GERON CORP
Form 10-Q
November 01, 2018

UNITED STATES

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 September 30, 2018

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: 0-20859

GERON CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	75-2287752 (I.R.S. Employer Identification No.)
149 COMMONWEALTH DRIVE, SUITE 2070, MENLO PARK, CA (Address of principal executive offices)	94025 (Zip Code)

(650) 473-7700

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at October 25, 2018:
Common Stock, $0.001 par value	186,348,066 shares

GERON CORPORATION

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
GERON CORPORATION

CONDENSED BALANCE SHEETS

(IN THOUSANDS)

	SEPTEMBER 30, 2018 (UNAUDITED)	DECEMBER 31, 2017 (NOTE 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,729	$ 16,335
Restricted cash	269	268
Marketable securities	153,622	78,351
Interest and other receivables	778	436
Prepaid assets	1,476	580
Total current assets	168,874	95,970
Noncurrent marketable securities	18,143	14,241
Property and equipment, net	66	102
Other assets	851	-
	$ 187,934	$ 110,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 190	$ 503
Accrued compensation and benefits	1,833	3,385
Accrued collaboration charges	1,560	1,702
Other accrued liabilities	884	926
Total current liabilities	4,467	6,516
Commitments and contingencies		
Stockholders' equity:		
Common stock	186	160
Additional paid-in capital	1,187,557	1,089,684
Accumulated deficit	(1,004,164)	(985,840)
Accumulated other comprehensive loss	(112)	(207)
Total stockholders' equity	183,467	103,797
	$ 187,934	$ 110,313

See accompanying notes.

GERON CORPORATION

CONDENSED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30, 2018	THREE MONTHS ENDED SEPTEMBER 30, 2017	NINE MONTHS ENDED SEPTEMBER 30, 2018	NINE MONTHS ENDED SEPTEMBER 30, 2017
Revenues:				
License fees and royalties	$165	$163	$691	$874
Operating expenses:				
Research and development	2,707	2,637	8,351	8,510
General and administrative	4,263	4,770	13,824	13,833
Total operating expenses	6,970	7,407	22,175	22,343
Loss from operations	(6,805)	(7,244)	(21,484)	(21,469)
Interest and other income	1,060	363	2,171	1,041
Change in fair value of equity investment	205	-	(270)	-
Other expense	(57)	(18)	(134)	(59)
Net loss	$(5,597)	$(6,899)	$(19,717)	$(20,487)
Basic and diluted net loss per share	$(0.03)	$(0.04)	$(0.11)	$(0.13)
Shares used in computing basic and diluted net loss per share	184,301,986	159,216,642	173,187,753	159,186,853

See accompanying notes.

GERON CORPORATION

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

(IN THOUSANDS)

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017	2018	2017
Net loss	$(5,597)	$(6,899)	$(19,717)	$(20,487)
Net unrealized (loss) gain on marketable securities	(35)	27	95	1
Comprehensive loss	$(5,632)	$(6,872)	$(19,622)	$(20,486)

See accompanying notes.

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GERON CORPORATION

CONDENSED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	$(19,717)	$(20,487)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	45	57
Loss on retirement of property and equipment	-	5
Accretion and amortization on investments, net	(521)	213
Change in fair value of equity investment, including foreign currency translation	338	-
Stock-based compensation for services by non-employees	155	159
Stock-based compensation for employees and directors	4,774	6,152
Amortization related to 401(k) contributions	10	32
Changes in assets and liabilities:		
Current assets	(1,034)	(401)
Current liabilities	(2,049)	(1,899)
Net cash used in operating activities	(17,999)	(16,169)
Cash flows from investing activities:		
Purchases of property and equipment	(9)	-
Purchases of marketable securities	(149,720)	(81,260)
Proceeds from maturities of marketable securities	71,163	94,486
Net cash (used in) provided by investing activities	(78,566)	13,226
Cash flows from financing activities:		
Proceeds from issuances of common stock, net of issuance costs	92,960	37
Net cash provided by financing activities	92,960	37
Net decrease in cash, cash equivalents and restricted cash	(3,605)	(2,906)
Cash, cash equivalents and restricted cash at the beginning of the period	16,603	13,078
Cash, cash equivalents and restricted cash at the end of the period	$12,998	$10,172

See accompanying notes.

