SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 2021

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-11504

CHAMPIONS ONCOLOGY, INC.

(Exact name of registrant as defined in its charter)

Delaware	**52-1401755**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
One University Plaza, Suite 307 **Hackensack, New Jersey**	**07601**
(Address of principal executive offices)	*(Zip Code)*

(201) 808-8400
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	CSBR	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ Smaller reporting company ☑
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of Common Shares of the Registrant outstanding as of March 5, 2021 was 13,390,172.

DOCUMENTS INCORPORATED BY REFERENCE - None

INDEX TO FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2021

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CHAMPIONS ONCOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

	January 31, 2021	April 30, 2020
	(unaudited)	
ASSETS		
Current assets:		
Cash	$ 7,429	$ 8,342
Accounts receivable, net	6,121	4,770
Prepaid expenses and other current assets	419	385
Total current assets	13,969	13,497
Operating lease right-of-use assets, net	5,380	2,798
Property and equipment, net	5,540	3,993
Other long-term assets	36	128
Goodwill	335	335
Total assets	$ 25,260	$ 20,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,745	$ 3,140
Accrued liabilities	2,426	2,502
Current portion of finance lease	—	125
Current portion of operating lease liabilities	628	503
Deferred revenue	6,615	5,815
Total current liabilities	11,414	12,085
Non-current operating lease liabilities	5,798	3,170
Other non-current liabilities	181	178
Total liabilities	$ 17,393	$ 15,433
Stockholders' equity:		
Common stock, $.001 par value; 200,000,000 shares authorized; 13,390,172 and 12,726,728 shares issued and outstanding as of January 31, 2021 and April 30, 2020, respectively	13	13
Additional paid-in capital	79,711	77,978
Accumulated deficit	(71,857)	(72,673)
Total stockholders' equity	7,867	5,318
Total liabilities and stockholders' equity	$ 25,260	$ 20,751

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2021	**2020**	**2021**	**2020**
Oncology services revenue	$ 10,812	$ 9,012	$ 30,476	$ 23,375
Costs and operating expenses:				
Cost of oncology services	4,842	4,325	15,822	11,958
Research and development	1,879	1,391	5,125	4,035
Sales and marketing	1,492	1,307	4,048	3,155
General and administrative	1,836	1,556	4,686	4,118
Total costs and operating expenses	10,049	8,579	29,681	23,266
Income from operations	763	433	795	109
Other income (expense)	(8)	(14)	64	1
Income before provision for income taxes	755	419	859	110
Provision for income taxes	15	12	43	38
Net income	$ 740	$ 407	$ 816	$ 72
Net income per common share outstanding				
basic	$ 0.06	$ 0.03	$ 0.06	$ 0.01
and diluted	$ 0.05	$ 0.03	$ 0.06	$ 0.01
Weighted average common shares outstanding				
basic	13,371,613	11,752,619	12,974,470	11,653,115
and diluted	14,507,155	13,673,672	14,510,280	13,440,861

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in Thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance April 30, 2020	12,726,728	$ 13	$ 77,978	$ (72,673)	$ 5,318
Stock-based compensation	—	—	120	—	120
Issuance of common stock on exercise of stock options	1,160	—	—	—	—
Net income	—	—	—	75	75
Balance July 31, 2020	12,727,888	$ 13	$ 78,098	$ (72,598)	$ 5,513
Stock-based compensation	—	—	85	—	85
Issuance of common stock on exercise of stock options	640,657	—	1,294	—	1,294
Net income	—	—	—	1	1
Balance October 31, 2020	13,368,545	$ 13	$ 79,477	$ (72,597)	$ 6,893
Stock-based compensation	—	—	232	—	232
Issuance of common stock on exercise of stock options	21,627	—	2	—	2
Net income	—	—	—	740	740
Balance January 31, 2021	13,390,172	$ 13	$ 79,711	$ (71,857)	$ 7,867

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance April 30, 2019	11,619,538	$ 12	$ 72,924	$ (70,698)	$ 2,238
Stock-based compensation	—	—	131	—	131
Net loss	—	—	—	(641)	(641)
Balance July 31, 2019	11,619,538	$ 12	$ 73,055	$ (71,339)	$ 1,728
Stock-based compensation	—	—	77	—	77
Issuance of common stock on exercise of stock options and warrants	625	—	2	—	2
Net income	—	—	—	307	307
Balance October 31, 2019	11,620,163	$ 12	$ 73,134	$ (71,032)	$ 2,114
Stock-based compensation	—	—	229	—	229
Issuance of common stock on exercise of stock options and warrants	203,111	—	427	—	427
Net income	—	—	—	407	407
Balance January 31, 2020	11,823,274	$ 12	$ 73,790	$ (70,625)	$ 3,177

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Nine Months Ended January 31,	
	2021	**2020**
Operating activities:		
Net income	$ 816	$ 72
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	437	437
Depreciation and amortization expense	881	579
Gain on disposal of equipment	—	(52)
Gain on termination of operating lease	(75)	—
Operating lease right-of use assets	226	299
Provision for doubtful accounts	49	218
Changes in operating assets and liabilities:		
Accounts receivable	(1,401)	(334)
Prepaid expenses and other current assets	(34)	(47)
Accounts payable	(1,395)	(913)
Accrued liabilities	97	(202)
Other non-current liabilities	3	—
Operating lease liabilities	(106)	(261)
Deferred revenue	801	564
Net cash provided by operating activities	299	360
Investing activities:		
Purchase of property and equipment	(2,427)	(693)
Refund of security deposit	92	—
Net cash used in investing activities	(2,335)	(693)
Financing activities:		
Proceeds from exercise of options and warrants	1,296	429
Finance lease payments	(173)	(51)
Net cash provided by financing activities	1,123	378
Increase (decrease) in cash	(913)	45
Cash at beginning of period	8,342	3,237
Cash at end of period	$ 7,429	$ 3,282
Non-cash investing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 3,872	$ 3,205
Unpaid portion of property and equipment purchase	—	321
Credit received on purchase of equipment	—	160

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization, Use of Estimates and Basis of Presentation

Champions Oncology, Inc. (the "Company") is engaged in transforming drug discovery and development through data-driven research strategies and innovative pharmacology, biomarker and data platforms. The Company's TumorGraft Technology Platform is a novel approach to personalizing cancer care based upon the implantation of human tumors in immune-deficient mice. The Company provides a technology platform to pharmaceutical and biotechnology companies using proprietary TumorGraft studies, which the Company believes may be predictive of how drugs may perform in clinical settings. Utilizing the TumorGraft Technology Platform (the "Platform"), a comprehensive Bank of unique, well characterized "Patient Derived XenoGrafts" (PDX) models, the Company offers multiple services to pharmaceutical and biotechnology companies seeking personalized approaches to drug development. By performing studies to predict the efficacy of oncology drugs, our Platform facilitates drug discovery with lower costs and increased speed of drug development as well as increased adoption of existing drugs.

