

Focused Ultrasound Foundation

Financial Statements

December 31, 2025 and 2024



4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

FOCUSED ULTRASOUND FOUNDATION

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Focused Ultrasound Foundation
Charlottesville, Virginia

Opinion

We have audited the accompanying financial statements of the Focused Ultrasound Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Focused Ultrasound Foundation as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink, appearing to read "Keita", with a stylized, flowing script.

July 9, 2026
Glen Allen, Virginia

FOCUSED ULTRASOUND FOUNDATION

Statements of Financial Position December 31, 2025 and 2024

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents	\$ 15,382,203	\$ 7,664,861
Promises to give	9,723,333	7,451,371
Prepaid expenses and other assets	<u>203,904</u>	<u>205,346</u>
Total current assets	25,309,440	15,321,578
 Promises to give, net	7,705,819	3,103,475
Investments	16,951,404	19,697,416
Investments—SAFE	551,833	551,833
Right-of-use operating lease asset, net	732,929	297,521
Property and equipment, net	<u>150,282</u>	<u>147,269</u>
Total assets	<u>\$ 51,401,707</u>	<u>\$ 39,119,092</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 206,666	\$ 194,736
Awards payable	200,000	222,131
Operating lease liability, current portion	<u>217,344</u>	<u>225,106</u>
Total current liabilities	624,010	641,973
 Operating lease liability, net of current portion	<u>517,478</u>	<u>69,700</u>
Total liabilities	<u>1,141,488</u>	<u>711,673</u>
 Net assets:		
Without donor restrictions	15,982,020	19,462,847
With donor restrictions	<u>34,278,199</u>	<u>18,944,572</u>
Total net assets	<u>50,260,219</u>	<u>38,407,419</u>
 Total liabilities and net assets	<u>\$ 51,401,707</u>	<u>\$ 39,119,092</u>

See accompanying notes to financial statements.

FOCUSED ULTRASOUND FOUNDATION

Statements of Activities Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 6,294,198	\$ 18,413,994	\$ 24,708,192
In-kind contributions	448,074	-	448,074
Investment income, net	2,164,206	-	2,164,206
Other	21,766	-	21,766
	<u>8,928,244</u>	<u>18,413,994</u>	<u>27,342,238</u>
Total support and revenue			
	<u>8,928,244</u>	<u>18,413,994</u>	<u>27,342,238</u>
Net assets released from restriction	<u>3,080,367</u>	<u>(3,080,367)</u>	<u>-</u>
Expenses:			
Program services:			
Research and collaboration	12,221,755	-	12,221,755
Supporting services:			
Management and general	2,039,858	-	2,039,858
Fundraising	1,227,825	-	1,227,825
	<u>15,489,438</u>	<u>-</u>	<u>15,489,438</u>
Total expenses			
	<u>15,489,438</u>	<u>-</u>	<u>15,489,438</u>
Change in net assets	(3,480,827)	15,333,627	11,852,800
Net assets, beginning of year	<u>19,462,847</u>	<u>18,944,572</u>	<u>38,407,419</u>
Net assets, end of year	<u>\$ 15,982,020</u>	<u>\$ 34,278,199</u>	<u>\$ 50,260,219</u>

See accompanying notes to financial statements.

FOCUSED ULTRASOUND FOUNDATION

Statements of Activities, Continued Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 3,750,241	\$ 11,058,377	\$ 14,808,618
In-kind contributions	169,824	-	169,824
Investment income, net	<u>1,497,151</u>	<u>-</u>	<u>1,497,151</u>
Total support and revenue	<u>5,417,216</u>	<u>11,058,377</u>	<u>16,475,593</u>
Net assets released from restriction	<u>8,199,438</u>	<u>(8,199,438)</u>	<u>-</u>
Expenses:			
Program services:			
Research and collaboration	12,505,093	-	12,505,093
Supporting services:			
Management and general	2,088,862	-	2,088,862
Fundraising	<u>1,339,353</u>	<u>-</u>	<u>1,339,353</u>
Total expenses	<u>15,933,308</u>	<u>-</u>	<u>15,933,308</u>
Change in net assets	(2,316,654)	2,858,939	542,285
Net assets, beginning of year	<u>21,779,501</u>	<u>16,085,633</u>	<u>37,865,134</u>
Net assets, end of year	<u>\$ 19,462,847</u>	<u>\$ 18,944,572</u>	<u>\$ 38,407,419</u>

See accompanying notes to financial statements.