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GERON CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The terms “Geron”, the “Company”, “we” and “us” as used in this report refer to Geron Corporation. The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018 or any other period. These financial statements and notes should be read in conjunction with the financial statements for each of the three years ended December 31, 2017, included in the Company’s Annual Report on Form 10-K. The accompanying condensed balance sheet as of December 31, 2017 has been derived from audited financial statements at that date.

Prior Period Reclassification

With the adoption of Accounting Standards Update, or ASU, No. 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash, or ASU No. 2016-18, the prior period presentation of cash and cash equivalents in the condensed statements of cash flows has been updated to conform with current period presentation. See “New Accounting Pronouncements – Recently Adopted” in this Note 1 on Summary of Significant Accounting Policies for further discussion of the adoption of ASU No. 2016-18.

Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the periods presented, without consideration for potential common shares. Diluted net income per share would be calculated by adjusting the weighted-average number of shares of common stock outstanding for the dilutive effect of potential common shares outstanding for the periods presented, as determined using the treasury-stock method. Potential dilutive securities consist of outstanding stock options and warrants to purchase our common stock. Diluted net loss per share excludes potential common shares outstanding for all periods presented as their effect would be anti-dilutive. Accordingly, basic and diluted net loss per share is the same for all periods presented in the accompanying condensed statements of operations. Since we incurred a net loss for the three and nine months ended September 30, 2018 and 2017, the diluted net loss per share calculation excludes potential common shares of 23,075,718 and 22,996,422, respectively, related to outstanding stock options and warrants as their effect would have been anti-dilutive.

Use of Estimates

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to accrued liabilities, revenue recognition, fair value of marketable securities and equity investments, income taxes, and stock-based compensation. We base our estimates on historical experience and on various other market specific and relevant assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Cash Equivalents and Marketable Securities

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. We are subject to credit risk related to our cash equivalents and marketable securities. We place our cash and cash equivalents in money market funds and cash operating accounts.

We classify our marketable debt securities as available-for-sale. We record available-for-sale securities at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and

GERON CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(UNAUDITED)

losses are included in interest and other income and are derived using the specific identification method for determining the cost of securities sold and have been insignificant to date. Dividend and interest income are recognized when earned and included in interest and other income in our condensed statements of operations. We recognize a charge when the declines in the fair values below the amortized cost bases of our available-for-sale securities are judged to be other-than-temporary. We consider various factors in determining whether to recognize an other-than-temporary charge, including whether we intend to sell the security or whether it is more likely than not that we would be required to sell the security before recovery of the amortized cost basis. Declines in market value judged as other-than-temporary result in a charge to interest and other income. We have not recorded any other-than-temporary impairment charges on our available-for-sale securities for the three and nine months ended September 30, 2018 and 2017. See Note 2 on Fair Value Measurements.

Equity Investments

With the adoption of ASU No. 2016-01, Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, or ASU 2016-01, beginning January 1, 2018, we measure our investment in equity securities at fair value at each reporting period. Changes in fair value resulting from observable price changes are included in change in fair value of equity investment and changes in fair value resulting from foreign currency translation are included in other expense in our condensed statements of operations. See “New Accounting Pronouncements – Recently Adopted” in this Note 1 on Summary of Significant Accounting Policies for additional information on the adoption of ASU 2016-01.

Revenue Recognition

Beginning January 1, 2018, we recognize revenue in accordance with the provisions of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, or Topic 606. In determining the appropriate amount and timing of revenue to be recognized under this guidance, we perform the following five steps: (i) identify the contract(s) with our customer; (ii) identify the promised goods or services in the agreement and determine whether they are performance obligations, including whether they are distinct in the context of the agreement; (iii) measure the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations based on stand-alone selling prices; and (v) recognize revenue when (or as) we satisfy each performance obligation. See “New Accounting Pronouncements – Recently Adopted” in this Note 1 on Summary of Significant Accounting Policies for further discussion of the adoption of Topic 606.

