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, 2022

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 11, 2022 was 13,522,441.

DOCUMENTS INCORPORATED BY REFERENCE - None

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FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2022

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	January 31, 2022 (unaudited)	April 30, 2021
ASSETS		
Current assets:		
Cash	$ 8,701	$ 4,687
Accounts receivable, net	8,563	6,986
Prepaid expenses and other current assets	561	957
Total current assets	17,825	12,630
Operating lease right-of-use assets, net	8,418	8,521
Property and equipment, net	6,991	6,090
Other long-term assets	15	15
Goodwill	335	335
Total assets	$ 33,584	$ 27,591
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,743	$ 1,894
Accrued liabilities	2,026	2,231
Current portion of operating lease liabilities	1,014	818
Other current liability	15	—
Deferred revenue	8,701	6,256
Total current liabilities	15,499	11,199
Non-current operating lease liabilities	8,618	8,783
Other non-current liabilities	231	181
Total liabilities	$ 24,348	$ 20,163
Stockholders' equity:		
Common stock, $.001 par value; 200,000,000 shares authorized; 13,517,941 and 13,414,066 shares issued and outstanding as of January 31, 2022 and April 30, 2021, respectively	14	13
Additional paid-in capital	80,860	79,945
Accumulated deficit	(71,638)	(72,530)
Total stockholders' equity	9,236	7,428
Total liabilities and stockholders' equity	$ 33,584	$ 27,591

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,	
	2022	**2021**	**2022**	**2021**
Oncology services revenue	$ 13,193	$ 10,812	$ 36,232	$ 30,476
Costs and operating expenses:				
Cost of oncology services	6,406	4,623	17,411	15,603
Research and development	2,181	1,879	6,783	5,125
Sales and marketing	1,549	1,492	4,764	4,048
General and administrative	2,227	1,836	6,356	4,686
Total costs and operating expenses	12,363	9,830	35,314	29,462
Income from operations	830	982	918	1,014
Other income (expense), net	(32)	(8)	11	64
Income before provision for income taxes	798	974	929	1,078
Provision for income taxes	11	15	37	43
Net income	$ 787	$ 959	$ 892	$ 1,035
Net income per common share outstanding				
basic	$ 0.06	$ 0.07	$ 0.07	$ 0.08
and diluted	$ 0.05	$ 0.07	$ 0.06	$ 0.07
Weighted average common shares outstanding				
basic	13,500,444	13,371,613	13,170,880	12,974,470
and diluted	14,387,009	14,507,155	14,178,082	14,510,280

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, 2021	13,414,066	$ 13	$ 79,945	$ (72,530)	$ 7,428
Stock-based compensation	—	—	280	—	280
Issuance of common stock on exercise of stock options	1,000	—	2	—	2
Net loss	—	—	—	(172)	(172)
Balance July 31, 2021	13,415,066	$ 13	$ 80,227	$ (72,702)	$ 7,538
Stock-based compensation	—	—	134	—	134
Issuance of common stock on exercise of stock options	81,078	1	121	—	122
Net income	—	—	—	277	277
Balance October 31, 2021	13,496,144	$ 14	$ 80,482	$ (72,425)	$ 8,071
Stock-based compensation	—	—	310	—	310
Issuance of common stock on exercise of stock options	21,797	—	68	—	68
Net income	—	—	—	787	787
Balance January 31, 2022	13,517,941	$ 14	$ 80,860	$ (71,638)	$ 9,236

	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	—	—	—	959	959
Balance January 31, 2021	13,390,172	$ 13	$ 79,711	$ (71,638)	$ 8,086

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,	
	2022	**2021**
Operating activities:		
Net income	$ 892	$ 1,035
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	724	437
Depreciation and amortization expense	1,059	881
Net gain on disposal of equipment	(4)	—
Gain on termination of operating lease	—	(75)
Operating lease right-of use assets	535	226
Provision for doubtful accounts	117	49
Changes in operating assets and liabilities:		
Accounts receivable	(1,693)	(1,401)
Prepaid expenses and other current assets	397	(34)
Accounts payable	1,772	(1,395)
Accrued liabilities	(205)	(122)
Other current liabilities	15	—
Other non-current liabilities	50	3
Operating lease liabilities	(403)	(106)
Deferred revenue	2,445	801
Net cash provided by operating activities	5,701	299
Investing activities:		
Purchase of property and equipment	(1,878)	(2,427)
Refund of security deposit	—	92
Net cash used in investing activities	(1,878)	(2,335)
Financing activities:		
Proceeds from exercise of options	191	1,296
Finance lease payments	—	(173)
Net cash provided by financing activities	191	1,123
Increase (decrease) in cash	4,014	(913)
Cash at beginning of period	4,687	8,342
Cash at end of period	$ 8,701	$ 7,429
Non-cash investing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 205	$ 3,872
Equipment acquired in accounts payable	79	—