FOCUSED ULTRASOUND FOUNDATION

Statements of Functional Expenses Year Ended December 31, 2025

	Program Services	Supporting Services		
	Research and Collaboration	Management and General	Fundraising	Total
Salaries and wages	\$ 4,263,152	\$ 1,147,223	\$ 883,300	\$ 6,293,675
Program awards	4,244,191	-	-	4,244,191
Payroll taxes and fringe benefits	836,399	183,211	167,295	1,186,905
Professional services	648,424	109,390	11,112	768,926
Contract labor	745,730	58,843	52,257	856,830
IT support	242,341	334,415	6,747	583,503
Travel and meals	186,054	3,766	13,250	203,070
Office and other	344,765	40,591	17,373	402,729
Conference and meetings	152,841	45,632	8,026	206,499
Occupancy	173,102	46,582	35,866	255,550
Collaboration dues	43,500	-	-	43,500
Sponsorships	120,655	-	-	120,655
Grant related travel and entertainment	46,024	-	-	46,024
Insurance	50,253	13,523	10,412	74,188
Internet and telecommunications	29,194	7,856	6,049	43,099
Depreciation	56,750	15,271	11,758	83,779
Project supplies	8,484	26,831	111	35,426
Public relations	20,558	4,211	2,334	27,103
Bank fees	9,338	2,513	1,935	13,786
	<u>\$ 12,221,755</u>	<u>\$ 2,039,858</u>	<u>\$ 1,227,825</u>	<u>\$ 15,489,438</u>
Total expenses	<u>\$ 12,221,755</u>	<u>\$ 2,039,858</u>	<u>\$ 1,227,825</u>	<u>\$ 15,489,438</u>

See accompanying notes to financial statements.

FOCUSED ULTRASOUND FOUNDATION

Statements of Functional Expenses, Continued Year Ended December 31, 2024

	Program Services	Supporting Services		
	Research and Collaboration	Management and General	Fundraising	Total
Salaries and wages	\$ 4,485,791	\$ 1,133,815	\$ 912,796	\$ 6,532,402
Program awards	5,027,361	-	-	5,027,361
Payroll taxes and fringe benefits	825,759	217,689	168,199	1,211,647
Professional services	230,815	252,873	8,630	492,318
Contract labor	701,323	54,249	29,370	784,942
IT support	125,252	173,758	9,695	308,705
Travel and meals	200,544	7,028	26,254	233,826
Office and other	182,616	14,888	45,239	242,743
Conference and meetings	81,633	34,826	55,521	171,980
Occupancy	150,373	38,008	30,599	218,980
Collaboration dues	43,500	-	-	43,500
Sponsorships	146,632	-	-	146,632
Grant related travel and entertainment	33,396	-	2,186	35,582
Insurance	51,241	12,952	10,427	74,620
Bad debt expense	-	70,942	-	70,942
Internet and telecommunications	31,407	7,938	6,391	45,736
Depreciation	152,720	38,601	31,076	222,397
Project supplies	8,019	28,471	974	37,464
Public relations	16,902	345	-	17,247
Bank fees	9,809	2,479	1,996	14,284
Total expenses	<u>\$ 12,505,093</u>	<u>\$ 2,088,862</u>	<u>\$ 1,339,353</u>	<u>\$ 15,933,308</u>

See accompanying notes to financial statements.