A performance obligation is a promise in an agreement to transfer a distinct good or service to the customer and is the unit of account in Topic 606. Significant management judgment is required to determine the level of effort required and the period over which completion of the performance obligations is expected under an agreement. If reasonable estimates regarding when performance obligations are either complete or substantially complete cannot be made, then revenue recognition is deferred until a reasonable estimate can be made. Revenue is then recognized over the remaining estimated period of performance using the cumulative catch-up method.

We allocate the total transaction price to each performance obligation based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. Estimated selling prices for license rights are calculated using an income approach model and include the following key assumptions, judgments and estimates: the development timeline, revenue forecast, commercialization expenses, discount rate and probabilities of technical and regulatory success.

Following is a description of the principal activities from which we generate revenue. License fees and royalty revenue primarily represent amounts earned under agreements that out-license our technology to various companies.

License and/or Collaboration Agreements

We have entered into several license agreements with various oncology, diagnostics, research tools and biologics production companies. Economic terms in these agreements may include non-refundable upfront license payments in cash or equity securities, annual license maintenance fees, cost sharing arrangements, milestone payments, royalties on future sales of products, or any combination of these items. Non-refundable upfront fees, annual license maintenance fees and funding of research and development activities are considered fixed, while milestone payments and royalties are identified as variable consideration.

Licenses of Intellectual Property. If we determine the license to intellectual property is distinct from the other performance obligations identified in the agreement and the licensee can use and benefit from the license, we recognize revenue from non-refundable upfront fees allocated to the license upon the completion of the transfer of the license to the licensee. For such licenses, we recognize revenue from annual license maintenance fees upon the start of the new license period. For licenses that are bundled with other performance obligations, we assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable upfront fees or annual license maintenance fees. At each reporting period, we reassess the progress and, if necessary, adjust the measure of performance and related revenue recognition.

Milestone Payments. At the inception of each agreement that includes milestone payments, we evaluate whether the milestones are considered probable of being achieved and estimate the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the value of the associated milestone is included in the transaction price. For milestones that we do not deem to be probable of being achieved, the associated milestone payments are fully constrained and the value of the milestone is excluded from the transaction price with no revenue being recognized. Milestone payments that are not within our control, such as regulatory-related accomplishments, are not considered probable of being achieved until those accomplishments have been communicated by the relevant regulatory authority. Once the assessment of probability of achievement becomes probable, we recognize revenue for the milestone payment under collaboration revenue. At each reporting period, we assess the probability of achievement of each milestone under our current agreements.

Royalties. For agreements with sales-based royalties, including milestone payments based on the level of sales, where the license is deemed to be the predominant item to which the royalties relate, we recognize revenue at the later of (a) when the related sales occur, or (b) when the performance obligation, to which some or all of the royalty has been allocated, has been satisfied (or partially satisfied). At each reporting period, we estimate the sales incurred by each licensee based on historical experience and accrue the associated royalty amount.

Cost Sharing Arrangements. Research and development and other expenses being shared by both parties under an agreement are recorded as earned or owed based on the performance obligations by both parties under the respective agreement. For arrangements in which we and our collaboration partner in the agreement are exposed to significant risks and rewards that depend on the commercial success of the activity, we recognize payments between the parties on a net basis and record such amounts as a reduction or addition to research and development expense. For arrangements in which we have agreed to perform certain research and development services for our collaboration partner and are not exposed to significant risks and rewards that depend on the commercial success of the activity, we recognize the respective cost reimbursements as revenue under the collaborative agreement over time in a manner proportionate to the costs we incurred to perform the services using the input method.

Restricted Cash

Restricted cash consists of funds maintained in a separate certificate of deposit account for credit card purchases.