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 creating transformative technology solutions to be utilized in oncology drug discovery and development. This technology includes proprietary in-vivo, ex-vivo and biomarker platforms, unique oncology software solutions and computational-based discovery platforms. Utilizing its TumorGraft Technology Platform ("The Platform"), a comprehensive bank of unique, well characterized models, the Company provides select services to pharmaceutical and biotechnology companies seeking personalized approaches to drug development. By performing pharmacology studies to predict the efficacy of oncology drugs, the Company's Platform facilitates drug discovery with lower costs and increased speed of drug development as well as increased adoption of existing drugs.

The Company's Software as a Service business is centered around a proprietary software platform and data tool, Lumin Bioinformatics ("Lumin"), which contains comprehensive information derived from our research services and clinical studies. Lumin leverages Champions' large datacenter coupled with analytics and artificial intelligence to provide a robust tool for computational cancer research. 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.

The Company's drug discovery and development business leverages the computational and experimental capabilities within its platforms. Their discovery strategy utilizes our rich and unique datacenter, coupled with artificial intelligence and other advanced computational analytics, to identify novel therapeutic targets. The use of its proprietary experimental platforms is then deployed to rapidly validate these targets for further drug development efforts.

The Company has three operating subsidiaries: Champions Oncology (Israel), Limited, Champions Biotechnology U.K., Limited, and Champions Oncology, S.R.L. (Italy). For the three and nine months ended January 31, 2022 and 2021, 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, 2021, 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, 2021. 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, 2022 and April 30, 2021 the Company had no cash equivalents.

Liquidity

The Company's 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, these cash requirements have been met through cash on hand, working capital management, proceeds from certain private placements and public offerings of securities, and sales of products and services. For the nine months ended January 31, 2022, the Company had net income of approximately $892,000 and cash provided by operations of $5.7 million. As of January 31, 2022, the Company had an accumulated deficit of approximately $71.6 million, working capital of $2.3 million and cash of $8.7 million. The Company believes that cash on hand, together with expected net positive cash provided by operations for fiscal year 2022, are adequate to fund operations through at least 12 months from the filing of this 10-Q. However, should revenue expectations not materialize, the Company has 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

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 ("ROU") asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the ROU 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,	
	2022	2021	2022	2021
Basic and diluted net income per share computation (dollars in thousands):				
Net income attributable to common stockholders	$ 787	$ 959	$ 892	$ 1,035
Weighted Average common shares – basic	13,500,444	13,371,613	13,170,880	12,974,470
Basic net income per share	$ 0.06	$ 0.07	$ 0.07	$ 0.08
Diluted income per share computation:				
Net income attributable to common stockholders	$ 787	$ 959	$ 892	$ 1,035
Net income available to common stockholders	$ 787	$ 959	$ 892	$ 1,035
Weighted Average common shares	13,500,444	13,371,613	13,170,880	12,974,470
Incremental shares from assumed exercise of stock options	886,565	1,135,542	1,007,202	1,535,810
Adjusted weighted average share – diluted	14,387,009	14,507,155	14,178,082	14,510,280
Diluted net income per share	$ 0.05	$ 0.07	$ 0.06	$ 0.07

The following table reflects the total potential share-based instruments outstanding at January 31, 2022 and 2021 that could have an effect on the future computation of dilution per common share, had their effect not been anti-dilutive:

	January 31,	
	2022	2021
Total common stock equivalents	1,681,448	1,693,312

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. The Company's ability to utilize net operating loss ("NOL") carryforwards to offset future taxable income would be limited if the Company had 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, 2022 and April 30, 2021, 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 of liabilities related to uncertain tax positions relative to one of its foreign operations as of January 31, 2022 and April 30, 2021.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company accrued $3,000 for interest and penalties on its consolidated balance sheets as of January 31, 2022 and April 30, 2021. The Company did not recognize interest or penalties on its consolidated statements of operations during the three or nine-month periods ended January 31, 2022 and 2021. The Company does not anticipate unrecognized tax benefits will be recorded during the next 12 months.

