2020, the Company established a wholly owned subsidiary, CARMA Cell Therapies, Inc. (“CCTI”), as part of its development of CARMA, MaxCyte’s proprietary, mRNA-based, clinical-stage, immuno-oncology cell therapy.

The COVID-19 pandemic has disrupted economic markets and the economic impact, duration and spread of related effects is uncertain at this time and difficult to predict. As a result, it is not possible to ascertain the overall future impact of COVID-19 on the Company’s business and, depending upon the extent and severity of such effects, including, but not limited to potential slowdowns in customer operations, extension of sales cycles, shrinkage in customer capital budgets or delays in customers’ clinical trials, the pandemic could have a material adverse effect on the Company’s business, results of operations, financial condition and cash flows. In 2020, the Company made adjustments to its operating, sales and marketing practices to mitigate the effects of COVID-19 restrictions which reduced planned spending, particularly on travel and marketing expenditures. In addition, COVID-19 restrictions may have delayed or slowed the research activities of some existing and prospective customers. It is not possible to quantify the impact of COVID-19 on the Company’s revenues and expenses in 2020 or its expected impact on future periods.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

Use of Estimates

The preparation of financial statements in conformity with US 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 financial statements and the reported amount of revenues and expenses during the reporting period. In the accompanying consolidated financial statements, estimates are used for, but not limited to, revenue recognition, stock-based compensation, allowance for doubtful accounts, allowance for inventory obsolescence, accruals for contingent liabilities, accruals for clinical trials, deferred taxes and valuation allowance, and the depreciable lives of fixed assets. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CCTI. All significant intercompany balances have been eliminated in consolidation.

Concentration

During the year ended December 31, 2020, one customer represented 15% of revenue, in part due to certain one-time milestone events. During the year ended December 31, 2019, one customer represented 10% of revenue.

During the year ended December 31, 2020, the Company purchased approximately 47% of its inventory from a single supplier. During the year ended December 31, 2019, the Company purchased approximately 56% of its inventory from a single supplier. At December 31, 2020, amounts payable to three suppliers totaled 62% of total accounts payable. At December 31, 2019, amounts payable to a single supplier totaled 25% of total accounts payable.

Foreign Currency

The Company's functional currency is the US dollar; transactions denominated in foreign currencies are transacted at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in foreign currency is consummated and the date on which it is either settled or at the reporting date are recognized in the consolidated statements of operations as general and administrative expense. The Company recognized an $81,800 foreign currency transaction gain and a $24,700 foreign currency transaction loss for the years ended December 31, 2020 and 2019, respectively.

Fair Value

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. US GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

- Level 1 — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 — Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3 — Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

See Note 6 for additional information regarding fair value.

Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of financial instruments including money market funds and commercial paper with original maturities of less than 90 days. Short-term investments consist of commercial paper with original maturities greater than 90 days and less than one year. All money market funds, and commercial paper are recorded at amortized cost unless they are deemed to be impaired on an other-than-temporary basis, at which time they are recorded at fair value using Level 2 inputs.

The following table summarizes the Company's investments at December 31, 2020:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds	Cash equivalents	$ 8,702,200	$ —	$ —	$ 8,702,200
Commercial Paper	Cash equivalents	6,523,500	—	—	6,523,500
Commercial Paper	Short-term investments	13,996,800	1,800	—	13,998,600
Corporate Debt	Short-term investments	2,010,700	—	(100)	2,010,600
Total Investments		$31,233,200	$ 1,800	$ (100)	$31,234,900

The following table summarizes the Company's investments at December 31, 2019:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds	Cash equivalents	$10,037,000	$ —	$ —	$10,037,000
Commercial Paper	Cash equivalents	1,399,700	—	—	1,399,700
Commercial Paper	Short-term investments	1,497,800	400	—	1,498,200
Total Investments		$12,934,500	$ 400	$ —	$12,934,900

At times the Company's cash balances may exceed federally insured limits and cash may also be deposited in foreign bank accounts that are not covered by federal deposit insurance. The Company does not believe that this results in any significant credit risk.

Inventory

The Company sells or licenses products to customers. The Company uses the average cost method of accounting for its inventory and adjustments resulting from periodic physical inventory counts are reflected in costs of goods sold in the period of the adjustment. Inventory is carried at the lower of cost or net realizable value. Inventory consisted of the following at:

	December 31, 2020	December 31, 2019
Raw materials inventory	$ 1,771,300	$ 1,318,600
Finished goods inventory	2,544,500	2,383,200
Total Inventory	$ 4,315,800	$ 3,701,800

The Company determined no allowance for obsolescence was necessary at December 31, 2020 or 2019.

Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. The Company determined no allowance was necessary at December 31, 2020. The Company recorded an allowance of $117,200 at December 31, 2019. This amount was subsequently collected and the allowance was reversed in the year ended December 31, 2020.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method. Office equipment (principally computers) is depreciated over an estimated useful life of three years. Laboratory equipment is depreciated over an estimated useful life of five years. Furniture is depreciated over a useful life of seven years. Leasehold improvements are amortized over the shorter of the estimated lease term or useful life. Instruments represent equipment held at a customer's site that is typically leased to customers on a short-term basis and is depreciated over an estimated useful life of five years.

Property and equipment include capitalized costs to develop internal-use software. Applicable costs are capitalized during the development stage of the project and include direct internal costs, third-party costs and allocated interest expenses as appropriate.

Property and equipment consist of the following:

	December 31, 2020	December 31, 2019
Furniture and equipment	$ 3,492,900	$ 2,311,800
Instruments	1,424,600	1,223,700
Leasehold improvements	641,400	635,100
Internal-use software under development	—	30,300
Internal-use software	1,963,000	1,277,300
Accumulated depreciation and amortization	(2,975,700)	(2,198,100)
Property and equipment, net	$ 4,546,200	$ 3,280,100

For the years ended December 31, 2020 and 2019, the Company transferred $276,600 and $571,000, respectively, of instruments previously classified as inventory to property and equipment leased to customers.

For the years ended December 31, 2020 and 2019, the Company incurred depreciation and amortization expense of $1,047,700 and $613,500, respectively. Maintenance and repairs are charged to expense as incurred.

In the years ended December 31, 2020 and 2019, the Company capitalized approximately $16,700 and $13,800 of interest expense related to capitalized software development projects.

Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The Company recognized no impairment in either of the years ended December 31, 2020 or 2019.

Revenue Recognition

The Company analyzes contracts to determine the appropriate revenue recognition using the following steps: (i) identification of contracts with customers, (ii) identification of distinct performance obligations in the contract, (iii) determination of contract transaction price, (iv) allocation of contract transaction price to the performance obligations and (v) determination of revenue recognition based on timing of satisfaction of the performance obligations.

In some arrangements, product and services have been sold together representing distinct performance obligations. In such arrangements the Company allocates the sale price to the various performance obligations in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each performance obligation in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

The Company recognizes revenue upon the satisfaction of its performance obligation (generally upon transfer of control of promised goods or services to its customers) in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Company defers incremental costs of obtaining a customer contract and amortizes the deferred costs over the period that the goods and services are transferred to the customer. The Company had no material incremental costs to obtain customer contracts in any period presented.

Deferred revenue results from amounts billed in advance to customers or cash received from customers in advance of services being provided.