The Company has two operating subsidiaries: Champions Oncology (Israel), Limited and Champions Biotechnology U.K., Limited. For the three and nine months ended January 31, 2021 and 2020, there were no revenues earned by these subsidiaries.

The Company's foreign subsidiaries functional currency is the U.S. dollar. Transaction gains and losses are recognized in earnings. The Company is subject to foreign exchange rate fluctuations in connection with the Company's international operations.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC. All significant intercompany transactions and accounts have been eliminated. Certain information related to the Company's organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, or GAAP, has been condensed or omitted. The accounting policies followed in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the Company's annual consolidated financial statements for the year ended April 30, 2020, as filed on Form 10-K. In the opinion of management, these unaudited condensed consolidated financial statements contain all material adjustments necessary to fairly state our financial position, results of operations and cash flows for the periods presented and the presentations and disclosures herein are adequate when read in conjunction with the Company's Annual Report on Form 10-K for the year ended April 30, 2020. The results of operations for the interim periods are not necessarily indicative of the results of operations for a full fiscal year.

The preparation of financial statements in conformity with 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 amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Significant Accounting Policies

Cash and Cash Equivalents

The Company considers only those investments which are highly liquid, readily convertible to cash, and with original maturities of three months or less to be cash equivalents. As of January 31, 2021 and April 30, 2020 the Company had no cash equivalents.

Liquidity

Our liquidity needs have typically arisen from the funding of our research and development programs and the launch of new products, working capital requirements, and other strategic initiatives. In the past, we have met these cash requirements through our cash on hand, working capital management, proceeds from certain private placements and public offerings of our securities, and sales of products and services. For the nine months ended January 31, 2021, the Company had net income of approximately $816,000 and cash provided by operations of $299,000. As of January 31, 2021, the Company had an accumulated deficit of approximately $71.9 million, working capital of $2.6 million and cash of $7.4 million. We believe that our cash on hand, together with expected net positive cash provided by operations for fiscal year 2021, are adequate to fund operations through at least 12 months from the filing of this 10-Q. However, should our revenue expectations not materialize, we believe we have cost reduction strategies that could be implemented without disrupting the business or restructuring the Company. Should the Company be required to raise additional capital, there can be no assurance that management would be successful in raising such capital on terms acceptable to us, if at all.

Leases

Effective May 1, 2019, the Company accounts for its leases under Accounting Standards Codification ("ASC") Topic 842, Leases. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease, if applicable, or the Company’s incremental borrowing rate. As the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term.

Earnings Per Share

Basic net income or loss per share is computed by dividing the net income or loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing the net income or loss for the period by the weighted-average number of shares of common stock plus dilutive potential common stock considered outstanding during the period. Such dilutive shares consist of incremental shares that would be issued upon exercise of the Company’s common stock purchase warrants and stock options.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2021	2020	2021	2020
Basic and diluted net income per share computation (dollars in thousands):				
Net income attributable to common stockholders	$ 740	$ 407	$ 816	$ 72
Weighted Average common shares – basic	13,371,613	11,752,619	12,974,470	11,653,115
Basic net income per share	$ 0.06	$ 0.03	$ 0.06	$ 0.01
Diluted income per share computation:				
Net income attributable to common stockholders	$ 740	$ 407	$ 816	$ 72
Net income available to common stockholders	$ 740	$ 407	$ 816	$ 72
Weighted Average common shares	13,371,613	11,752,619	12,974,470	11,653,115
Incremental shares from assumed exercise of stock options	1,135,542	1,921,053	1,535,810	1,787,746
Adjusted weighted average share – diluted	14,507,155	13,673,672	14,510,280	13,440,861
Diluted net income per share	$ 0.05	$ 0.03	$ 0.06	$ 0.01

The following table reflects the total potential share-based instruments outstanding at January 31, 2021 and 2020 that could have an effect on the future computation of dilution per common share, had their effect not been anti-dilutive:

	January 31,	
	2021	2020
Stock options	1,693,312	2,366,598
Warrants	—	1,669,773
Total common stock equivalents	1,693,312	4,036,371

Income Taxes

Deferred income taxes have been provided to show the effect of temporary differences between the recognition of expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities, and their reported amounts in the consolidated financial statements. In assessing the realizability of deferred tax assets, the Company assesses the likelihood that deferred tax assets will be recovered through tax planning strategies or from future taxable income, and to the extent that recovery is not likely or there is insufficient earnings history, a valuation allowance is established. Our ability to utilize net operating losses ("NOL") carryforwards to offset our future taxable income would be limited if we have undergone or were to undergo an "ownership change" within the meaning of Section 382 of the Internal Revenue Code (the "IRC"). The Company adjusts the valuation allowance in the period management determines it is more likely than not that deferred tax assets will or will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. As of January 31, 2021 and April 30, 2020, the Company provided a valuation allowance for all net deferred tax assets, as recovery is not more likely than not based on an insufficient history of earnings.

Tax positions are positions taken in a previously filed tax return or positions expected to be taken in a future tax return that are reflected in measuring current or deferred income tax assets and liabilities reported in the consolidated financial statements. Tax positions include, but are not limited to, the following:

- An allocation or shift of income between taxing jurisdictions;
- The characterization of income or a decision to exclude reportable taxable income in a tax return; or
- A decision to classify a transaction, entity or other position in a tax return as tax exempt.