The provision for income taxes for the three months ended January 31, 2022 and 2021 was $11,000 and $15,000, respectively, and for the nine months ended January 31, 2022 and 2021 was $37,000 and $43,000, respectively, mainly attributable to taxable income earned in Israel relating to transfer pricing.

Revenue Recognition

The Company recognizes revenue in accordance with "ASC 606", Revenue from Contracts with Customers. The objective of the standard is to establish a single comprehensive revenue recognition model that is designed to create greater comparability of financial statements across industries and jurisdictions. Under this standard, companies recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

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.

Incremental Costs of Obtaining a Contract (Sales Commissions)

Under ASC 606, the costs of obtaining a contract can be expensed immediately, rather than capitalized and amortized, if the amortization period is one year or shorter. Sales commissions for the Company represent contract costs with a term of one year or less. Therefore, under ASC 606, the Company elected the practical expedient to expense these costs as incurred.

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 June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. The Company is currently assessing the impact of this update on our consolidated financial statements and do not anticipate a significant impact.

Recently Adopted Accounting Pronouncements

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. The Company adopted this ASU on May 1, 2021 and it did not have an impact on the Company's consolidated financial statements.

Note 3. Accounts Receivable, Unbilled Services and Deferred Revenue

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

	January 31, 2022	April 30, 2021
Accounts receivable	$ 4,858	$ 4,304
Unbilled services	4,160	3,020
Total accounts receivable and unbilled services	9,018	7,324
Less allowance for doubtful accounts	(455)	(338)
Total accounts receivable, net	$ 8,563	$ 6,986

Deferred revenue was as follows (in thousands):

	January 31, 2022	April 30, 2021
Deferred revenue	$ 8,701	$ 6,256

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

Note 4. Revenue from Contracts with Customers

Oncology Services Revenue

The Company recognizes revenue in accordance with ASC 606, Revenue Recognition - Revenue from Customers. 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 TOS (Translational Oncology Solutions) revenue represents additional services provided to the Company's pharmaceutical and biotechnology customers, specifically flow cytometry services and SaaS provided via our Lumin Bioinformatics software.

Revenues from one pharmaceutical services and Other TOS revenue customer represent approximately 11% and 10% of the company’s total consolidated revenues for the three months ended January 31, 2022 and 2021, respectively, and 14% and 10% of the company's total consolidated revenue for the nine months ended January 31, 2022 and 2021, respectively.

The following tables represents disaggregated revenue for the three and nine months ended January 31, 2022 and 2021:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2022	2021	2022	2021
Pharmacology services	$ 12,622	$ 10,745	$ 34,468	$ 30,199
Other TOS revenue	546	62	1,715	122
Personalized oncology services	25	5	49	155
Total oncology services revenue	$ 13,193	$ 10,812	$ 36,232	$ 30,476

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.

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, 2022	April 30, 2021
Furniture and fixtures	$ 246	$ 246
Computer equipment and software	1,595	1,461
Capitalized software development costs	1,888	484
Laboratory equipment	8,090	6,640
Assets in progress	68	1,211
Leasehold improvements	112	4
Total property and equipment	11,999	10,046
Less: Accumulated depreciation and amortization	(5,008)	(3,956)
Property and equipment, net	$ 6,991	$ 6,090

Depreciation and amortization expense was $396,000 and $279,000 for the three months ended January 31, 2022 and 2021, respectively. Depreciation and amortization expense, excluding expense recorded under the finance lease, was $1.1 million and $757,000 for the nine months ended January 31, 2022 and 2021, respectively.

As of January 31, 2022 and April 30, 2021, property, plant and equipment included gross assets held under finance leases of $343,000. Related depreciation expense was approximately $0 and $18,000 for the three months ended January 31, 2022 and 2021, respectively, and approximately $0 and $124,000 for the nine months ended January 31, 2022 and 2021, respectively.

Capitalized software development costs under a hosting arrangement

The Company accounts for the cost of computer software obtained or developed for internal use as well as the software development and implementation costs associated with a hosting arrangement ("internal-use software") that is a service contract in accordance and with ASC 350, Intangibles - Goodwill and Other ("ASC-350"). We capitalize certain costs in the development of our internal-use software when the preliminary project stage is completed and it is probable that the project itself will be completed and the software will perform as intended. These capitalized costs include personnel and related expenses for employees and costs of third-party consultants who are directly associated with and who devote time to these internal-use software projects. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades, increased functionality, and enhancements to the Company's internal-use software solutions are also capitalized. Costs incurred for training, maintenance, and minor modifications are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful economic life of three years.