Research and Development Costs

Research and development costs consist of independent proprietary research and development costs and the costs associated with work performed for fees from third parties. Research and development costs are expensed as incurred. Research costs performed for fees paid by customers are included in cost of goods sold.

Stock-Based Compensation

The Company grants stock-based awards in exchange for employee, consultant and non-employee director services. The value of the award is recognized as expense on a straight-line basis over the requisite service period.

The Company utilizes the Black-Scholes option pricing model for estimating fair value of its stock options granted. Option valuation models, including the Black-Scholes model, require the input of highly subjective assumptions, and changes in the assumptions used can materially affect the grant-date fair value of an award. These assumptions include the expected volatility, expected dividend yield, risk-free rate of interest and the expected life of the award. A discussion of management's methodology for developing each of the assumptions used in the Black-Scholes model is as follows:

Expected volatility

Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company does not currently have sufficient history with its own common stock to determine its actual volatility. The Company has been able to identify several public entities of similar size, complexity and stage of development; accordingly, historical volatility has been calculated at between 49% and 55% for the year ended December 31, 2020 and between 48% and 50% for the year ended December 31, 2019 using the volatility of these companies.

Expected dividend yield

The Company has never declared or paid common stock dividends and has no plans to do so in the foreseeable future. Additionally, the Company's long-term debt agreement restricts the payment of cash dividends.

Risk-free interest rate

This approximates the US Treasury rate for the day of each option grant during the year, having a term that closely resembles the expected term of the option. The risk-free interest rate was between 0.4% and 1.7% for the year ended December 31, 2020 and 1.6% and 2.6% for the year ended December 31, 2019.

Expected term

This is the period that the options granted are expected to remain unexercised. Options granted have a maximum term of ten years. The Company estimates the expected term of the options to be approximately six years for options with a standard four-year vesting period, using the simplified method. Over time, management intends to track estimates of the expected term of the option term so that estimates will approximate actual behavior for similar options.

Expected forfeiture rate

The Company records forfeitures as they occur.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more-likely-than-not that all or a portion of the deferred tax asset will not be realized.

Management uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties and financial statement reporting disclosures. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Company has not identified any uncertain income tax positions that could have a material impact to the consolidated financial statements.

The Company is subject to taxation in various jurisdictions in the United States and abroad and remains subject to examination by taxing jurisdictions for 2016 and all subsequent periods. The Company had a Federal Net Operating Loss (“NOL”) carry forward of $57.8 million as of December 31, 2020, which was generally available as a deduction against future income for US federal corporate income tax purposes, subject to applicable carryforward limitations. As a result of the March 2016 public offering of common stock and listing on the AIM market of the London Stock Exchange, the Company’s NOLs are limited on an annual basis, subject to certain carryforward provisions, pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, as a result of a greater than 50% change in ownership that occurred in the three-year period ending at the time of the AIM listing and public offering. The Company has calculated that for the period ending December 31, 2022, the cumulative limitation amount exceeds the NOLs subject to the limitation. In addition, the Company’s NOLs may also be limited as a result of ownership changes subsequent to the 2016 AIM listing. The Company has not yet calculated such subsequent limitations.

Leases

Right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. In transactions where the Company is the lessee, at the inception of a contract, the Company determines if the arrangement is, or contains, a lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term.

The Company has made certain accounting policy elections for leases where it is the lessee whereby the Company (i) does not recognize ROU assets or lease liabilities for short-term leases (those with original terms of 12-months or less) and (ii) combines lease and non-lease elements of its operating leases. See Note 9 for additional details over leases where the Company is the lessee.

All transactions where the Company is the lessor are short-term (one year or less) and have been classified as operating leases. All leases require upfront payments covering the full period of the lease and thus, there are no future payments expected to be received from existing leases. See Note 3 for details over revenue recognition related to lease agreements.

Loss Per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares of Common Stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of common stock options and stock purchase warrants using the treasury stock method.

For periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all dilutive potential common shares is anti-dilutive. The number of anti-dilutive shares, consisting of stock options and stock purchase warrants, which has been excluded from the computation of diluted loss per share, was 12.9 million and 10.4 million for the years ended December 31, 2020 and 2019, respectively.

Recent Accounting Pronouncements

Recently Adopted

On January 1, 2020, the Company adopted new guidance addressing the accounting for implementation, setup and other upfront costs paid by a customer in a cloud computing or hosting arrangement. The guidance aligns the accounting treatment of these costs incurred in a hosting arrangement treated as a service contract with the requirements for capitalization and amortization costs to develop or obtain internal-use software. The adoption did not have a material effect on the Company's consolidated financial statements.

Unadopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. The Company is currently evaluating the impact, if any, that this new accounting pronouncement will have on its consolidated financial statements.

In August 2020, the FASB issued guidance with respect to (i) accounting for convertible instruments, (ii) accounting for contracts in an entity's own equity as derivatives and (iii) earnings per share calculations. The guidance attempts to simplify the accounting for convertible instruments by eliminating the requirement to separate embedded conversion options in certain circumstances. The guidance also provides for updated disclosure requirements for convertible instruments. The guidance further updates the criteria for determining whether a contract in an entity's own equity can be classified as equity. Lastly, the guidance specifically addresses how to account for the effect of convertible instruments and potential cash settled instruments in calculating diluted earnings per share. The guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The adoption of this guidance may be applied on a modified retrospective basis or a full retrospective basis. The Company is currently evaluating the impact, if any, that this new accounting pronouncement will have on its consolidated financial statements.

The Company has evaluated all other issued and unadopted Accounting Standards Updates and believes the adoption of these standards will not have a material impact on its results of operations, financial position, or cash flows.

3. Revenue

Revenue is principally from the sale or lease of instruments and processing assemblies, as well as from extended warranties. In some arrangements, product and services have been sold together representing distinct performance obligations. In such arrangements the Company allocates the sale price to the various performance obligations in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each performance obligation in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

Revenue is recognized at the time control is transferred to the customer and the performance obligation is satisfied. Revenue from the sale of instruments and processing assemblies is generally recognized at the time of shipment to the customer, provided no significant vendor obligations remain and collectability is reasonably assured. Revenue from equipment leases are recognized ratably over the contractual term of the lease agreement and when specific milestones are achieved by a customer. Licensing fee revenue is recognized ratably over the license period. Revenue from fees for research services is recognized when services have been provided.

Disaggregated revenue for the year ended December 31, 2020 is as follows:

	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue
Product Sales	$14,850,200	$ —	$14,850,200
Leased Elements	—	10,717,400	10,717,400
Other	601,300	—	601,300
Total	$15,451,500	$10,717,400	$26,168,900

Disaggregated revenue for the year ended December 31, 2019 is as follows:

	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue
Product Sales	$12,917,800	$ —	$12,917,800
Leased Elements	—	8,363,500	8,363,500
Other	339,400	—	339,400
Total	$13,257,200	$8,363,500	$21,620,700

Additional disclosures relating to Revenue from Contracts with Customers

Changes in deferred revenue for the year ended December 31, 2020 were as follows:

Balance at January 1, 2020	$3,452,800
Revenue recognized in the current period from amounts included in the beginning balance	3,191,200
Current period deferrals, net of amounts recognized in the current period	4,752,700
Balance at December 31, 2020	$5,014,300

Changes in deferred revenue for the year ended December 31, 2019 were as follows:

Balance at January 1, 2019	$2,770,100
Revenue recognized in the current period from amounts included in the beginning balance	2,435,000
Current period deferrals, net of amounts recognized in the current period	3,117,700
Balance at December 31, 2019	$3,452,800

Remaining contract consideration for which revenue has not been recognized due to unsatisfied performance obligations with a duration greater than one year was approximately $227,500 at December 31, 2020, of which the Company expects to recognize approximately $56,200 in 2021, $56,200 in 2022, $41,900 in 2023, $22,000 in 2024 and $51,200 thereafter.