The Company reflects tax benefits only if it is more likely than not that the Company will be able to sustain the tax position, based on its technical merits. If a tax benefit meets this criterion, it is measured and recognized based on the largest amount of benefit that is cumulatively greater than 50% likely to be realized. The Company recorded $181,000 and $178,000 of liabilities related to uncertain tax positions relative to one of its foreign operations as of January 31, 2021 and April 30, 2020, respectively.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company recognized approximately $3,000 for interest and penalties on the Company's balance sheets as of January 31, 2021, and recognized approximately $3,000 of interest and penalties in the statement of operations for the nine months ended January 31, 2021. Other than approximately $4,500 for interest and penalties, the Company does not anticipate additional unrecognized tax benefits will be recorded during the next 12 months.

The provision for income taxes for the three months ended January 31, 2021 and 2020 was $15,000 and $12,000, respectively, and for the nine months ended January 31, 2021 and 2020 was $43,000 and $38,000, respectively. These amounts are mainly attributable to taxable income earned in Israel relating to transfer pricing.

Revenue Recognition

All revenue is generated from contracts with customers. The Company's arrangements are service type contracts that mainly have a duration of less than a year. The Company recognizes revenue when control of these services is transferred to the customer in an amount, referred to as the transaction price, that reflects the consideration to which the Company is expected to be entitled in exchange for those services. The Company determines revenue recognition utilizing the following five steps: (1) identification of the contract with a customer, (2) identification of the performance obligations in the contract (promised goods or services that are distinct), (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations, and (5) recognition of revenue when, or as, the Company transfers control of the product or service for each performance obligation. The Company records revenues net of any tax assessments by governmental authorities, such as value added taxes, that are imposed on and concurrent with specific revenue generating transactions.

Pharmacology Study and Other Services

The Company generally enters into contracts with customers to provide oncology services with payments based on fixed-fee arrangements. At contract inception, the Company assesses the services promised in the contracts with customers to identify the performance obligations in the arrangement. The Company's fixed-fee arrangements for oncology services are considered a single performance obligation because the Company provides a highly-integrated service.

The Company recognizes revenue over time using a progress-based input method since there is no single output measure that would fairly depict the transfer of control over the life of the performance obligation. Revenue is recognized for the single performance obligation over time due to the Company's right to payment for work performed to date and the performance does not create an asset with an alternative use. The Company recognizes revenue as portions of the overall performance obligation are completed as this best depicts the progress of the performance obligation.

Variable Consideration

In some cases, contracts provide for variable consideration that is contingent upon the occurrence of uncertain future events, such as the success of the initial performance obligation. Variable consideration is estimated at the expected value or at the most likely amount depending on the type of consideration. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimate of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of its anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company.

Trade Receivables, Unbilled Services and Deferred Revenue

In general, billings and payments are established by contractual provisions including predetermined payment schedules, which may or may not correspond to the timing of the transfer of control of the Company's services under the contract. In general, the Company's intention in its invoicing (payment terms) is to maintain cash neutrality over the life of the contract. Upfront payments, when they occur, are intended to cover certain expenses the Company incurs at the beginning of the contract. Neither the Company nor its customers view such upfront payments and contracted payment schedules as a means of financing. Unbilled services primarily arise from the timing of payment terms and when an input method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer.

Deferred revenue consists of unearned payments received in excess of revenue recognized. As the contracted services are subsequently performed and the associated revenue is recognized, the deferred revenue balance is reduced by the amount of the revenue recognized during the period. Deferred revenue is classified as a current liability on the condensed consolidated balance sheet as the Company expects to recognize the associated revenue in less than one year.

Accounting Pronouncements Being Evaluated

In October 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-10, Codification Improvements. The purpose of the ASU is to clarify, correct errors in, or make minor improvements to a variety of ASC topics. The changes in ASU 2020-03 are not expected to have a significant effect on the Company's current accounting practices. The ASU improves various topics in the Codification to increase stakeholder awareness of the amendments and to expedite the improvement process by making the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. The ASU is effective for fiscal years beginning after December 15, 2020 with early application permitted. We are currently assessing the impact of this update on our consolidated financial statements and do not anticipate a significant impact.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes. The ASU enhances and simplifies various aspects of the income tax accounting guidance in ASC Topic 740 and removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years with early adoption permitted. We are currently assessing the impact of this update on our consolidated financial statements and do not anticipate a significant impact.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses". This update requires immediate recognition of management's estimates of current expected credit losses ("CECL"). Under the prior model, losses were recognized only as they were incurred. The new model is applicable to all financial instruments that are not accounted for at fair value through net income. The standard is effective for fiscal years beginning after December 15, 2022 for public entities qualifying as small reporting companies. Early adoption is permitted. We are currently assessing the impact of this update on our consolidated financial statements and do not anticipate a significant impact.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases", (Topic 842), which required the Company to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on its consolidated balance sheet for all leases in excess of one year in duration. The ASU was effective for the Company on May 1, 2019. The Company elected to adopt ASU 2016-02 using the modified retrospective method and, therefore, have not recast comparative periods presented in its unaudited consolidated financial statements. As permitted under ASU 2016-02, the Company elected to account for the non-lease components together with the lease components as a single lease component. The Company recorded an operating lease right-of-use ("ROU") asset of $3.2 million, net of deferred rent of $900,000 and an operating lease liability of $4.1 million as of May 1, 2019. See Note 8 of this Form 10-Q for additional information and required disclosures. Under Topic 842, the Company determined if an arrangement is a lease at inception. ROU assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

In August 2018, the FASB issued ASU 2018-15, which amends ASC 350-40, Intangibles—Goodwill and Other—Internal-Use Software, to address a customer's accounting for implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract. This update aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. This ASU was effective for and adopted by the Company on May 1, 2020. The adoption had no material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting". This ASU expands the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Under the new guidance, the existing employee guidance will apply to nonemployee share based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. The new accounting guidance was effective for the Company on May 1, 2019. The Company adopted this new rule beginning with its financial reporting for the quarter ended January 31, 2019. The adoption had no material impact on our consolidated financial statements.