FOCUSED ULTRASOUND FOUNDATION

Statements of Cash Flows Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,852,800	\$ 542,285
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	83,779	222,397
Loss on disposal of property and equipment	5,127	-
Realized and unrealized gain on investments	(1,097,332)	(508,888)
Change in assets and liabilities:		
Accounts receivable	-	60,573
Prepaid expenses	1,442	(102,919)
Promises to give, net	(6,874,306)	(1,180,063)
Accounts payable and accrued expenses	11,930	75,310
Awards payable	(22,131)	(166,196)
Operating lease asset and liability, net	<u>4,608</u>	<u>(21,124)</u>
Net cash provided by (used in) operating activities	<u>3,965,917</u>	<u>(1,078,625)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(91,919)	(60,665)
Sales of investments	30,171,187	23,860,991
Purchase of investments	<u>(26,327,843)</u>	<u>(26,827,707)</u>
Net cash provided by (used in) investing activities	<u>3,751,425</u>	<u>(3,027,381)</u>
Net change in cash and cash equivalents	7,717,342	(4,106,006)
Cash and cash equivalents, beginning of year	<u>7,664,861</u>	<u>11,770,867</u>
Cash and cash equivalents, end of year	<u>\$ 15,382,203</u>	<u>\$ 7,664,861</u>
Supplemental schedule of noncash investing activity:		
Donated securities immediately liquidated upon receipt	<u>\$ 3,961,036</u>	<u>\$ 723,940</u>
Supplemental disclosure of cash flow information:		
Right-of-use asset and liability recorded under ASC 842	<u>\$ 782,202</u>	<u>\$ -</u>

See accompanying notes to financial statements.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements

1. Organization and Business:

Focused Ultrasound Foundation (the "Foundation") is a nonprofit organization established exclusively for charitable, educational and scientific purposes. The mission of the Foundation is to accelerate the development and worldwide adoption of focused ultrasound. The Foundation achieves this mission by organizing and funding research, fostering collaboration, building awareness and cultivating the next generation.

The Foundation has established international affiliates, Focused Ultrasound Hong Kong Limited and UK Focused Ultrasound Foundation, both formed in August 2020, and EU Focused Ultrasound Foundation, formed in October 2024. The affiliates have separate boards and management and are, therefore, not consolidated. There is a memorandum of understanding with Focused Ultrasound Hong Kong Limited for the Foundation to provide some services for project support, communications, fundraising, legal and financial matters. These affiliates have had limited activity since inception.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions: Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Some restrictions are in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Financial Risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

The Foundation invests in a portfolio that contains securities which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the financial statements.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents: Cash equivalents consist of investments in money market funds. The Foundation considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments: All investments in securities with readily determinable fair values are reflected at fair value. Realized and unrealized gains and losses on investments are reported in the statements of activities as part of investment income, net.

Promises to Give: Unconditional promises to give are recognized as support in the period that the Foundation is notified of the contribution by the donor and acknowledged and identified by the donor. Unconditional promises to give are initially recorded at fair value, less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Promises to give to be collected after one year are discounted at an appropriate discount rate commensurate with the risks involved. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. Based on management's evaluation of the collection of the promise to give, there was a provision for uncollectible promises to give at December 31, 2025 of \$284,229 and at December 31, 2024 of \$171,012. The amount of outstanding promises to give due from Board members at December 31, 2025 and 2024 was \$40,000 and \$770, respectively.

Fair Value of Financial Instruments: The carrying amounts of cash and cash equivalents; promises to give; accounts payable and accrued expenses; and awards payable approximate fair value because of the short-term nature of these financial instruments.

Property and Equipment: Property and equipment is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally three years. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the improvement. The cost of maintenance and repairs is recorded as expenses are incurred. The Foundation's policy is to capitalize all property and equipment over \$500.

Valuation of Long-lived Assets: Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Leases: The Foundation follows FASB ASC 842 Leases ("ASC 842"). ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the statements of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Foundation's operations.

The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The Foundation elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Foundation determines that it is reasonably certain it will exercise those options. In making those determinations, the Foundation considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

The Foundation elected to not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less. The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Awards Payable: Awards payable consists of amounts awarded, but not paid, to program participants that have met the conditions of the awards. In addition, the Foundation has awarded conditional awards as of December 31, 2025 and 2024, in the amount of \$4,608,617 and \$3,466,439, respectively. These conditional awards are not recorded in the financial statements because the conditions necessary to make them due and payable have not yet occurred.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Contributions: Unconditional contributions are recognized as support when the promise is received. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restriction. Restrictions that are met by the Foundation in the year in which they were received are recognized as unrestricted support. The amount contributed by Board members in 2025 and 2024 totaled \$301,250 and \$217,000, respectively.