In the years ended December 31, 2020 and 2019, the Company did not incur, and therefore did not defer, any material incremental costs to obtain contracts or costs to fulfil contracts.

4. Debt

The Company originally entered into a credit facility with Midcap Financial SBIC, LP ("MidCap") in March 2014. In February 2019, the Company paid off the MidCap credit facility in full in accordance with its terms and conditions.

In November 2019, the Company entered into a new credit facility with MidCap. The credit facility provided for a $5 million term loan maturing on November 1, 2024. The term loan provides for (i) an interest rate of one-month Libor plus 6.5% with a 1.5% Libor floor, (ii) monthly interest payments, (iii) 30 monthly principal payments of approximately $166,700 beginning June 2022 and (iv) a 3% final payment fee. The Company used the proceeds from the credit facility for general operating purposes. The debt is collateralized by substantially all assets of the Company.

In conjunction with the credit facility the Company issued the lender a warrant to purchase 71,168 shares of common stock at a price of £1.09081 per share. The warrant is exercisable at any time through the tenth anniversary of issuance (see Note 5). In connection with the credit facility, the Company also incurred expenses of approximately $47,300. The warrant and expenses resulted in recording a debt discount which is amortized as interest expense over the term of the loan. At December 31, 2020, the term loan had an outstanding principal balance of $5 million and $83,000 of unamortized debt discount.

In April 2020, the Company received a loan from Silicon Valley Bank in the amount of $1,440,000 under the US Small Business Administration's Paycheck Protection Program ("PPP"). The PPP was established as part of the US Coronavirus Aid, Relief, and Economic Security ("CARES") Act and provides for potential forgiveness of the loan upon the Company meeting certain conditions as to the use of the proceeds. The loan provided for interest at 1% and a maturity date of April 2022. In May 2020, subsequent to the Company's 2020 equity raise (see Note 5), the Company repaid the loan in full.

5. Stockholders' Equity

Common Stock

In March 2019, the Company completed an equity capital raise issuing approximately 5.9 million shares of Common Stock at a price of £1.70 (or approximately $2.25) per share. The transaction generated gross proceeds of approximately £10 million (or approximately $13.3 million). In conjunction with the transaction, the Company incurred costs of approximately $1.0 million which resulted in the Company receiving net proceeds of approximately $12.3 million.

In May 2020, the Company completed an equity capital raise issuing 19,181,423 shares of its common stock at a price of £1.31 (or approximately $1.60) per share in an unregistered offering. The transaction generated gross proceeds of approximately £25.1 million (or $30.5 million). In conjunction with the transaction, the Company incurred costs of approximately $1.9 million which resulted in the Company receiving net proceeds of approximately $28.6 million.

During the year ended December 31, 2020, the Company issued 797,467 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $401,000. During the year ended December 31, 2019, the Company issued 162,500 shares of Common Stock as a result of stock option exercises, receiving gross proceeds of $132,700.

Warrant

In connection with the November 2019 credit facility the Company issued the lender a warrant to purchase 71,168 shares of Common Stock at an exercise price of £1.09081 per share. The warrant is exercisable at any time through the tenth anniversary of issuance. The warrant is classified as a liability as its strike price is in a currency other than the Company's functional currency. The warrant is recorded at fair value at the end of each reporting period with changes from the prior balance sheet date recorded on the consolidated statements of operations (see Note 6).

Stock Options

The Company adopted the MaxCyte, Inc. Long-Term Incentive Plan (the "Plan") in January 2016 to amend and restate the MaxCyte 2000 Long-Term Incentive Plan to provide for the awarding of (i) stock options, (ii) restricted stock, (iii) incentive shares, and (iv) performance awards to employees, officers, and Directors of the Company and to other individuals as determined by the Board of Directors. Under the Plan, as amended, the maximum number of shares of Common Stock of the Company that the Company may issue is increased by ten percent (10%) of the shares that are issued and outstanding at the time awards are made under the Plan. On December 10, 2019 and October 27, 2020, the Company's Board resolved to increase the number of stock options under the Plan by 3,000,000 and 1,500,000, respectively, to provide sufficient shares to allow competitive equity compensation in its primary markets for staff and consistent with practices of comparable companies.

At December 31, 2020 there were 4,175,737 awards available to be issued under the Plan.

The Company has not issued any restricted stock, incentive shares, or performance awards under the Plan. Stock options granted under the Plan may be either incentive stock options as defined by the Internal Revenue Code or non-qualified stock options. The Board of Directors determines who will receive options under the Plan and determines the vesting period. The options can have a maximum term of no more than ten years. The exercise price of options granted under the Plan is determined by the Board of Directors and must be at least equal to the fair market value of the Common Stock of the Company on the date of grant.

A summary of stock option activity for the years ended December 31, 2020 and 2019 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2019	8,388,500	$1.49	7.4	$10,354,900
Granted	2,538,500	$2.17		
Exercised	(162,500)	$0.82		$ 217,600
Forfeited	(465,215)	$2.48		
Outstanding at December 31, 2019	10,299,285	$1.63	7.0	$ 6,471,500
Granted	3,849,448	$3.00		
Exercised	(797,467)	$0.52		$ 2,198,300
Forfeited	(487,036)	$2.59		
Outstanding at December 31, 2020	12,864,230	$2.11	7.1	$65,576,300
Exercisable at December 31, 2020	7,609,667	$1.53	5.9	$43,196,900

The weighted-average fair value of the options granted during the years ended December 31, 2020 and 2019 was estimated to be $1.39 and $1.08, respectively.

As of December 31, 2020, total unrecognized compensation expense was $7,130,900, which will be recognized over the next 2.9 years.

Stock-based compensation expense for the years ended December 31, 2020 and 2019 was classified as follows on the consolidated statements of operations:

	2020	2019
General and administrative	$1,230,700	$ 827,500
Sales and marketing	484,700	325,700
Research and development	756,400	598,900
Total	$2,471,800	$1,752,100

6. Fair Value

The Company's consolidated balance sheets include various financial instruments (primarily cash and cash equivalents, short-term investments, accounts receivable and accounts payable) that are carried at cost, which approximates fair value due to the short-term nature of the instruments. Notes payable are reflective of fair value based on market comparable instruments with similar terms.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company has an outstanding warrant originally issued in connection with the November 2019 debt financing (see Note 4) that is accounted for as a liability whose fair value is determined using Level 3 inputs. The following table identifies the carrying amounts of this warrant at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Liabilities				
Liability classified warrant	$ —	$ —	$441,200	$441,200
Total at December 31, 2020	$ —	$ —	$441,200	$441,200

The following table identifies the carrying amounts of this warrant at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Liabilities				
Liability classified warrant	$ —	$ —	$74,700	$74,700
Total at December 31, 2019	$ —	$ —	$74,700	$74,700

The following table presents the activity for those items measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2020:

	Mark-to-market liabilities — warrant
Balance at December 31, 2019	$ 74,700
Change in fair value	366,500
Balance at December 31, 2020	$441,200

The following table presents the activity for those items measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2019:

	Mark-to-market liabilities — warrant
Balance at December 31, 2018	$ —
Issuance	60,700
Change in fair value	14,000
Balance at December 31, 2019	$74,700

The gains and losses resulting from the changes in the fair value of the liability classified warrant are classified as other income or expense in the accompanying consolidated statements of operations. The fair value of the Common Stock purchase warrants is determined based on the Black-Scholes option pricing model or other option pricing models as appropriate and includes the use of unobservable inputs such as the expected term, anticipated volatility and expected dividends. Changes in any of the assumptions related to such unobservable inputs identified above may change the embedded conversion options' fair value; increases in expected term, anticipated volatility and expected dividends generally result in increases in fair value, while decreases in these unobservable inputs generally result in decreases in fair value.