On November 11, 2019, the FASB issued ASU 2019-08 which clarifies the accounting for share-based payments issued as consideration payable to a customer in accordance with ASC 606. Under the ASU, entities apply the guidance in ASC 718 to measure and classify share-based payments issued to a customer that are not in exchange for a distinct good or service (i.e., share-based sales incentives). The ASU was effective for the Company on May 1, 2020 and the adoption had no material impact on our consolidated financial statements.

Note 3. Accounts Receivable, Unbilled Services and Deferred Revenue

Accounts receivable and unbilled services were as follows (in thousands):

	January 31, 2021	April 30, 2020
Accounts receivable	$ 3,333	$ 2,655
Unbilled services	3,126	2,404
Total accounts receivable and unbilled services	6,459	5,059
Less allowance for doubtful accounts	(338)	(289)
Total accounts receivable, net	$ 6,121	$ 4,770

Deferred revenue was as follows (in thousands):

	January 31, 2021	April 30, 2020
Deferred revenue	$ 6,615	$ 5,815

Deferred revenue is shown as a current liability on the Company's condensed consolidated balance sheet.

Note 4. Revenue from Contracts with Customers

Oncology Services Revenue

The Company recognizes revenue under ASC 606, Revenue Recognition - Revenue from Customers ("ASC 606"). In accordance with ASC 606, revenue is recognized when, or as, a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services.

A performance obligation is a promise (or a combination of promises) in a contract to transfer distinct goods or services to a customer and is the unit of accounting under ASC 606 for the purposes of revenue recognition. A contract's transaction price is allocated to each separate performance obligation based upon the standalone selling price and is recognized as revenue, when, or as, the performance obligation is satisfied. The majority of the Company's contracts have a single performance obligation because the promise to transfer individual services is not separately identifiable from other promises in the contracts, and therefore, is not distinct.

The majority of the Company's revenue arrangements are service contracts that are complete within a year or less. There are a few contracts that range in duration between 1 and 3 years. Substantially all of the Company's performance obligations, and associated revenue, are transferred to the customer over time. Most of the Company's contracts can be terminated by the customer without cause. In the event of termination, the Company's contracts provide that the customer pay the Company for services rendered through the termination date. The Company generally receives compensation based on a predetermined invoicing schedule relating to specific milestones for that contract. In addition, in certain instances a customer contract may include forms of variable consideration such as performance increases or other provisions that can increase or decrease the transaction price. This variable consideration is generally awarded upon achievement of certain performance metrics. For the purposes of revenue recognition, variable consideration is assessed on a contract-by-contract basis and the amount to be recorded is estimated based on the assessment of the Company's anticipated performance and consideration of all information that is reasonably available. Variable consideration is recognized as revenue if and when it is deemed probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved in the future.

Amendments to contracts are common. The Company evaluates each amendment which meets the criteria of a contract modification under ASC 606. Each modification is further evaluated to determine whether the contract modification should be accounted for as a separate contract or as a continuation of the original agreement. The Company accounts for amendments as a separate contract if they meet the criteria under ASC 606-10-25-12.

Other revenue represents services provided to the pharmaceutical and biotechnology companies. The Company does not consider these services part of their core product offerings.

The following tables represents disaggregated revenue for the three and nine months ended January 31, 2021 and 2020:

	Three Months Ended January 31,		**Nine Months Ended January 31,**	
	2021	**2020**	**2021**	**2020**
Pharmacology services	$ 10,745	$ 8,843	$ 30,199	$ 22,732
Personalized oncology services	5	169	155	581
Other	62	—	122	62
Total oncology services revenue	$ 10,812	$ 9,012	$ 30,476	$ 23,375

Contract Balances

Contract assets include unbilled amounts typically resulting from revenue recognized in excess of the amounts billed to the customer for which the right to payment is subject to factors other than the passage of time. These amounts may not exceed their net realizable value. Contract assets are classified as current. Contract liabilities consist of customer payments received in advance of performance and billings in excess of revenue recognized, net of revenue recognized from the balance at the beginning of the period. Contract assets and liabilities are presented on the balance sheet on a net contract-by-contract basis at the end of each reporting period. There were no material contract assets or liabilities recorded on the condensed consolidated balance sheets as of January 31, 2021 and April 30, 2020.

Note 5. Property and Equipment

Property and equipment is recorded at cost and primarily consists of laboratory equipment, furniture and fixtures, and computer equipment and software. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the various assets ranging from three to nine years. Property and equipment consisted of the following (table in thousands):

	January 31, 2021	April 30, 2020
Furniture and fixtures	$ 242	$ 180
Computer equipment and software	1,888	1,209
Laboratory equipment	6,075	4,818
Assets in progress	984	554
Leasehold improvements	4	4
Total property and equipment	9,193	6,765
Less: Accumulated depreciation	(3,653)	(2,772)
Property and equipment, net	$ 5,540	$ 3,993

Depreciation and amortization expense, excluding expense recorded under the finance lease, was $279,000 and $184,000 for the three months ended January 31, 2021 and 2020, respectively. Depreciation and amortization expense, excluding expense recorded under the finance lease, was $757,000 and $491,000 for the nine months ended January 31, 2021 and 2020, respectively.

As of January 31, 2021 and April 30, 2020, property, plant and equipment included gross assets held under finance leases of $343,000. Related depreciation expense was approximately $18,000 and $35,000 for the three months ended January 31, 2021 and 2020, respectively, and $124,000 and $88,000 for the nine months ended January 31, 2021 and 2020, respectively.

Finance Lease

In November 2014, the Company entered into a finance lease for laboratory equipment. The lease had costs of approximately $149,000, at inception, through November 2019. The final lease payment under this finance lease of $2,000 was paid during the three months ended January 31, 2020. As of January 31, 2021 the asset has been fully depreciated and book value is nil.

In July 2018, the Company entered into a second finance lease for laboratory equipment. The lease had costs of approximately $266,000, inclusive of interest and taxes, with a monthly payment of approximately $11,000. Although the lease was originally due to mature in July 2020, the Company decided to pay the outstanding balance on February 1, 2019. As a result, the entire outstanding balance of the lease was nil for periods subsequent to that date. During the quarter ended October 31, 2019, the Company traded in this asset and received a $160,000 reduction in the purchase price of two newly acquired assets. The net book value of the asset traded in at the time of trade in was $108,000, resulting in a gain on the disposal of the asset of $53,000, which was included as an offset in the other expense line within the Company's consolidated statement of operations for the nine months ended January 31, 2020.