Research and Development Expenses

Research and development expenses consist of expenses incurred in identifying, developing and testing product candidates resulting from our independent efforts as well as efforts associated with collaborations. These expenses include, but are not limited to, in-process research and development acquired in an asset acquisition and deemed to have no alternative future use, payroll and personnel expense, lab supplies, non-clinical studies, clinical trials, including support for investigator-sponsored clinical trials, raw materials to manufacture clinical trial drugs, manufacturing costs for research and clinical trial materials, sponsored research at other labs, consulting, costs to maintain technology licenses, our proportionate share of research and development costs under cost sharing arrangements with collaboration partners and research-related overhead. Research and development costs are expensed as incurred, including costs incurred under our collaboration and/or license agreements.

For the clinical development activities being conducted by Janssen Biotech, Inc., or Janssen, under the recently-terminated collaboration and license agreement, or Collaboration Agreement, we monitor patient enrollment levels and related activities to the extent possible through discussions with Janssen personnel and base our estimates of clinical trial costs on the best information available at the time. However, additional information may become available to us which would allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain.

GERON CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(UNAUDITED)

Depreciation and Amortization

We record property and equipment at cost and calculate depreciation using the straight-line method over the estimated useful lives of the assets, generally four years. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining term of the lease.

Stock-Based Compensation

We recognize stock-based compensation expense on a straight-line basis over the requisite service period, which is generally the vesting period. The following table summarizes the stock-based compensation expense included in operating expenses on our condensed statements of operations related to stock options and employee stock purchases for the three and nine months ended September 30, 2018 and 2017 which was allocated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2018	2017	2018	2017
Research and development	$269	$235	$690	$776
General and administrative	1,346	1,859	4,084	5,376
Stock-based compensation expense included in operating expenses	$1,615	$2,094	$4,774	$6,152

As stock-based compensation expense recognized in our condensed statements of operations for the three and nine months ended September 30, 2018 and 2017 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures, but at a minimum, reflects the grant-date fair value of those awards that actually vested in the period. Forfeitures have been estimated at the time of grant based on historical data and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Stock Options

We grant options with service-based vesting under our equity plans to employees, non-employee directors and consultants. The vesting period for employee options is generally four years. The fair value of options granted during the nine months ended September 30, 2018 and 2017 has been estimated at the date of grant using the Black Scholes option-pricing model with the following assumptions:

Nine Months Ended
September 30,

	2018	2017
Dividend yield	0%	0%
Expected volatility range	0.821 to 0.832	0.884 to 0.892
Risk-free interest rate range	2.55% to 2.94%	1.98% to 1.99%
Expected term	5.25 yrs	5.5 yrs

Employee Stock Purchase Plan

The fair value of employees' purchase rights during the nine months ended September 30, 2018 and 2017 has been estimated using the Black Scholes option-pricing model with the following assumptions:

	Nine Months Ended September 30,	
	2018	2017
Dividend yield	0%	0%
Expected volatility range	0.437 to 0.475	0.577 to 0.641
Risk-free interest rate range	1.53% to 1.76%	0.45% to 0.89%
Expected term range	6 - 12 mos	6 - 12 mos

Dividend yield is based on historical cash dividend payments. The expected volatility is based on historical volatilities of our stock since traded options on Geron stock do not correspond to option terms and the trading volume of options is limited. The risk-free interest rate is based on the U.S. Zero Coupon Treasury Strip Yields for the expected term in effect on the date of grant for an award.

GERON CORPORATION

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(UNAUDITED)

The expected term of options is derived from actual historical exercise and post-vesting cancellation data and represents the period of time that options granted are expected to be outstanding. The expected term of employees' purchase rights is equal to the purchase period.

Non-Employee Stock-Based Awards

For our non-employee stock-based awards, the measurement date on which the fair value of the stock-based award is calculated is equal to the earlier of: (i) the date at which a commitment for performance by the counterparty to earn the equity instrument is reached or (ii) the date at which the counterparty's performance is complete. We recognize stock-based compensation expense for the fair value of the vested portion of non-employee stock-based awards in our condensed statements of operations.