The Company capitalizes development and implementation costs, in accordance with ASC-350, for its Lumin platform. Lumin is the Company's oncology data-driven software program and data tool which is classified as Software as a Service (SaaS). These capitalized costs represent salaries, including direct payroll-related costs, certain software development consultant expenses and molecular sequencing programming costs incurred in the engineering and coding of the software development. During the first quarter of fiscal 2021, the initial version of the Lumin platform was launched, at which time initial capitalization ceased and amortization commenced. Lumin was placed into service as of July 31, 2020 in the gross asset amount of $484,000.

During the second quarter of fiscal 2021 and through the third quarter of fiscal 2022, the Company continued to develop increased functionality, expand product design and usability, and add enhancements and significant upgrades to the Lumin platform. In accordance with accounting guidance, these costs were capitalized. This developmental work did not render the initial released version to be obsolete or diminished in value but, rather, added to the base level functionality of the existing platform. During the development period, capitalized costs were placed into assets in progress. During the third quarter of fiscal 2022, these capitalized costs were placed into service as the enhanced version was launched and made available for sale. The total cost of the enhanced Lumin asset placed into service during the three months ended January 31, 2022 was $1.4 million, bringing the total capitalized gross asset investment to $1.9 million. Amortization expense related to this asset was $79,000 and $40,000 for the three months ended January 31, 2022 and 2021, respectively, and $160,000 and $93,000 for the nine months ended January 31, 2022 and 2021, respectively.

Finance Lease

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 zero and $53,000 for the three months ended January 31, 2022 and 2021, respectively, and zero and $106,000 for the nine-months ended January 31, 2022 and 2021, respectively. As of January 31, 2022 the asset has been fully depreciated and book value is nil.

Note 6. Share-Based Payments

The Company has in place a 2021 Equity Incentive Plan, 2010 Equity Incentive Plan and 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,	
	2022	2021	2022	2021
General and administrative	$ 223	$ 149	$ 442	$ 206
Sales and marketing	53	51	149	148
Research and development	3	7	17	16
Cost of oncology services	31	25	116	67
Total stock-based compensation expense	$ 310	$ 232	$ 724	$ 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, 2022 and 2021 were as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2022	2021	2022	2021
Expected term in years	6	3	6	3-6
Risk-free interest rates	1.11%-1.20%	0.12%	0.82%-1.20%	0.12%-0.39%
Volatility	64.37%-64.62%	74.98%	64.37%-66.21%	72.64%-74.98%
Dividend yield	—%	—%	—%	—%

The weighted average fair value of stock options granted during the three months ended January 31, 2022 and 2021 was $5.80, respectively, and, $5.56 and $5.08 for the nine months ended January 31, 2022 and 2021, respectively.

The Company's stock options activity for the nine months ended January 31, 2022 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, 2021	1,618,231	35,415	1,653,646	$ 3.96	5.42	$ 11,384,000
Granted	155,552	10,500	166,052	9.44	9.59	
Exercised	(103,875)	—	(103,875)	2.24		
Forfeited	(20,500)	—	(20,500)	7.14		
Canceled	(8,875)	—	(8,875)	4.83		
Expired	—	(5,000)	(5,000)	9.60		
Outstanding, January 31, 2022	1,640,533	40,915	1,681,448	4.54	5.22	$ 6,611,000
Vested and expected to vest as of January 31, 2022	1,640,533	40,915	1,681,448	4.54	5.22	$ 6,611,000
Exercisable as of January 31, 2022	1,288,349	4,584	1,292,933	3.77	4.31	$ 6,057,000