The Company has no other financial assets or liabilities measured at fair value on a recurring basis.

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Money market funds and commercial paper classified as held-to-maturity are measured at fair value on a non-recurring basis when they are deemed to be impaired on an other-than-temporary basis. No such fair value impairment was recognized during the years ended December 31, 2020 or 2019.

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company has no non-financial assets and liabilities that are measured at fair value on a recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company measures its long-lived assets, including property and equipment, at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be impaired. No such fair value impairment was recognized during the years ended December 31, 2020 or 2019.

7. Retirement Plan

The Company sponsors a defined-contribution 401(k) retirement plan covering eligible employees. Participating employees may voluntarily contribute up to limits provided by the Internal Revenue Code. The Company matches employee contributions equal to 50% of the salary deferral contributions, with a maximum Company contribution of 3% of the employees' eligible compensation. In the years ended December 31, 2020 and 2019, Company matching contributions amounted to $351,500 and $277,700, respectively.

8. Income Taxes

The Company did not recognize a provision (benefit) for income taxes in 2020 or 2019. Based on the Company's historical operating performance, the Company has provided a full valuation allowance against its net deferred tax assets.

Net deferred tax assets as of December 31, 2020 and 2019 are presented in the table below:

	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 14,998,000	$ 12,842,100
Research and development credits	875,400	875,400
Stock-based compensation	1,662,600	1,146,200
Deferred revenue	1,387,200	965,800
Lease liability	566,900	647,800
Accruals and other	971,700	652,700
Deferred tax liabilities:		
ROU asset	(538,500)	(630,300)
Depreciation	—	(25,300)
	19,923,300	16,474,500
Valuation allowance	(19,923,300)	(16,474,500)
Net deferred tax assets	$ —	$ —

The Federal net operating loss ("NOL") carryforwards of approximately $57.8 million as of December 31, 2020 will begin to expire in various years beginning in 2025. The use of NOL carryforwards is limited on an annual basis under Internal Revenue Code Section 382 when there is a change in ownership (as defined by this code section). Based on changes in Company ownership in the past, the Company believes that the use of its NOL carryforwards generated prior to the date of the change is limited on an annual basis; NOL carryforwards generated subsequent to the date of change in ownership can be used without limitation. The use of the Company's NOL carryforwards may be restricted further if there are future changes in Company ownership. Additionally, despite the net operating loss carryforwards, the Company may have a future tax liability due to state tax requirements.

Income tax expense reconciled to the tax computed at statutory rates for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Federal income taxes (benefit) at statutory rates	$(2,481,400)	$(2,707,900)
State income taxes (benefit), net of Federal benefit	(787,600)	(898,800)
Windfall tax benefits	(556,900)	(40,200)
Permanent differences, rate changes and other	377,100	(29,700)
Change in valuation allowance	3,448,800	3,676,600
Total Income Tax Expense	—	—

9. Commitments and Contingencies

Operating Leases

From 2009 through September 2019, the Company entered into various new and amended leases for office and laboratory space. A member of the Company's Board of Directors is the CEO and Board member of the lessor of certain of these leases for which the rent payments totaled $623,000 and $416,800 in 2020 and 2019, respectively.

All the Company's long-term office and laboratory leases expire in October 2023 and provide for annual increases to the base rent of between 3% and 5%. The current monthly base lease payment for all office and laboratory leases is approximately $56,100. In addition to base rent, the Company pays a pro-rated share of common area maintenance ("CAM") costs for the entire building, which is adjusted annually based on actual expenses incurred. None of the Company's current operating leases contain any renewal provisions.

All the Company's long-term office and laboratory leases are classified as operating leases. The Company used a discount rate of 8% in calculating its lease liability under its operating leases. The September 2019 lease agreements and modifications resulted in the Company establishing approximately $2,209,200 of ROU assets and $2,247,400 of lease liabilities.

At December 31, 2020, the Company had a $1,728,300 ROU asset, a $572,500 short-term lease liability and $1,234,600 long-term lease liability related to its operating leases.

In July 2020, the Company commenced a one-year office lease providing for monthly payments of $2,900. The Company applied the practical expedient and consequently, no ROU asset or lease liability was recognized for this short-term lease.

At December 31, 2020, the weighted average remaining lease term for the Company's operating leases was 2.8 years.

Finance Leases

In 2020, the Company entered into a three-year laboratory equipment lease that expires in April 2023. The lease provides for monthly payments of approximately $9,200 per month and includes an end of lease bargain purchase option. The lease is classified as a finance lease. The Company used a discount rate of 5.5% in calculating its lease liability under this finance lease resulting in the establishment of approximately a $301,700 ROU asset and offsetting lease liabilities.

At December 31, 2020, the Company had a $218,300 ROU asset, a $100,000 short-term lease liability included in "Accrued expenses and other" and $142,200 long-term lease liability included in 'Other liabilities' related to its finance lease.

All Leases

Lease costs for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Finance lease cost		
Amortization of ROU asset	$ 83,400	$ —
Interest on expense	14,400	—
Operating lease cost	673,900	551,100
Short-term lease cost	19,100	—
Variable lease cost	289,500	217,700
Total lease cost	$1,080,300	$768,800

Maturities of lease liabilities as of December 31, 2020 were as follows:

	Operating Leases	Finance Leases
2021	$ 696,300	$110,800
2022	717,400	110,800
2023	614,800	36,900
Total lease payments	2,028,500	258,500
Discount factor	(221,400)	(16,300)
Present value of lease liabilities	$1,807,100	$242,200

10. Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were available to be issued.

In February 2021, the Company completed a private placement offering of 5,740,000 shares of its Common Stock. The shares were sold at a price of £7.00 (or approximately $9.64) per share generating approximately £40.2 million (or approximately $55.3 million) of gross proceeds.

In March 2021, the Company paid off, in full, all amounts due under its $5 million Midcap term loan in accordance with its terms.

In the first quarter of 2021, the Company elected to conclude all pre-clinical and clinical activities related to the CARMA platform which were substantially completed by March 2021.

MaxCyte, Inc.