Segment Information

Our executive management team represents our chief decision maker. We view our operations as a single segment, the development of therapeutic products for oncology. As a result, the financial information disclosed herein materially represents all of the financial information related to our principal operating segment.

Recent Accounting Pronouncements

New Accounting Pronouncements – Recently Adopted

In May 2014, the Financial Accounting Standards Board, or FASB, issued ASU No. 2014-09, which amends the guidance for accounting for revenue from contracts with customers. This ASU superseded the revenue recognition requirements in Accounting Standards Codification Topic 605, Revenue Recognition, or Topic 605, and created Topic 606.

We adopted Topic 606 on January 1, 2018 using the modified retrospective transition method for those agreements which were not completed as of January 1, 2018. Financial results for the reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts have not been adjusted and continue to be reported in accordance with our historical accounting under Topic 605.

In connection with the adoption of Topic 606, we recognized a cumulative-effect adjustment to our opening balance of accumulated deficit and an increase to interest and other receivables of $204,000 as of January 1, 2018 for projected sales-based royalties on product sales occurring in 2017 for which payments had not yet been received as of December 31, 2017. Such royalties were recognized as revenue in prior periods when payments were received from our licensees. In accordance with Topic 606-10-50-14a, we have elected to exclude providing further information about our sales-based royalties.

The adoption of Topic 606 did not result in any changes to the estimated transaction price or the performance obligations for current agreements or the amounts allocated to satisfied performance obligations. We do not have any deferred revenue associated with unsatisfied performance obligations. Since we view our operations as a single segment and all of our revenues are recognized at a point in time from similar license agreements, disaggregated revenue disclosures would not materially provide additional information. We do not expect the application of Topic 606 to have a material impact on our financial results on an ongoing basis in comparison to results that would have been realized if we had continued to apply Topic 605.

In January 2016, the FASB issued ASU 2016-01 which requires equity investments to be measured at fair value with changes in fair value recognized in the statements of operations. To further clarify ASU 2016-01, the FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, or ASU 2018-03, in February 2018. ASU 2018-03 requires application of a prospective transition approach only for those equity investments for which the new measurement alternative is being applied. We adopted ASU 2016-01 and ASU 2018-03 on January 1, 2018 using the modified retrospective transition method and recognized a cumulative-effect adjustment to our opening balance of accumulated deficit and other assets for the fair value of our equity investment in Sienna Cancer Diagnostics Limited, or Sienna. In accordance with ASU 2016-01, we remeasured the fair value of our equity investment in Sienna at each reporting date in 2018 and included the change in fair value resulting from observable price changes in change in fair value of equity investment and the change in fair value resulting from foreign currency translation in other expense in our condensed statements of operations. See Note 2 on Fair Value Measurements for additional information on our equity investment in Sienna.

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SEPTEMBER 30, 2018

(UNAUDITED)

The cumulative-effect adjustments to our January 1, 2018 condensed balance sheet for the adoption of Topic 606 and ASU 2016-01 and ASU 2018-03 were as follows (in thousands):

Condensed Balance Sheet	Balance at December 31, 2017	Adjustments Due to Topic 606	Adjustments Due to ASU 2016-01 and ASU 2018-03	Balance at January 1, 2018
Assets:				
Interest and other receivables	$436	$ 204	$ -	$640
Other assets	$-	$ -	$ 1,189	$1,189
Stockholders' Equity:				
Accumulated deficit	$(985,840)	$ 204	$ 1,189	$(984,447)

As of January 1, 2018, we also adopted ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, ASU No. 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash, and ASU No. 2017-09, Compensation — Stock Compensation: Scope of Modification Accounting. With the adoption of ASU No. 2016-18, changes in the total of cash, cash equivalents and restricted cash are presented in our condensed statements of cash flows. The adoption of these new standards did not have a material impact on our financial statements and related disclosures.