Note 7. Leases

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 $469,000 and $314,000 for the three months ended January 31, 2022 and 2021, respectively and $1.4 million and $942,000 for the nine months ended January 31, 2022 and 2021, 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 current lease expires in November 2026. The Company recognized $24,000 of rental costs relative to this lease for three months ended January 31, 2022 and 2021, and $70,000 and $67,000 the nine months ended January 31, 2022 and 2021, respectively.
- 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 was originally set to expire 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.
    - 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.
    - 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 $292,000 and $290,000 of rental expense for the three months ended January 31, 2022 and 2021, respectively, and $881,000 and $832,000 for the nine months ended January 31, 2022 and 2021, 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.
    - Upon the Additional Expansion Premises operating lease commencement date (April 1, 2021), the Company recognized an operating ROU asset and related operating lease liability for Suite 201 of $3.3 million, each, respectively.
    - The Company recognized $130,000 and zero of rental expense for the three months ended January 31, 2022 and 2021, respectively, and $390,000 and zero of rental expense for the nine months ended January 31, 2022 and 2021, respectively, for the Additional Expansion Premises.
- 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 $75,000. For the three month period ended January 31, 2022 and 2021 there was zero rent expense. The Company recognized zero and $43,000 of rental expense for the nine months ended January 31, 2022 and 2021, respectively.
- VIA LEONE XIII, 14, Milan, Italy, which consists of laboratory and office space where the Company has begun to conduct operations related to its flow cytometry service offerings. The Company executed the lease for its laboratory space in June 2021, and commenced occupancy during the three months ended October 31, 2021. The Company executed the lease for its office space on October 1, 2021.
    - The Company recognized an operating ROU asset and related operating lease liability for the lab and office space of $205,000 each, respectively.
    - The Company recognized rental costs associated with these leases of $23,000 and zero for the three months ended January 31, 2022 and 2021, respectively, and $58,000 and zero for the nine months ended January 31, 2022 and 2021, respectively.

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

	January 31, 2022	**April 30, 2021**
Operating lease right-of-use assets, net	$ 8,418	$ 8,521
Current portion of operating lease liabilities	1,014	818
Non-current portion of operating lease liabilities	8,618	8,783

As of January 31, 2022, the weighted average remaining operating lease term and the weighted average discount rate were 6.91 years and 5.73%, respectively.

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

Remainder of 2022	$ 672
2023	2,743
2024	2,811
2025	2,850
2026	2,897
Thereafter	8,024
Total	$ 19,997

Refer to Note 5, Property and Equipment, for 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, 2022 and 2021, the Company paid an affiliate of a board member $9,000 and $12,000, respectively, for consulting services unrelated to his duty as a board member. During the nine months ended January 31, 2022 and 2021, the Company paid this same affiliate $27,000 and $45,000, respectively, for consulting services unrelated to his duty as a board member.

During the three months ended January 31, 2022 and 2021, the Company paid an affiliate of another board member $341 and $3,900, respectively, for consulting services unrelated to their duties as a board member. During the nine months ended January 31, 2022 and 2021, the Company paid this same affiliate $5,460 and $13,400, respectively, for consulting services unrelated to his duty as a board member.

As of January 31, 2022, $3,000 was due to these related parties.

Note 9. Commitments and Contingencies

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.

Registration Payment Arrangements

The Company has entered into an Amended and Restated Registration Rights Agreement in connection with the March 2015 Private Placement. This Amended and Restated Registration Rights Agreement contains provisions that may call for the Company to pay penalties in certain circumstances. This registration payment arrangement primarily relates to the Company's ability to file a registration statement within a particular time period, have a registration statement declared effective within a particular time period and to maintain the effectiveness of the registration statement for a particular time period. The Company has not accrued any liquidated damages associated with the Amended and Restated Registration Right Agreement as the Company has filed the required registration statement and anticipates continued compliance with the agreement.

Royalties

The Company contracts with third-party vendors to license tumor samples for development into PDX models and use in our TOS business. These types of arrangements have an upfront fee ranging from nil to $10,000 per tumor sample depending on the successful growth of the tumor model and ability to develop them into a sellable product. The upfront costs are expensed as incurred. In addition, under certain agreements, for a limited period of time, the Company is subject to royalty payments if the licensed tumor models are used for sale in our TOS business, ranging from 2% to 20% of the contract price after recouping certain initiation costs. Some of these arrangements also set forth an annual minimum royalty due regardless of tumor models used for sale. For the nine months ended January 31, 2022 and the year ended April 30, 2021, we have paid or accrued approximately $286,000 and $127,000 related to these royalty arrangements, respectively. For the three months ended January 31, 2022, and 2021, we have paid or accrued approximately $87,000 and $32,000, respectively, related to these royalty arrangements.