In December 2019, the Company entered into a finance lease for laboratory equipment. The lease had costs of approximately $231,000, at inception, through November 2020. The lease term expired December 2020. Depreciation and amortization expense related to this finance lease was $18,000 and $35,000 for the three months ended January 31, 2021 and 2020, respectively, and $124,000 and $35,000 for the nine months ended January 31, 2021 and 2020, respectively.

Note 6. Share-Based Payments

The Company has in place a 2010 Equity Incentive Plan and a 2008 Equity Incentive Plan. In general, these plans provide for stock-based compensation in the form of (i) Non-statutory Stock Options; (ii) Restricted Stock Awards; and (iii) Stock Appreciation Rights to the Company’s employees, directors and non-employees. The plans also provide for limits on the aggregate number of shares that may be granted, the term of grants and the strike price of option awards.

Stock-based compensation expense was recognized as follows (table in thousands):

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2021	2020	2021	2020
General and administrative	$ 149	$ 110	$ 206	$ 281
Sales and marketing	51	95	148	144
Research and development	7	4	16	9
Cost of oncology services	25	20	67	3
Total stock-based compensation expense	$ 232	$ 229	$ 437	$ 437

Stock Option Grants

Black-Scholes assumptions used to calculate the fair value of options granted during the three and nine months ended January 31, 2021 and 2020 were as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2021	2020	2021	2020
Expected term in years	3	3-6	3-6	3-6
Risk-free interest rates	0.12%	1.57%-1.80%	0.12%-0.39%	1.57%-1.80%
Volatility	74.98%	69.14%-70.99%	72.64%-74.98%	69.14%-71.11%
Dividend yield	—%	—%	—%	—%

The weighted average fair value of stock options granted during the three months ended January 31, 2021 and 2020 was $5.80 and $2.56, respectively, and $5.08 and $3.09 for the nine months ended January 31, 2021 and 2020, respectively.

The Company's stock options activity for the nine months ended January 31, 2021 was as follows:

	Directors and Employees	Non-Employees	Total	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, April 30, 2020	2,228,326	43,332	2,271,658	$ 3.23	5.0	$ 10,663,000
Granted	133,833	—	133,833	9.21	7.58	
Exercised	(662,285)	(1,159)	(663,444)	2.27		
Forfeited	(7,000)	—	(7,000)	6.43		
Canceled	(34,978)	(923)	(35,901)	4.03		
Expired	—	(5,834)	(5,834)	10.80		
Outstanding, January 31, 2021	1,657,896	35,416	1,693,312	4.02	5.66	$ 11,975,000
Vested and expected to vest as of January 31, 2021	1,657,896	35,416	1,693,312	4.02	5.66	$ 11,975,000
Exercisable as of January 31, 2021	1,289,104	9,584	1,298,688	3.25	4.93	$ 10,173,000

Note 7. Leases

The Company accounts for its leases under ASU 2016-02, "Leases", Topic 842.

Operating Leases

The Company currently leases certain office equipment and its office and laboratory facilities under non-cancelable operating leases. Rent expense for operating leases is recognized on a straight-line basis over the lease term from the lease commencement date through the scheduled expiration date. Rent expenses totaled $941,000 and $717,000 for the nine months ended January 31, 2021 and 2020, respectively. For the three months ended January 31, 2021 and 2020, rent expenses totaled $312,000 and $240,000, respectively. The Company considers its facilities adequate for its current operational needs.

The Company leases the following facilities:

- One University Plaza, Suite 307, Hackensack, New Jersey 07601, which, since November 2011, serves as the Company’s corporate headquarters. The lease expires in November 2021. The Company recognized $67,000 and $71,000 of rental costs relative to this lease for the nine months ended January 31, 2021 and 2020, respectively, and $24,000 for each the three months ended January 31, 2021 and 2020.
- 1330 Piccard Drive Suite 025, Rockville, MD 20850, which consists of laboratory and office space where the Company conducts operations related to its primary service offerings. The Company executed this lease (the "Original Premises") on January 11, 2017. The operating commencement date was August 11, 2017. This lease originally expired in August 2028.
    - On March 30, 2020, the Company executed the first amendment to this lease to expand the existing premises at 1330 Piccard Drive, Suite 025 ("Expansion Premises") to add on Suites 050 and 104. This amendment also extended the current lease term by six months. The Expansion Premises operating lease commencement date was June 1, 2020 and, under the amendment, both leases expire February 28, 2029.
    - In accordance with ASC 842, "Leases", the Company evaluated the first amendment and also performed a reassessment of the existing lease for Suite 025 to determine the impact of the six-month term extension. As a result of this assessment, the Company recognized an additional operating ROU asset and related operating lease liability for Suite 025 of $118,000 and $125,000, respectively, as well as an incremental net rent expense of $8,000 during the three months ended July 31, 2020. The Company did not recognize the incremental rental expense under this amendment during fiscal 2020 as the Expansion Premises lease commencement date was during fiscal 2021.
    - Upon the Expansion Premises operating lease commencement date (June 1, 2020), the Company recognized an operating ROU asset and related operating lease liability for Suites 050 and 104 of $3.8 million, each, respectively.
    - For the leases related to the Original and Expansion Premises at Piccard Drive, the Company recognized $823,000 and $454,000 of rental expense for the nine months ended January 31, 2021 and 2020, and $288,000 and $152,000 for the three months ended January 31, 2021 and 2020, respectively.
    - On December 22, 2020, the Company executed the second amendment to this lease to expand the existing premises at 1330 Piccard Drive, Suites 025, 050, and 104 ("Additional Expansion Premises") to add on Suite 201. The Additional Expansion Premises operating lease commencement date is April 1, 2021 and, under the second amendment, reaffirms that all three leases expire February 28, 2029. The Company did not recognize any rental expense under this lease for the three and nine month periods ended January 31, 2021 as the lease commencement date is subsequent to this time period.
    - Upon the Additional Expansion Premises operating lease commencement date (April 1, 2021), the Company expects to recognize an operating ROU asset and related operating lease liability for Suite 201 of $3.3 million, each, respectively.
- 1405 Research Boulevard, Suite 125, Rockville, Maryland 20850 (“New Location”), which consisted of laboratory and office space where the Company conducted operations related to its primary service offerings. The Company executed this lease on November 1, 2018. The operating commencement date was January 17, 2019. This lease was set to expire in April 2024. The Company terminated this lease on June 30, 2020 and transitioned its activities from this location to the Expansion Premises, as defined above, during the first quarter of fiscal 2021. Upon lease termination, the Company recognized a decrease in the related operating ROU asset and operating lease liability of approximately $850,000 and $926,000, respectively, as well as a gain on lease termination of $76,000. The Company also recognized $43,000 and $193,000 of rental expense for the nine months ended January 31, 2021 and 2020, and zero and $64,000 for the three months ended January 31, 2021 and 2020, respectively.