Condensed Consolidated Interim Balance Sheets

	March 31, 2021 (unaudited)	December 31, 2020 (see Note 2)
Assets		
Current assets:		
Cash and cash equivalents	$ 78,703,700	$ 18,755,200
Short-term investments	—	16,007,500
Accounts receivable	4,294,300	5,171,900
Inventory	4,463,900	4,315,800
Other current assets	985,300	1,003,000
Total current assets	**88,447,200**	**45,253,400**
Property and equipment, net	4,692,100	4,546,200
Right of use asset – operating leases	1,591,000	1,728,300
Right of use asset – finance leases	194,500	218,300
Other assets	83,000	33,900
Total assets	**$ 95,007,800**	**$ 51,780,100**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 417,900	$ 890,200
Accrued expenses and other	4,357,200	5,308,500
Operating lease liability, current	589,600	572,600
Deferred revenue	6,067,400	4,843,000
Total current liabilities	**11,432,100**	**11,614,300**
Note payable, net of discount, deferred fees	—	4,917,000
Operating lease liability, net of current portion	1,080,000	1,234,600
Other liabilities	1,210,100	788,800
Total liabilities	**13,722,200**	**18,554,700**
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, $0.01 par; 200,000,000 shares authorized, 84,689,559 and 77,382,473 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	846,900	773,800
Additional paid in capital	182,766,600	127,673,900
Accumulated deficit	(102,327,900)	(95,222,300)
Total stockholders' equity	**81,285,600**	**33,225,400**
Total liabilities and stockholders' equity	**$ 95,007,800**	**$ 51,780,100**

See accompanying notes to unaudited condensed consolidated interim financial statements.

MaxCyte, Inc.

Condensed Consolidated Interim Statements of Operations (Unaudited)

	Three months ended March 31,	
	2021	**2020**
Revenue	**$ 6,494,900**	**$ 5,742,000**
Costs of good sold	693,100	659,000
Gross profit	**5,801,800**	**5,083,000**
Operating expenses:		
Research and development	6,077,700	4,244,700
Sales and marketing	2,789,100	2,050,100
General and administrative	3,308,100	1,776,500
Total operating expenses	**12,174,900**	**8,071,300**
Operating loss	**(6,373,100)**	**(2,988,300)**
Other income (expense):		
Interest and other expense	(742,300)	(116,300)
Interest income	9,800	42,700
Total other income (expense)	**(732,500)**	**(73,600)**
Net loss	**$ (7,105,600)**	**$ (3,061,900)**
Basic and diluted net loss per share	**$ (0.09)**	**$ (0.05)**
Weighted average shares outstanding, basic and diluted	**81,004,081**	**57,403,583**

See accompanying notes to unaudited condensed consolidated interim financial statements.

MaxCyte, Inc.

Condensed Consolidated Interim Statements of Changes in Stockholders' Equity (Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2020	**57,403,583**	**$574,000**	**$96,433,700**	**$(83,405,900)**	**$13,601,800**
Stock-based compensation expense	—	—	547,600	—	547,600
Net loss	—	—	—	(3,061,900)	(3,061,900)
Balance at March 31, 2020	**57,403,583**	**$574,000**	**$96,981,300**	**$(86,467,800)**	**$11,087,500**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at January 1, 2021	**77,382,473**	**$773,800**	**$127,673,900**	**$ (95,222,300)**	**$33,225,400**
Issuance of common stock	5,740,000	57,400	51,751,500	—	51,808,900
Stock-based compensation expense	—	—	1,319,800	—	1,319,800
Exercise of stock options	1,567,086	15,700	2,021,400	—	2,037,100
Net loss	—	—	—	(7,105,600)	(7,105,600)
Balance at March 31, 2021	**84,689,559**	**$846,900**	**$182,766,600**	**$(102,327,900)**	**$81,285,600**

See accompanying notes to unaudited condensed consolidated interim financial statements.

MAXCYTE, INC.

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

	Three months ended March 31, 2021	2020
Cash flows from operating activities:		
Net loss	$ (7,105,600)	$ (3,061,900)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	315,900	221,700
Net book value of consigned equipment sold	1,600	12,000
Fair value adjustment for liability classified warrants	347,900	(200)
Loss on disposal of fixed assets	6,100	—
Stock-based compensation	1,319,800	547,600
Bad debt recovery	—	(20,000)
Amortization of discounts on investments	7,500	400
Non-cash interest expense	5,400	5,400
Changes in operating assets and liabilities:		
Accounts receivable	877,600	(697,100)
Inventory	(287,900)	(525,600)
Other current assets	17,700	128,100
Right of use asset – operating leases	137,300	128,600
Right of use asset – finance leases	23,800	11,900
Other assets	(49,100)	(140,900)
Accounts payable, accrued expenses and other	(1,420,300)	(2,667,200)
Operating lease liability	(137,600)	(36,600)
Deferred revenue	1,224,400	376,100
Other liabilities	73,400	219,700
Net cash used in operating activities	(4,642,100)	(5,498,000)
Cash flows from investing activities:		
Purchases of short-term investments	—	(1,001,900)
Maturities of short-term investments	16,000,000	1,499,900
Purchases of property and equipment	(308,500)	(706,000)
Net cash provided by (used in) investing activities	15,691,500	(208,000)
Cash flows from financing activities:		
Principal payments on notes payable	(4,922,400)	—
Proceeds from exercise of stock options	2,037,100	—
Principal payments on finance leases	(24,500)	—
Proceeds, net from issuance of common stock	51,808,900	—
Net cash provided by financing activities	48,899,100	—
Net increase (decrease) in cash and cash equivalents	59,948,500	(5,706,000)
Cash and cash equivalents, beginning of period	18,755,200	15,210,800
Cash and cash equivalents, end of period	$78,703,700	$ 9,504,800
Supplemental cash flow information:		
Cash paid for interest	$ 416,300	$ 104,200
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment purchases included in accounts payable	$ 21,200	$ 93,000

See accompanying notes to unaudited condensed consolidated interim financial statements.

MaxCyte. Inc.

Notes to Consolidated Condensed Interim Financial Statements (Unaudited)

1. Organization and Description of Business

MaxCyte, Inc. (the "Company" or "MaxCyte") was incorporated as a majority owned subsidiary of EntreMed, Inc. ("EntreMed") on 31 July 1998, under the laws and provisions of the state of Delaware and commenced operations on July 1, 1999. In November 2002, MaxCyte was recapitalised and EntreMed was no longer deemed to control the Company.

MaxCyte is a global life sciences company focused on advancing the discovery, development and commercialization of next-generation cell therapies. MaxCyte leverages its proprietary cell engineering technology platform to enable the programs of its biotechnology and pharmaceutical company customers who are engaged in cell therapy, including gene editing and immuno-oncology, as well as in drug discovery and development and biomanufacturing. The Company licenses and sells its instruments and technology and sells its consumables to developers of cell therapies and to pharmaceutical and biotechnology companies for use in drug discovery and development and biomanufacturing. In early 2020, the Company established a wholly owned subsidiary, CARMA Cell Therapies, Inc. ("CCTI"), as part of its development of CARMA, MaxCyte's proprietary, mRNA-based, clinical-stage, immuno-oncology cell therapy. In the first quarter of 2021, the Company elected to conclude all pre-clinical and clinical activities related to the CARMA platform which were substantially completed by March 2021. During the three months ended March 31, 2021, the Company incurred CARMA-related operating expenses of $3.9 million, which consisted of $2.2 million of on-going CARMA expenses primarily for preclinical research and clinical activities as well as $1.7 million of winddown expenses principally consisting of severance, legal and other costs associated with the cessation of CARMA activities.