Contributions of Nonfinancial Assets: The Foundation records contributed nonfinancial assets and services at their estimated fair value at the date of donation. During 2025 and 2024, in-kind contributions totaled \$448,074 and \$169,824, respectively. For 2025, contributions consisted primarily of legal services, valued based on time incurred at market rates, and donated equipment valued at \$22,000 based on the estimated fair value of comparable equipment. The legal services were recorded with an offsetting professional fees expense, and the donated television is used in operations and was not monetized. There were no donor-imposed restrictions associated with these contributions. For 2024, in-kind contributions consisted entirely of legal services valued at market rates, which were recorded with an offsetting professional fees expense and used in the normal course of operations.

Functional Allocation of Expenses: The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classification. Payroll and related expenses are allocated based on level of effort. Depreciation, insurance, bank fees, occupancy and internet and communications expenses are allocated based on payroll and related expenses.

Income Taxes: The Foundation is organized as a Commonwealth of Virginia nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRS Section 501(a) as an organization described in IRS Section 501(c)(3). The Foundation qualifies for the charitable contribution deduction under Internal Revenue Code Sections 170(b)(1)(A)(vi) and (viii) and has been determined not to be a private foundation under IRS Sections 509(a)(1). The Foundation is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Foundation did not incur any unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Foundation has no significant financial statement exposure to uncertain income tax positions at December 31, 2025 and 2024. The Foundation is not currently under audit by any tax jurisdiction.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events: The Foundation has evaluated subsequent events through July 9, 2026, the date on which the financial statements were available to be issued, and noted no subsequent events to be disclosed in these financial statements.

3. Simple Agreement for Future Equity Investments:

The Foundation has Simple Agreement for Future Equity (SAFE) agreements with Artenga Inc., VeinSound, SAS and Advanced Microbubbles Inc. in the amounts of \$116,993, \$168,513 and \$88,000, respectively, at December 31, 2025. The SAFE agreements have no maturity date and bear no interest. The agreements provide the right of the Foundation to future equity in the companies, per the terms of the agreements. These investments are stated at cost, which is not in excess of market value.

The agreement with Artenga Inc. is subject to a valuation cap of \$8,000,000. Per the terms of the SAFE agreement entered into with Artenga Inc., if there is an equity financing before the instrument expires or is terminated, the company will automatically issue to the Foundation either (1) a number of shares of standard preferred stock sold in the equity financing equal to the purchase amount, divided by the price per share of the standard preferred stock, if the pre-money valuation is less than or equal to the valuation cap or (2) a number of shares of standard preferred stock equal to the purchase amount, divided by the SAFE price, if the pre-money valuation is greater than the valuation cap.

The agreement with VeinSound, SAS is subject to a valuation cap of \$3,480,000. Per the terms of the SAFE agreement entered into with VeinSound, SAS, if there is an equity financing before the instrument expires or is terminated, the company will automatically issue to the Foundation either (1) a number of shares of standard preferred stock sold in the equity financing equal to the purchase amount, divided by the price per share of the standard preferred stock, if the pre-money valuation is less than or equal to the valuation cap or (2) a number of shares of standard preferred stock equal to the purchase amount, divided by the SAFE price, if the pre-money valuation is greater than the valuation cap.