ROU assets and lease liabilities related to our current operating leases are as follows (in thousands):

	January 31, 2021	April 30, 2020
Operating lease right-of-use assets, net	$ 5,380	$ 2,798
Current portion of operating lease liabilities	628	503
Non-current portion of operating lease liabilities	5,798	3,170

As of January 31, 2021, the weighted average remaining operating lease term and the weighted average discount rate were 7.98 years and 6.07%, respectively.

Future minimum lease payments due each fiscal year as follows (in thousands):

Remainder of 2021	$ 471
2022	2,431
2023	2,525
2024	2,671
2025	2,711
Thereafter	10,659
Total	$ 21,468

Refer to Note 5, Property and Equipment, for more information on financing leases.

Note 8. Related Party Transactions

Related party transactions include transactions between the Company and its shareholders, management, or affiliates. The following transactions were in the normal course of operations and were measured and recorded at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Consulting Services

During the three months ended January 31, 2021 and 2020, the Company paid an affiliate of a board member $12,000 and $18,000, respectively, for consulting services unrelated to his duty as a board member. During the three months ended January 31, 2021 and 2020, the Company paid an affiliate of another board member $3,900 and $10,100, respectively, for consulting services unrelated to their duties as a board member.

During the nine months ended January 31, 2021 and 2020, the Company paid an affiliate of a board member $45,000 and $54,000 for consulting services unrelated to his duty as a board member. During the nine months ended January 31, 2021 and 2020, the Company paid an affiliate of another board member $13,400 and $39,100, respectively, for consulting services unrelated to their duties as a board member. As of January 31, 2021, $4,000 was due to these related parties.

Note 9. Commitments and Contingencies

Risks and uncertainties related to Covid-19

In December 2019, a novel strain of coronavirus, COVID-19, was first identified in Wuhan, China. The global spread of COVID-19 from China to other countries resulted in the World Health Organization declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including the United States, subsequently imposed various degrees of restrictions and other measures, including but not limited to, mandatory temporary closures, quarantine and shelter in place guidelines, and restrictions on mass gatherings and on travel in an effort to slow and/or reduce the spread of the virus. Employers were also required to increase, as much as possible, the capacity and arrangement for employees to work remotely.

While the COVID-19 pandemic has continued to evolve and remains highly unpredictable and dynamic in its duration and severity, many of these previously imposed restrictions and other measures have now been eased and/or lifted, while governments continue to monitor active cases and the health and safety of their citizens. The spread of COVID-19 and the related actions implemented by the governments of the United States and elsewhere across the globe, may worsen again over time. Thus, the COVID-19 pandemic may continue to have a negative impact on the US and Global economies for the foreseeable future. Although, to date, these restrictions and the affect on the Global economy have not materially impacted the

Company's operations, the future effect on its business will largely depend on future developments which are highly uncertain and cannot be predicted at this time. The Company continues to monitor its operations and applicable government recommendations and requirements.

Any outbreak of contagious diseases, or other adverse public health developments, could have a material and adverse effect on the Company's business operations. These could include disruptions or restrictions on the Company's ability to travel, pursue partnerships and other business transactions, receive shipments of biologic materials, as well as an impact by the temporary closure of the facilities of its suppliers. The spread of an infectious disease, including COVID-19, may also result in the inability of the Company's suppliers to deliver supplies to them on a timely basis. In addition, health professionals may reduce staffing and reduce or postpone meetings with clients in response to the spread of an infectious disease. Though the Company has not yet experienced such events related to COVID-19, if they would occur, they could result in a period of business disruption, and in reduced operations, any of which could materially affect its business, financial condition and results of operations. However, as noted, as of the date of this Form 10-Q, the Company has not experienced a material adverse effect on our business nor the need for reduction in its work force; and, currently, and it does not expect any material impact on its long-term activity. As noted, the extent to which COVID-19 impacts the Company's business will depend on future developments which are highly uncertain and cannot be predicted, including, but not limited to, new information which may emerge concerning the increased severity of the COVID-19 virus, the actions to contain COVID-19, or treat its impact.

Legal Matters

The Company is not currently party to any legal matters to its knowledge. The Company is not aware of any other matters that would have a material impact on the Company's financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our historical results of operations and our liquidity and capital resources should be read in conjunction with the condensed consolidated financial statements and related notes that appear elsewhere in this report and our most recent annual report for the year ended April 30, 2020, as filed on Form 10-K.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation, and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new programs; expectations that regulatory developments or other matters will not have a material adverse effect on our financial position, results of operations, or liquidity; statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Forward-looking statements speak only as of the date the statements are made. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2020, as updated in our subsequent reports filed with the SEC, including any updates found in Part II, Item 1A of this or other reports on Form 10-Q, if any. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview and Recent Developments

We are engaged in the development and sale of advanced technology solutions and products to personalize the development and use of oncology drugs through our Translational Oncology Solutions ("TOS"). This technology ranges from computational-based discovery platforms, unique oncology software solutions, and innovative and proprietary experimental tools such as in vivo, ex vivo and biomarker platforms. Utilizing our TumorGraft Technology Platform (the "Platform"), a comprehensive Bank of unique, well characterized PDX models, we provide select services to pharmaceutical and biotechnology companies seeking personalized approaches to drug development. By performing studies to predict the efficacy of oncology drugs, our Platform facilitates drug discovery with lower costs and increased speed of drug development as well as increased adoption of existing drugs.