The COVID-19 pandemic has disrupted economic markets and the economic impact, duration and spread of related effects is uncertain at this time and difficult to predict. As a result, it is not possible to ascertain the overall future impact of COVID-19 on the Company's business and, depending upon the extent and severity of such effects, including, but not limited to potential slowdowns in customer operations, extension of sales cycles, shrinkage in customer capital budgets or delays in customers' clinical trials, the pandemic could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows. In 2020, the Company made adjustments to its operating, sales and marketing practices to mitigate the effects of COVID-19 restrictions which reduced planned spending, particularly on travel and marketing expenditures. In addition, COVID-19 restrictions may have delayed or slowed the research activities of some existing and prospective customers. It is not possible to quantify the impact of COVID-19 on the Company's revenues and expenses in the first quarter of 2021 or its expected impact on future periods.

2. Summary of Significant Accounting Policies

Basis of Presentation

The interim condensed consolidated balance sheet as of March 31, 2021, and the interim condensed consolidated statements of operations, changes in stockholders' equity and cash flows for the three months ended March 31, 2021 and 2020 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and, in the opinion of management, reflect all adjustments, consisting of normal recurring adjustments necessary for the fair presentation of the Company's financial position as of March 31, 2021, and the results of its operations and its cash flows for the three months ended March 31, 2021 and 2020. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021, any other interim periods, or any future year or period. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to instructions, rules, and regulations prescribed by the United States Securities and Exchange Commission. The Company believes that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited interim condensed consolidated financial statements are read in conjunction with the audited financial statements and notes included elsewhere in this prospectus.

Significant Accounting Policies

The Company's significant accounting policies are disclosed in its audited consolidated financial statements for the year ended December 31, 2020 included in this prospectus and have not materially changed during the three months ended March 31, 2021, except as noted below.

Concentration

During the three months ended March 31, 2021 and 2020, one customer represented 18% and 22% of revenue, respectively, in part due to a one-time milestone event in 2020. As of March 31, 2021 and 2020, one customer accounted for 16% and 22% of accounts receivable, respectively.

During the three months ended March 31, 2021, the Company purchased approximately 58% of its inventory from two suppliers. During the three months ended March 31, 2020, the Company purchased approximately 48% of its inventory from a single supplier. At March 31, 2020, amounts payable to a single supplier totaled 73% of total accounts payable.

Foreign Currency

The Company's functional currency is the US dollar; transactions denominated in foreign currencies are subject to currency risk. The Company recognized $19,700 and $24,300 foreign currency transaction gains for the three months ended March 31, 2021 and 2020, respectively.

Cash, Cash Equivalents and Short-term Investments

The following table summarizes the Company's cash equivalents and short-term investments at December 31, 2020:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds	Cash equivalents	$ 8,702,200	—	—	$ 8,702,200
Commercial Paper	Cash equivalents	6,523,500	—	—	6,523,500
Commercial Paper	Short-term investments	13,996,800	1,800	—	13,998,600
Corporate Debt	Short-term investments	2,010,700	—	(100)	2,010,600
Total Investments		$31,233,200	$1,800	$(100)	$31,234,900

The following table summarizes the Company's cash equivalents and investments at March 31, 2021:

Description	Classification	Amortized cost	Gross unrecognized holding gains	Gross unrecognized holding losses	Aggregate fair value
Money market funds	Cash equivalents	$31,244,500	—	—	$31,244,500
Total Investments		$31,244,500	—	—	$31,244,500

At times the Company's cash balances may exceed federally insured limits and cash may also be deposited in foreign bank accounts that are not covered by federal deposit insurance. The Company does not believe that this results in any significant credit risk.

Inventory

Inventory is carried at the lower of cost or net realizable value. Inventory consisted of the following at:

	March 31, 2021	December 31, 2020
Raw materials inventory	$2,045,800	$1,771,300
Finished goods inventory	2,418,100	2,544,500
Total Inventory	$4,463,900	$4,315,800

The Company determined no allowance for obsolescence was necessary at March 31, 2021 or December 31, 2020.

Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts, if needed. The Company determined no allowance was necessary at December 31, 2020 and March 31, 2021.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated lease term or useful life.

Property and equipment consist of the following:

	March 31, 2021	December 31, 2020
Furniture and equipment	$ 3,549,300	$ 3,492,900
Instruments	1,574,400	1,424,600
Leasehold improvements	641,400	641,400
Internal-use software under development	229,200	—
Internal-use software	1,987,600	1,963,000
Accumulated depreciation and amortization	(3,289,800)	(2,975,700)
Property and equipment, net	$ 4,692,100	$ 4,546,200

For the year ended December 31, 2020, the Company transferred $276,600 of instruments previously classified as inventory to property and equipment leased to customers. For the three months ended March 31, 2021 and 2020, the Company transferred $139,800 and $87,500, respectively, of instruments previously classified as inventory to property and equipment leased to customers.

For the three months ended March 31, 2021 and 2020, the Company incurred depreciation and amortization expense of $315,900 and $221,700, respectively.

In the three months ended March 31, 2020, the Company capitalized approximately $2,500 of interest expense related to capitalized software development projects. No interest expense was capitalized in the three months ended March 31, 2021.

Deferred Offering Costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs (non-current) until such financings are consummated. After consummation of the equity financing, these costs are recorded in stockholders' equity as a reduction of proceeds received as a result of the offering. Should the equity financing to which those costs relate no longer be considered probable of being consummated, all deferred offering costs will be charged to operating expenses in the consolidated statement of operations at such time.

As of December 31, 2020 and March 31, 2021, $0 and $38,000, respectively, of deferred offering costs are capitalized in other assets.

Stock-Based Compensation

The Company grants stock-based awards in exchange for employee, consultant and non-employee director services. The value of the award is recognized as expense on a straight-line basis over the requisite service period.

The estimated grant date fair value of employee stock options was calculated using the Black-Scholes option-pricing valuation model, based on the following assumptions:

	Three months ended March 31,	
	2021	2020
Volatility	55 - 57%	49%
Dividend yield	—	—
Risk-free interest rate	0.7 - 0.8%	1.2 - 1.7%
Expected return (in years)	6	6

The Company records forfeitures as they occur.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more-likely-than-not that all or a portion of the deferred tax asset will not be realized.

Management uses a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties and financial statement reporting disclosures. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Company has not identified any uncertain income tax positions that could have a material impact to the consolidated financial statements.

The Company is subject to taxation in various jurisdictions in the United States and abroad and remains subject to examination by taxing jurisdictions for 2016 and all subsequent periods. The Company had a Federal Net Operating Loss (“NOL”) carry forward of $57.8 million as of December 31, 2020, which was generally available as a deduction against future income for US federal corporate income tax purposes, subject to applicable carryforward limitations. As a result of the March 2016 public offering of common stock and listing on the AIM market of the London Stock Exchange, the Company’s NOLs are limited on an annual basis, subject to certain carryforward provisions, pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, as a result of a greater than 50% change in ownership that occurred in the three-year period ending at the time of the AIM listing and public offering. The Company has calculated that for the period ending December 31, 2022, the cumulative limitation amount exceeds the NOLs subject to the limitation. In addition, the Company’s NOLs may also be limited as a result of ownership changes subsequent to the 2016 AIM listing. The Company has not yet calculated such subsequent limitations.

The Company did not recognize a provision or benefit for income taxes during the three months ended March 31, 2021 and 2020.

Leases

In transactions where the Company is the lessee, at the inception of a contract, the Company determines if the arrangement is, or contains, a lease. See Note 8 for additional details over leases where the Company is the lessee.