The agreement with Advanced Microbubbles, Inc. is subject to a valuation cap of \$10,000,000. Per the terms of the SAFE agreement entered into with Advanced Microbubbles, Inc., if there is an equity financing before the instrument expires or is terminated, the company will automatically issue to the Foundation either (1) a number of shares of standard preferred stock sold in the equity financing equal to the purchase amount, divided by the price per share of the standard preferred stock, if the pre-money valuation is less than or equal to the valuation cap or (2) a number of shares of standard preferred stock equal to the purchase amount, divided by the SAFE price, if the pre-money valuation is greater than the valuation cap.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

3. Simple Agreement for Future Equity Investments, Continued:

If there is a liquidation event before the expiration or termination of the SAFE agreements, the Foundation will, at its option, either (1) receive a cash payment equal to the purchase price or (2) automatically receive from the companies a number of shares of common stock equal to the purchase amount, divided by the liquidity price, if the Foundation fails to select the cash option. Thereafter, the SAFE agreements will terminate. In connection with a cash payment through a liquidity event, if there are not enough funds to pay the Foundation in full, funds will be distributed pro rata and based on the purchase price and the remaining amounts will be covered with common stock equal to the remaining unpaid purchase price, divided by the liquidity price.

Per the agreements with Artenga Inc., VeinSound, SAS and Advanced Microbubbles Inc., in a dissolution event, the Foundation will be paid out of remaining assets prior to the holders of capital stock.

In lieu of the issuance of stock to the investor pursuant to any of the triggering events, on or before the date of the equity financing, the company may pay to the Foundation an amount equal to two times the purchase amount (Opt-Out Payment). This clause was included in the Artenga Inc. SAFE, VeinSound, SAS SAFE and Advanced Microbubbles Inc. SAFE.

FUSMobile, Inc. SAFE and NaviFUS Corporation SAFE have been converted to preferred stock equity totaling \$178,327. There were no SAFE agreements that were converted into equity, nor have any terminated, expired or became impaired, based on the terms of the agreements during the year ended December 31, 2025.

The total of all SAFE investments was \$551,833 at December 31, 2025 and 2024, respectively.

4. Investments and Fair Value Measurements:

The Fair Value Measurement Topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

4. Investments and Fair Value Measurements, Continued:

The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3: Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Foundation did not have any Level 3 assets or liabilities at December 31, 2025 or 2024.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to the accounting standard. There are no liabilities subject to fair value measurements at December 31, 2025 or 2024.

The table which follows presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets			
Investments:			
U.S. Treasury bills	\$ -	\$ 11,314,509	\$ 11,314,509
Exchange-traded funds	476,520	-	476,520
Common stocks	5,160,375	-	5,160,375
Total assets	<u>\$ 5,636,895</u>	<u>\$ 11,314,509</u>	<u>\$ 16,951,404</u>

The table which follows presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets			
Investments:			
U.S. Treasury bills	\$ -	\$ 16,373,108	\$ 16,373,108
Exchange-traded funds	850,234	-	850,234
Common stocks	2,474,074	-	2,474,074
Total assets	<u>\$ 3,324,308</u>	<u>\$ 16,373,108</u>	<u>\$ 19,697,416</u>

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

4. Investments and Fair Value Measurements, Continued:

Exchange traded funds and common stocks are actively traded for identical assets and are considered Level 1 investments. U.S. Treasury bills are included in level 2 assets as identical assets and are not actively traded. The fair values are based on quoted prices for similar assets in active markets or quoted prices for identical assets in markets that are not active.

Investment income for the year ended December 31, 2025, consists of following:

Interest and dividends	\$ 1,066,874
Realized and unrealized gain	<u>1,097,332</u>
	<u>\$ 2,164,206</u>

Investment income for the year ended December 31, 2024, consists of following:

Interest and dividends	\$ 988,263
Realized and unrealized gain	<u>508,888</u>
	<u>\$ 1,497,151</u>

5. Promises to Give:

Promises to give to be collected in more than one year from the date of the donor's commitment are measured using the present value of future cash flows based on a discount rate of the applicable U.S. Treasury bill rate on the date of the promise. The Foundation records an allowance for uncollectible promises based on management's evaluation of historical experience and donor-specific factors. The allowance was approximately 1.5% of outstanding promises to give at December 31, 2025 and 2024. Promises to give at December 31 consists of the following:

	2025	2024
Due within one year	\$ 9,723,333	\$ 7,451,371
Due from one to five years	<u>9,225,248</u>	<u>3,949,430</u>
	18,948,581	11,400,801
Less allowance for uncollectible promises	(284,229)	(171,012)
Less discount to net present value	<u>(1,235,200)</u>	<u>(674,943)</u>
	<u>\$ 17,429,152</u>	<u>\$ 10,554,846</u>

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

6. Property and Equipment:

Property and equipment and accumulated depreciation at December 31 consists of the following:

	2025	2024
Equipment	\$ 761,462	\$ 745,431
Leasehold improvements	162,268	160,359
	923,730	905,790
Less accumulated depreciation	(773,448)	(758,521)
Property and equipment, net	\$ 150,282	\$ 147,269

Depreciation expense for the year ended December 31, 2025 and 2024, was \$83,779 and \$222,397, respectively.