Our Platform provides a novel approach to simulating the results of human clinical trials used in developing oncology drugs. We believe it costs up to $100,000 per patient in oncology clinical trials and the typical cost for each phase of development per year increases from approximately $3 million in the pre-clinical setting to approximately $150 million in phase III clinical trials. Simulating trials before executing them provides benefits to both pharmaceutical companies and patients. Pharmaceutical companies can lower the risk of spending resources on drugs that do not show significant anti-cancer activities and increase the chance that the clinical development path they pursue will be focused on an appropriate patient population and a successful combination with other drugs.

We plan to continue our efforts to expand our TumorGraft Technology Platform in order to expand our TOS program. As part of these efforts, we launched Lumin Bioinformatics ("Lumin"), a new oncology data-driven software program, during fiscal 2021, which enhances our TOS program. Lumin provides users with a vast database of tumor characterization that can be used for computational research. The software also offers analytic tools that are utilized to interrogate the data for associations between molecular and various phenotypic features, including thousands of drug responses, clinical annotations, prior treatment histories, and genetic dependencies. Insights developed using Lumin can provide the basis for biomarker hypotheses, reveal potential mechanisms of therapeutic resistance, and guide the direction of additional preclinical evaluations.

In December 2019, a novel strain of coronavirus, COVID-19, was first identified in Wuhan, China. The global spread of COVID-19 from China to other countries resulted in the World Health Organization declaring the outbreak of COVID-19 as a “pandemic,” or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including the United States, subsequently imposed various degrees of restrictions and other measures, including but not limited to, mandatory temporary closures, quarantine and shelter in place guidelines, and restrictions on mass gatherings and on travel in an effort to slow and/or reduce the spread of the virus. Employers were also required to increase, as much as possible, the capacity and arrangement for employees to work remotely.

While the COVID-19 pandemic has continued to evolve and remains highly unpredictable and dynamic in its duration and severity, many of these previously imposed restrictions and other measures have now been eased and/or lifted, while governments continue to monitor active cases and the health and safety of their citizens. The spread of COVID-19 and the related actions implemented by the governments of the United States and elsewhere across the globe, may worsen again over time. Thus, the COVID-19 pandemic may continue to have a negative impact on the US and Global economies for the foreseeable future. Although, to date, these restrictions and the affect on the Global economy have not materially impacted our operations, the future effect on our business will largely depend on future developments which are highly uncertain and cannot be predicted at this time. We continue to monitor our operations and applicable government recommendations and requirements.

Any outbreak of contagious diseases, or other adverse public health developments, could have a material and adverse effect on our business operations. These could include disruptions or restrictions on our ability to travel, pursue partnerships and other business transactions, receive shipments of biologic materials, as well as be impacted by the temporary closure of the facilities of suppliers. The spread of an infectious disease, including COVID-19, may also result in the inability of our suppliers to deliver supplies to us on a timely basis. In addition, health professionals may reduce staffing and reduce or postpone meetings with clients in response to the spread of an infectious disease. Though we have not yet experienced such events related to COVID-19, if they would occur, they could result in a period of business disruption, and in reduced operations, any of which could materially affect our business, financial condition and results of operations. However, as noted, as of the date of this Form 10-Q, we have not experienced a material adverse effect on our business nor the need for reduction in our work force; and, currently, and we do not expect any material impact on our long-term activity. As noted, the extent to which COVID-19 impacts our business will depend on future developments which are highly uncertain and cannot be predicted, including, but not limited to, new information which may emerge concerning the increased severity of the COVID-19 virus, the actions to contain COVID-19, or treat its impact.

Liquidity and Capital Resources

Our liquidity needs have typically arisen from the funding of our research and development programs and the launch of new products, working capital requirements, and other strategic initiatives. In the past, we have met these cash requirements through cash, working capital management, proceeds from certain private placements and public offerings of our securities, and sales of products and services. For the nine months ended January 31, 2021, the Company had net income of approximately $816,000 and cash provided by operations of $299,000. As of January 31, 2021, the Company had an accumulated deficit of approximately $71.9 million, working capital of $2.6 million, and cash of $7.4 million. We believe that our cash on hand, together with expected positive cash flows from operations for fiscal year 2021, are adequate to fund operations through at least 12 months from the filing of this 10-Q. However, should our revenue expectations not materialize, we believe we have cost reduction strategies that could be implemented without disrupting the business or restructuring the Company. Should the Company be required to raise additional capital, there can be no assurance that management would be successful in raising such capital on terms acceptable to us, if at all.

Operating Results

The following table summarizes our operating results for the periods presented below (dollars in thousands):

	For the Three Months Ended January 31,				
	2021	% of Revenue	2020	% of Revenue	% Change
Oncology services revenue	$ 10,812	100.0 %	$ 9,012	100.0 %	20.0 %
Costs and operating expenses:					
Cost of oncology services	4,842	44.8	4,325	48.0	12.0
Research and development	1,879	17.4	1,391	15.4	35.1
Sales and marketing	1,492	13.8	1,307	14.5	14.2
General and administrative	1,836	17.0	1,556	17.3	18.0
Total costs and operating expenses	10,049	93.0	8,579	95.2	17.1
Income from operations	$ 763	7.1 %	$ 433	4.8 %	76.2 %

	For the Nine months ended January 31,				
	2021	% of Revenue	2020	% of Revenue	% Change
Oncology services revenue	$ 30,476	100.0 %	$ 23,375	100.0 %	30.4 %
Costs and operating expenses:					
Cost of oncology services	15,822	51.9	11,958	51.2	32.3
Research and development	5,125	16.8	4,035	17.3	27.0
Sales and marketing	4,048	13.3	3,155	13.5	28.3
General and administrative	4,686	15.4	4,118	17.6	13.8
Total costs and operating expenses	29,681	97.4	23,266	99.5	27.6
Income from operations	$ 795	2.6	$ 109	0.5 %	629.4 %

Oncology Services Revenue

Oncology services revenue was $10.8 million and $9.0 million for the three months ended January 31, 2021 and 2020, respectively, an increase of $1.8 million or 20.0%. Oncology services revenue was $30.5 million and $23.4 million for the nine months ended January 31, 2021 and 2020, respectively, an increase of $7.1 million or 30.4%. The increase in revenue for both the three and nine month periods is due to increased sales, both in number and size of studies, and the expansion of both our platform and product lines. Additionally, customers are seeking more complex study designs and end point analysis testing, leading to larger contracts, which contributed to revenue growth.