All transactions where the Company is the lessor are short-term (one year or less) and have been classified as operating leases. All leases require upfront payments covering the full period of the lease and thus, there are no future payments expected to be received from existing leases. See Note 3 for details over revenue recognition related to lease agreements.

Loss Per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares of Common Stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of common stock options and stock purchase warrants using the treasury stock method.

For periods of net loss, diluted loss per share is calculated similarly to basic loss per share because the impact of all dilutive potential common shares is anti-dilutive. The number of anti-dilutive shares, consisting of stock options and stock purchase warrants, which has been excluded from the computation of diluted loss per share, was 12.1 million and 12.5 million for the three months ended March 31, 2021 and 2020, respectively.

Recent Accounting Pronouncements

Recently Adopted

In January 1, 2021, the Company adopted new guidance addressing income taxes, which is intended to simplify various aspects related to the accounting for income taxes. The guidance removes certain exceptions to the general principles in ASC 740 *Income Taxes*, and also clarifies and amends existing guidance to improve consistent application. The adoption did not have a material effect on the Company's condensed consolidated interim financial statements.

The Company has evaluated all other issued and unadopted Accounting Standards Updates and believes the adoption of these standards will not have a material impact on its results of operations, financial position, or cash flows.

3. Revenue

Revenue is principally from the sale or lease of instruments and processing assemblies, as well as from extended warranties. In some arrangements, product and services have been sold together representing distinct performance obligations. In such arrangements the Company allocates the sale price to the various performance obligations in the arrangement on a relative selling price basis. Under this basis, the Company determines the estimated selling price of each performance obligation in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis.

Revenue is recognized at the time control is transferred to the customer and the performance obligation is satisfied. Revenue from the sale of instruments and processing assemblies is generally recognized at the time of shipment to the customer, provided no significant vendor obligations remain and collectability is reasonably assured. Revenue from equipment leases are recognized ratably over the contractual term of the lease agreement and when specific milestones are achieved by a customer. Licensing fee revenue is recognized ratably over the license period. Revenue from fees for research services is recognized when services have been provided.

Disaggregated revenue for the three months ended March 31, 2021 is as follows:

	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue
Product Sales	$4,075,800	$ —	$4,075,800
Leased Elements	—	2,255,900	2,255,900
Other	163,200	—	163,200
Total	$4,239,000	$2,255,900	$6,494,900

Disaggregated revenue for three months ended March 31, 2020 is as follows:

	Revenue from Contracts with Customers	Revenue from Lease Elements	Total Revenue
Product Sales	$3,195,200	$ —	$3,195,200
Leased Elements	—	2,426,200	2,426,200
Other	120,600	—	120,600
Total	$3,315,800	$2,426,200	$5,742,000

Additional disclosures relating to Revenue from Contracts with Customers

Changes in deferred revenue for the three months ended March 31, 2021 were as follows:

Balance at January 1, 2021	$ 5,014,300
Revenue recognized in the current period from amounts included in the beginning balance	(2,032,300)
Current period deferrals, net of amounts recognized in the current period	3,390,200
Balance at March 31, 2021	$ 6,372,200

Changes in deferred revenue for the three months ended March 31, 2020 were as follows:

Balance at January 1, 2020	$ 3,452,800
Revenue recognized in the current period from amounts included in the beginning balance	(1,573,000)
Current period deferrals, net of amounts recognized in the current period	1,943,500
Balance at March 31, 2020	$ 3,823,300

Remaining contract consideration for which revenue has not been recognized due to unsatisfied performance obligations with a duration greater than one year at March 31, 2021 was approximately $379,800, of which the Company expects to recognize approximately $75,000 in one year or less, $75,800 in one to two years, $60,800 in two to three years, and $168,200 thereafter.

For the three months ended March 31, 2021 and March 31, 2020 and the year ended December 31, 2020, the Company did not incur, and therefore did not defer, any material incremental costs to obtain contracts or costs to fulfill contracts.

4. Debt

In November 2019, the Company entered into a new credit facility with MidCap Financial SBIC, LP ("MidCap"). The credit facility provided for a $5 million term loan maturing on November 1, 2024. The term loan provided for (i) an interest rate of one-month Libor plus 6.5% with a 1.5% Libor floor, (ii) monthly interest payments, (iii) 30 monthly principal payments of approximately $166,700 beginning June 2022 and (iv) a 3% final payment fee. The Company used the proceeds from the credit facility for general operating purposes. The debt was collateralized by substantially all assets of the Company.

In conjunction with the credit facility the Company issued the lender a warrant to purchase 71,168 shares of common stock at a price of £1.09081 per share. The warrant is exercisable at any time through the tenth anniversary of issuance (see Note 5). In connection with the credit facility, the Company also incurred expenses of approximately $47,300. The warrant and expenses resulted in recording a debt discount which is amortized as interest expense over the term of the loan. At December 31, 2020, the term loan had an outstanding principal balance of $5 million and $83,000 of unamortized debt discount.

In April 2020, the Company received a loan from Silicon Valley Bank in the amount of $1,440,000 under the US Small Business Administration's Paycheck Protection Program ("PPP"). The PPP was established as part of the US Coronavirus Aid, Relief, and Economic Security ("CARES") Act and provides for potential forgiveness of the loan upon the Company meeting certain conditions as to the use of the proceeds. The loan provided for interest at 1% and a maturity date of April 2022. In May 2020, subsequent to the Company's 2020 equity raise (see Note 5), the Company repaid the loan in full.

In March 2021, subsequent to the Company's 2021 equity raise (see Note 5), the Company repaid the MidCap loan in full. The Company incurred fees of approximately $260,000 associated with early repayment of the loan. The unamortized debt discounts and fees were expensed and recorded as interest expense.

5. Stockholders' Equity

Common Stock

During the three months ended March 31, 2021, the Company completed an equity capital raise issuing 5,740,000 shares of its common stock at a price of £7.00 (or approximately $9.64) per share. The transaction generated gross proceeds of approximately £40.2 million (or $55.3 million). In conjunction with the transaction, the Company incurred costs of approximately $3.5 million which resulted in the Company receiving net proceeds of approximately $51.8 million.

Warrant

In connection with the November 2019 credit facility the Company issued the lender a warrant to purchase 71,168 shares of Common Stock at an exercise price of £1.09081 per share. The warrant is exercisable at any time through the tenth anniversary of issuance. The warrant is classified as a liability as its strike price is in a currency other than the Company's functional currency. The warrant is recorded at fair value at the end of each reporting period with changes from the prior balance sheet date recorded on the consolidated condensed interim statements of operations (see Note 6).

Stock Options

The Company adopted the MaxCyte, Inc. Long-Term Incentive Plan (the "Plan") in January 2016 to amend and restate the MaxCyte 2000 Long-Term Incentive Plan to provide for the awarding of (i) stock options, (ii) restricted stock, (iii) incentive shares, and (iv) performance awards to employees, officers, and Directors of the Company and to other individuals as determined by the Board of Directors. Under the Plan, as amended, the maximum number of shares of Common Stock of the Company that the Company may issue is increased by ten percent (10%) of the shares that are issued and outstanding at the time awards are made under the Plan. On December 10, 2019 and October 27, 2020, the

Company's Board resolved to increase the number of stock options under the Plan by 3,000,000 and 1,500,000, respectively, to provide sufficient shares to allow competitive equity compensation in its primary markets for staff and consistent with practices of comparable companies.