7. Leases:

The Foundation has a lease for office space in Charlottesville, Virginia. Under the terms of the agreement which expires in April 2029, the Foundation leased 9,300 square feet at a monthly rental rate of \$18,042, with 3% annual rate escalation.

The Foundation has an apartment lease with monthly rent payments of \$2,766. The Foundation extended the lease through July 2026 in August 2025. The Foundation determined the lease to be an operating lease under the provisions of ASC 842. Operating lease cost is recognized on a straight-line basis over the lease term. The Foundation calculated the present value of the lease over the term of the agreement, including probable extensions, using the risk-free rate on the commencement date based on the lease term. The interest rate utilized was 3.87%.

The Foundation's leases generally do not contain any material restrictive covenants or residual value guarantees. The weighted-average interest rate was 3.62% and 1.36% for the two leases in 2025 and 2024, respectively. The remaining weighted average lease term as of December 31, 2025, for the two leases is three years, and the remaining weighted average lease term as of December 31, 2024 is one year.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

7. Leases, Continued:

Future maturities of the operating lease obligations as of December 31, 2025:

<u>Year</u>	<u>Amount</u>
2026	\$ 240,196
2027	227,459
2028	234,283
2029	<u>79,193</u>
	781,131
Less: imputed interest	<u>(46,309)</u>
	<u><u>\$ 734,822</u></u>

Total costs including common area maintenance and real estate taxes are \$255,012 and \$218,561 in 2025 and 2024, respectively.

8. Net Assets with Donor Restrictions:

Restrictions that are met by the Foundation in the year in which they are received are recognized as unrestricted support. Changes in net assets with donor restrictions during the year ended December 31, 2025, are as follows:

	<u>December 31, 2024</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2025</u>
Time and purpose restricted:				
Research	\$ 18,652,381	\$ 18,413,994	\$ (3,080,367)	\$ 33,986,008
Training and scholarship	<u>292,191</u>	<u>-</u>	<u>-</u>	<u>292,191</u>
Total	<u><u>\$ 18,944,572</u></u>	<u><u>\$ 18,413,994</u></u>	<u><u>\$ (3,080,367)</u></u>	<u><u>\$ 34,278,199</u></u>

9. Retirement Plan:

After three months of employment, the Foundation's employees are eligible to participate in the Foundation's 401(k) retirement plan (the "Plan") in which employees may make voluntary, tax-deferred contributions within specified limits. The Foundation matches employee contributions dollar for dollar up to a maximum allowed, which is 4% of employees' annual salary. The Foundation recorded contributions to the Plan of \$210,991 for the year ended December 31, 2025 and \$228,906 for the year ended December 31, 2024.

FOCUSED ULTRASOUND FOUNDATION

Notes to Financial Statements, Continued

10. Liquidity and Availability:

The Foundation regularly monitors liquidity of financial assets required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, the following financial assets are available to meet annual operating needs for the next fiscal year:

	<u>2025</u>	<u>2024</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 15,382,203	\$ 7,664,861
Investments	16,951,404	19,697,416
Promises to give due in next 12 months	<u>9,723,333</u>	<u>7,451,371</u>
 Total	 <u>42,056,940</u>	 <u>34,813,648</u>
 Less those unavailable for general expenditure within one year, due to:		
Net assets with donor restrictions	<u>34,278,199</u>	<u>18,944,572</u>
 Financial assets available in one year for general expenditure	 <u>\$ 7,778,741</u>	 <u>\$ 15,869,076</u>