Cost of Oncology Services

Cost of oncology services for the three months ended January 31, 2021 and 2020 were $4.8 million and $4.3 million, respectively, an increase of $517,000 or 12.0%. For the three months ended January 31, 2021 and 2020, gross margins were 55.2% and 52.0%, respectively. The increase in cost of oncology services for the three month period ending January 31, 2021 was mainly due to an increase in compensation and lab supply expenses. The increase in cost was expected based on the increase in revenue. Gross margin varies based on timing differences between expense and revenue recognition and was lifted by the revenue recognized from outsourced work, the costs of which we partially recognized in prior quarters. Cost of oncology services for the nine months ended January 31, 2021 and 2020 were $15.8 million and $12.0 million, respectively, an increase of $3.9 million or 32.3%. For the nine months ended January 31, 2021 and 2020, gross margins were 48.1% and 48.8%, respectively. The increase in cost of oncology services for the nine month period was mainly due to an increase in compensation, lab supply, and outsourced lab service expenses. With the exception of outsourced lab services, the overall expense increase is generally in line with the expected contribution based on the growth in revenue, study volume, and expansion into new services. Gross margin varies based on timing differences between expense and revenue recognition and was negatively impacted by the increase in costs on growing study volume in advance of revenue recognition. The cost of outsourced lab services amplified this impact.

Research and Development

Research and development expenses for the three months ended January 31, 2021 and 2020 were $1.9 million and $1.4 million, respectively, an increase of approximately $488,000 or 35.1%. Research and development expenses for the nine months ended January 31, 2021 and 2020 were $5.1 million and $4.0 million, respectively, an increase of approximately $1.1 million or 27.0%. The increase for the three and nine month periods is mainly due to increased compensation and lab supply expense as we continued to develop new service capabilities and endpoint testing analysis. Additionally, we incurred sequencing costs as our investment in characterizing our TumorBank continues, adding valuable data to our platform.

Sales and Marketing

Sales and marketing expenses for the three months ended January 31, 2021 and 2020 were $1.5 million and $1.3 million, respectively, an increase of $185,000, or 14.2%. Sales and marketing expenses for the nine months ended January 31, 2021 and 2020 were $4.0 million and $3.2 million, respectively, an increase of $893,000, or 28.3%. The increase for the three and nine month periods is mainly due to compensation expense driven by the continued investment in expanding our business development team.

General and Administrative

General and administrative expenses for the three months ended January 31, 2021 and 2020 were $1.8 million and $1.6 million, an increase of $280,000, or 18.0%. General and administrative expenses for the nine months ended January 31, 2021 and 2020 were $4.7 million and $4.1 million, respectively, an increase of $568,000, or 13.8%. General and administrative expenses are primarily comprised of compensation, insurance, professional fees, IT, and depreciation and amortization expenses and have increased to support the overall infrastructure growth of the company.

Inflation

Inflation does not have a meaningful impact on the results of our operations.

Cash Flows

The following discussion relates to the major components of our cash flows:

Cash Flows from Operating Activities

Net cash provided by operating activities was $299,000 and $360,000 for the nine months ended January 31, 2021 and 2020, respectively. The decrease in cash from operating activities during the current period was primarily due to a reduction in our accounts payable along with changes in other working capital accounts in the ordinary course of business.

Cash Flows from Investing Activities

Net cash used in investing activities was $2.3 million and $693,000 for the nine months ended January 31, 2021 and 2020, respectively. Cash used in investing activities was primarily related to the purchase of lab equipment and the development of software required for the Company's new products and services.

Cash Flows from Financing Activities

Net cash provided by financing activities was $1.1 million for the nine months ended January 31, 2021 compared to $378,000 for the nine months ended January 31, 2020, respectively. Cash provided in financing activities resulted from an increase in option exercises during the current period.

Critical Accounting Estimates and Policies

The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to apply methodologies and make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates of the Company include, among other things, accounts receivable realization, revenue recognition (replacement of licensed tumors), valuation allowance for deferred tax assets, valuation of goodwill, and stock compensation and warrant assumptions. Actual results could differ from those estimates. The Company's critical accounting policies are summarized in the Company's Annual Report on Form 10-K, filed with the SEC on July 28, 2020.

Recent Accounting Pronouncements

For detailed information regarding recently issued accounting pronouncements and the expected impact on our condensed consolidated financial statements, see Note 2, "Significant Accounting Policies" in the accompanying Notes to Condensed Consolidated Financial Statements included in Item 1 of this Report on Form 10-Q.

Off-Balance Sheet Financing

We have no off-balance sheet debt or similar obligations. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported results of operations or financial position. We do not guarantee any third-party debt.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

It is management's responsibility to establish and maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, have concluded that our disclosure controls and procedures were effective as of January 31, 2021 at the reasonable assurance level in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information required by this Item; however, the discussion of our business and operations should be read together with the Risk Factors set forth in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on July 28, 2020. Such risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flow, strategies or prospects in a material and adverse manner.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

No.	Exhibit
31.1*	Section 302 Certification of Principal Executive Officer
31.2*	Section 302 Certification of Principal Financial Officer
32.1**	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* filed herewith
** furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHAMPIONS ONCOLOGY, INC.
(Registrant)

Date: March 15, 2021	By:	/s/ Ronnie Morris
		Ronnie Morris
		Chief Executive Officer
		(principal executive officer)
Date: March 15, 2021	By:	/s/ David Miller
		David Miller
		Chief Financial Officer
		(principal financial and accounting officer)