At December 31, 2020 and March 31, 2021 there were 4,175,737 and 4,131,667 awards available to be issued under the Plan, respectively.

A summary of stock option activity for the three months ended March 31, 2021 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2021	12,864,230	$ 2.11	7.1	$65,576,300
Granted	2,046,856	$14.33		
Exercised	(1,567,086)	$ 1.29		$15,046,300
Forfeited	(1,272,077)	$ 2.96		
Outstanding at March 31, 2021	12,071,923	$ 4.41	7.7	$97,631,700
Exercisable at March 31, 2021	5,732,382	$ 1.95	6.3	$58,324,200

A summary of stock option activity for the three months ended March 31, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2020	10,299,285	$1.63	7.0	$6,471,500
Granted	2,193,449	$1.71		
Exercised	—	—		
Forfeited	(29,784)	$2.15		
Outstanding at March 31, 2020	12,462,950	$1.56	6.9	$6,402,900
Exercisable at March 31, 2020	7,147,842	$1.13	5.5	$6,320,800

The weighted-average fair value of the options granted during the three months ended March 31, 2021 and March 31, 2020 was estimated to be $7.47 and $0.86.

At March 31, 2021, total unrecognized compensation expense was $20,457,000 which will be recognized over the next 3.4 years.

Stock-based compensation expense for the three months ended March 31, 2021 and 2020 was classified as follows on the consolidated condensed interim statements of operations:

	Three months ended March 31,	
	2021	2020
General and administrative	$ 741,700	$254,000
Sales and marketing	269,200	106,000
Research and development	308,900	187,600
Total	$1,319,800	$547,600

6. Fair Value

The Company's consolidated balance sheets include various financial instruments (primarily cash and cash equivalents, short-term investments, accounts receivable and accounts payable) that are carried at cost, which approximates fair value due to the short-term nature of the instruments. Notes payable are reflective of fair value based on market comparable instruments with similar terms.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company has an outstanding warrant originally issued in connection with the November 2019 debt financing (see Note 4) that is accounted for as a liability whose fair value is determined using Level 3 inputs. The following table identifies the carrying amounts of this warrant at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Liabilities				
Liability classified warrant	$—	$—	$441,200	$441,200
Total at December 31, 2020	$—	$—	$441,200	$441,200

The following table identifies the carrying amounts of this warrant at March 31, 2021:

	Level 1 (unaudited)	Level 2 (unaudited)	Level 3 (unaudited)	Total (unaudited)
Liabilities				
Liability classified warrant	$—	$—	$789,100	$789,100
Total at March 31, 2021	$—	$—	$789,100	$789,100

The following table presents the activity for those items measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2020:

	Mark-to-market liabilities — warrant
Balance at December 31, 2019	$ 74,700
Change in fair value	366,500
Balance at December 31, 2020	$441,200

The following table presents the activity for those items measured at fair value on a recurring basis using Level 3 inputs for the three months ended March 31, 2021 and March 31, 2020:

Mark-to-market liabilities — warrant

	March 31, 2021	March 31, 2020
Balance at prior years ended	$441,200	$74,700
Change in fair value	347,900	(200)
Balance at current periods ended	$789,100	$74,500

The gains and losses resulting from the changes in the fair value of the liability classified warrant are classified as other income or expense in the accompanying consolidated condensed interim statements of operations. The fair value of the Common Stock purchase warrants is determined based on the Black-Scholes option pricing model or other option pricing models as appropriate and includes the use of unobservable inputs such as the expected term, anticipated volatility and expected dividends. Changes in any of the assumptions related to such unobservable inputs identified above may change the embedded conversion options' fair value; increases in expected term, anticipated volatility and expected dividends generally result in increases in fair value, while decreases in these unobservable inputs generally result in decreases in fair value.

The Company has no other financial assets or liabilities measured at fair value on a recurring basis.

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Money market funds and commercial paper classified as held-to-maturity are measured at fair value on a non-recurring basis when they are deemed to be impaired on an other-than-temporary basis. No such fair value impairment was recognized during the three months ended March 31, 2021 and 2020.

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company has no non-financial assets and liabilities that are measured at fair value on a recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company measures its long-lived assets, including property and equipment, at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be impaired. No such fair value impairment was recognized during the three months ended March 31, 2021 and 2020.

7. Retirement Plan

The Company sponsors a defined-contribution 401(k) retirement plan covering eligible employees. Participating employees may voluntarily contribute up to limits provided by the Internal Revenue Code. The Company matches employee contributions equal to 50% of the salary deferral contributions, with a maximum Company contribution of 3% of the employees' eligible compensation. In the three months ended March 31, 2021 and March 31, 2020, Company matching contributions amounted to $92,900 and $68,600, respectively.

8. Commitments and Contingencies

Operating Leases

From 2009 through September 2019, the Company entered into various new and amended leases for office and laboratory space. A member of the Company's Board of Directors is the CEO and Board member of the lessor of certain of these leases for which the rent payments totaled $158,700 and $154,800 in the three months ended March 31, 2021 and 2020, respectively.

At December 31, 2020, the Company had a $1,728,300 ROU asset, a $572,500 short-term lease liability and $1,234,600 long-term lease liability related to its operating leases. At March 31, 2021, the Company had a $1,591,000 ROU asset, a $589,600 short-term lease liability and $1,080,000 long-term lease liability related to its operating leases.

At December 31, 2020 and March 31, 2021, the weighted average remaining lease term for our operating leases was 2.8 years and 2.6 years, respectively.

Finance Leases

At December 31, 2020, the Company had a $218,300 ROU asset, a $100,000 short-term lease liability included in "Accrued expenses and other" and $142,200 long-term lease liability included in 'Other liabilities' related to its finance lease. At March 31, 2021, the Company had a $194,500 ROU asset, a $101,400 short-term lease liability included in "Accrued expenses and other" and $116,300 long-term lease liability included in 'Other liabilities' related to its finance lease.

All Leases

Lease costs for the three months ended March 31, 2021 and 2020 are as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Finance lease cost		
Amortization of ROU asset	$ 23,800	$ 11,900
Interest on expense	3,200	2,800
Operating lease cost	172,500	168,600
Short-term lease cost	8,900	—
Variable lease cost	75,600	74,400
Total lease cost	$284,000	$257,700

Maturities of lease liabilities as of March 31, 2021 were as follows:

	Operating Leases (unaudited)	Finance Leases (unaudited)
Remainder of 2021	$ 523,600	$ 83,100
2022	717,400	110,800
2023	614,800	36,900
Total lease payments	1,855,800	230,800
Discount factor	(186,200)	(13,100)
Present value of lease liabilities	$1,669,600	$217,700

9. Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events were reviewed through the date the consolidated financial statements were available to be issued.

On May 27, 2021, the Company entered into an operating lease for up to 67,326 square feet of new office space. The lease for new office space consists of three phases with Phase 1 estimated to commence in September 2021, and the lease of all phases is estimated to expire on June 30, 2035. The Company and the landlord both have a one-time right to terminate phase 3 of the lease associated with 13,543 square feet during a defined time window. The Company will design and construct the leasehold improvements with the approval of the landlord. The landlord will reimburse the Company for costs of property improvements up to amounts specified in the lease. The total incremental non-cancellable lease payments under the new lease agreements are approximately $24.5 million through the lease terms.