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, 2021, 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, 2021, 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 creating transformative technology solutions to be utilized in oncology drug discovery and development. Our research center consists of a comprehensive set of computational and experimental research platforms. Our pharmacology, biomarker, and data platforms are designed to facilitate drug discovery and development at lower costs and increased speeds. We perform studies which we believe may predict the efficacy of experimental oncology drugs or approved drugs as stand-alone therapies or in combination with other drugs and can stimulate the results of human clinical trials. These studies include in vivo studies that rely on implanting multiple tumors from our TumorBank in mice and testing the therapy of interest on these tumors. Studies may also include bioinformatics analysis that reveal the differences in the genetic signatures of the tumors that responded to a therapy as compared to the tumors that did not respond. Additionally, we provide computational or experimental support to identify novel therapeutic targets, select appropriate patient populations for clinical evaluation, identify potential therapeutic combination strategies, and develop biomarker hypothesis of sensitivity or resistance. These studies include the use of our in vivo, ex vivo, analytical and computational platforms.

As part of our growth strategy, we launched Lumin Bioinformatics ("Lumin"), a new oncology data-driven software program, during fiscal 2021. Our Lumin software contains comprehensive information derived from our research services and clinical studies. Lumin leverages Champions’ large Datacenter coupled with analytics and artificial intelligence to provide a robust tool for computational cancer research. 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.

Our drug discovery and development business leverages the computational and experimental capabilities within our platforms. Our discovery strategy utilizes our rich and unique Datacenter, coupled with artificial intelligence and other advanced computational analytics, to identify novel therapeutic targets. We employ the use of our proprietary experimental platforms to rapidly validate these targets for further drug development efforts.

We have a rich pipeline of targets at various stages of discovery and validation, with a select group that has progressed to therapeutic development, and we plan to continue investing in this research and development. Our commercial strategy for the validated targets and therapeutics established from this business is wide-ranging and still being developed. It will depend on many factors, and will be specific for each target or therapeutic area identified.

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 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, 2022, the Company had net income of approximately $892,000 and cash provided by operations of $5.7 million. As of January 31, 2022, the Company had an accumulated deficit of approximately $71.6 million, working capital of $2.3 million, and cash on hand of $8.7 million. We believe that our cash on hand, together with expected positive cash flows from operations for fiscal year 2022, 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,				
	2022	**% of Revenue**	**2021**	**% of Revenue**	**% Change**
Oncology services revenue	$ 13,193	100.0 %	$ 10,812	100.0 %	22.0 %
Costs and operating expenses:					
Cost of oncology services	6,406	48.6	4,623	42.8	38.6
Research and development	2,181	16.5	1,879	17.4	16.1
Sales and marketing	1,549	11.7	1,492	13.8	3.8
General and administrative	2,227	16.9	1,836	17.0	21.3
Total costs and operating expenses	12,363	93.7	9,830	91.0	25.8
Income from operations	$ 830	6.3 %	$ 982	9.1 %	(15.5)%

	For the Nine Months Ended January 31,				
	2022	**% of Revenue**	**2021**	**% of Revenue**	**% Change**
Oncology services revenue	$ 36,232	100.0 %	$ 30,476	100.0 %	18.9 %
Costs and operating expenses:					
Cost of oncology services	17,411	48.1	15,603	51.2	11.6
Research and development	6,783	18.7	5,125	16.8	32.4
Sales and marketing	4,764	13.1	4,048	13.3	17.7
General and administrative	6,356	17.5	4,686	15.4	35.6
Total costs and operating expenses	35,314	97.5	29,462	96.6	19.9
Income from operations	$ 918	2.5	$ 1,014	3.3 %	(9.5)%

Oncology Services Revenue

Oncology services revenue, which is primarily derived from pharmacology studies, was $13.2 million and $10.8 million for the three months ended January 31, 2022 and 2021, respectively, an increase of $2.4 million or 22.0%. Oncology services revenue was $36.2 million and $30.5 million for the nine months ended January 31, 2022 and 2021, respectively, an increase of

$5.8 million or 18.9%. The increase in revenue is due to continued demand for our core services and the expansion of both our platform and product lines driving increased sales, both in number and size of studies.

Cost of Oncology Services

Cost of oncology services for the three months ended January 31, 2022 and 2021 were $6.4 million and $4.6 million, respectively. For the three months ended January 31, 2022 and 2021, gross margins were 51.4% and 57.2%, respectively. Cost of oncology services for the nine months ended January 31, 2022 and 2021 were $17.4 million and $15.6 million, respectively. For the nine months ended January 31, 2022 and 2021, gross margins were 51.9% and 48.8%, respectively. Cost of sales for the three months ended January 31, 2021 were atypically low resulting in an unusually high gross margin. The gross margins for the nine month periods ended January 2022 and 2021, respectively, were more indicative of margin trends. The current year to date improvement was primarily due to the reduction in outsourced lab work which offset the increase in compensation and lab supply expenses resulting from the increase in study volume. Additionally, the increase in gross margin demonstrated the inherent leverage in our operating model.

Research and Development

Research and development expenses for the three months ended January 31, 2022 and 2021 were $2.2 million and $1.9 million, respectively, an increase of approximately $302,000 or 16.1%. Research and development expenses for the nine months ended January 31, 2022 and 2021 were $6.8 million and $5.1 million, respectively, an increase of approximately $1.7 million or 32.4%. The increase for the three and nine month periods was mainly due to increased compensation and sequencing costs related to our increased investment in our therapeutic target discovery platform.

Sales and Marketing

Sales and marketing expenses for the three months ended January 31, 2022 and 2021 were $1.5 million, respectively. Sales and marketing expenses for the nine months ended January 31, 2022 and 2021 were $4.8 million and $4.0 million, respectively, an increase of $716,000, or 17.7%. The increase for the nine month period is mainly due to compensation expense driven by the expansion of our research services business development team and the addition of a Software as a Service ("SaaS") business development team.

General and Administrative

General and administrative expenses for the three months ended January 31, 2022 and 2021 were $2.2 million and $1.8 million, an increase of $391,000, or 21.3%. General and administrative expenses for the nine months ended January 31, 2022 and 2021 were $6.4 million and $4.7 million, an increase of $1.7 million, or 35.6%. The increase was primarily due to an increase in compensation as well as an increase in IT related expenses to support the overall infrastructure growth of the organization.

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 $5.7 million compared to net cash provided by operations of $299,000 for the nine months ended January 31, 2022 and 2021, respectively. The cash generated from operating activities during the current period was primarily due to improving operating income excluding stock compensation and depreciation and amortization expenses.

Cash Flows from Investing Activities

Net cash used in investing activities was $1.9 million and $2.3 million for the nine months ended January 31, 2022 and 2021, respectively. The cash used in investing activities was primarily for the investment in additional lab equipment and software development.

Cash Flows from Financing Activities

Net cash provided by financing activities was $191,000 for the nine months ended January 31, 2022 compared to cash provided by financing activities $1.1 million for the nine months ended January 31, 2021. Cash provided by financing activities decreased primarily due to a reduction in the number of options exercised compared to the prior year.

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 26, 2021.

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, has reviewed and evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the relationship between the benefit of desired controls and procedures and the cost of implementing new controls and procedures.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management has assessed the effectiveness of our internal control over financial reporting as of January 31, 2022, and concluded that, due to the weakness we identified below, our disclosure controls and procedures are not effective.

For the fiscal year ended April 30, 2021, our risk assessment procedures over certain of our contractual arrangements requiring the payment of royalties for the licensing of technology from third-parties did not adequately identify the risks and consider the Company's obligations based on the recognition of oncology services revenue. As a result, the Company had missing process level controls over the review of royalty arrangements and the timely determination and recognition of related liabilities.

Remediation Plan

During fiscal year 2022, the Company's management designed and implemented certain measures to address the above-described material weakness and enhance the Company's internal control in order to remediate this material weakness. As part of our remediation measures, the Company will continue to monitor its control environment which has included enhanced processes and controls such as ensuring adequate identification and review of royalty agreement terms and obligations which have been formalized as of the date of this quarterly Form 10-Q.

Notwithstanding such material weakness in internal control over financial reporting, our management concluded that our consolidated financial statements in this quarterly report on Form 10-Q present fairly, in all material respects, the Company's financial position, results of operations and cash flows as of the dates, and for the periods presented, in conformity with U.S. generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting

There were no changes, other than our remediation efforts discussed above, 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 26, 2021. 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*	iXBRL Instance Document.
101.SCH*	iXBRL Taxonomy Extension Schema Document.
101.CAL*	iXBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	iXBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	iXBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	iXBRL 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, 2022	By:	/s/ Ronnie Morris
		Ronnie Morris Chief Executive Officer *(principal executive officer)*
Date: March 15, 2022	By:	/s/ David Miller
		David Miller Chief Financial Officer *(principal financial and accounting officer)*