New Accounting Pronouncements – Issued But Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), or ASU 2016-02. ASU 2016-02 requires an entity to recognize a right-of-use asset and lease liability for all lease arrangements with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. Certain quantitative and qualitative disclosures about leasing arrangements also are required. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, or ASU 2018-11. In issuing ASU 2018-11, the FASB decided to provide another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We plan to adopt ASU 2016-02 on January 1, 2019 using a modified retrospective approach as allowed under ASU 2018-11. In addition, we plan to apply the practical expedients provided by the FASB. In evaluating the impact of adopting the new lease guidance, we have determined that our current operating lease for our office space will require us to record an asset and an obligation for the arrangement upon adoption of ASU 2016-02. We have also evaluated other facilities and equipment service contracts and believe such agreements do not contain any embedded lease arrangements.

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting, or ASU 2018-07, to simplify the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees, with certain exceptions. The new guidance applies to nonemployee awards issued in exchange for goods or services used or consumed in an entity's own operations. There are no new disclosure requirements. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted, including in an interim period for which financial statements have not been issued. We plan to adopt ASU 2018-07 on January 1, 2019. Since we currently project that all of our share-based payments to nonemployees will be fully vested as of the adoption date, we do not anticipate that the adoption of ASU 2018-07 will have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements. The new standard is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. While we continue to assess the potential impact of this standard, we do not expect the adoption of this standard to have a material impact on our condensed financial statements.

In August 2018, the Securities and Exchange Commission issued Release No. 33-10532 that amends and clarifies certain financial reporting requirements. The principal change to our financial reporting will be the inclusion of the annual disclosure requirement of changes in stockholders' equity in Rule 3-04 of Regulation S-X to interim periods. We will adopt this new rule beginning with our financial reporting for the quarter ended March 31, 2019. Upon adoption, we will include a Statement of Stockholders' Equity with each quarterly filing on Form 10-Q.

GERON CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

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(UNAUDITED)

2. FAIR VALUE MEASUREMENTS

Cash Equivalents and Marketable Securities

Cash equivalents, restricted cash and marketable securities by security type at September 30, 2018 were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Included in cash and cash equivalents:				
Money market funds	$ 10,065	$ -	$ -	$ 10,065
Restricted cash:				
Certificate of deposit	$ 269	$ -	$ -	$ 269
Marketable securities:				
Commercial paper (due in less than one year)	$ 63,019	$ 62	$ (22)	$ 63,059
Corporate notes (due in less than one year)	90,682	2	(121)	90,563
Corporate notes (due in one to two years)	18,176	-	(33)	18,143
	$ 171,877	$ 64	$ (176)	$ 171,765

Cash equivalents, restricted cash and marketable securities by security type at December 31, 2017 were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Included in cash and cash equivalents:				
Money market funds	$ 11,030	$ -	$ -	$ 11,030
Commercial paper	2,242	-	-	2,242
Corporate notes	1,750	-	(1)	1,749
	$ 15,022	$ -	$ (1)	$ 15,021
Restricted cash:				
Certificate of deposit	$ 268	$ -	$ -	$ 268
Marketable securities:				
Government-sponsored enterprise securities (due in less	$ 12,500	$ -	$ (40)	$ 12,460

than one year)							
Commercial paper (due in less than one year)	10,928		4		(1	)	10,931
Corporate notes (due in less than one year)	55,067		-		(107	)	54,960
Corporate notes (due in one to two years)	14,303		-		(62	)	14,241
	$ 92,798	$	4	$	(210	)	$ 92,592

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GERON CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(UNAUDITED)

Cash equivalents and marketable securities with unrealized losses that have been in a continuous unrealized loss position for less than 12 months and 12 months or longer at September 30, 2018 and December 31, 2017 were as follows:

	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
As of September 30, 2018:						
Commercial paper (due in less than one year)	$14,773	$ (22)	$-	$ -	$14,773	$ (22)
Corporate notes (due in less than one year)	59,876	(82)	15,482	(39)	75,358	(121)
Corporate notes (due in one to two years)	18,143	(33)	-	-	18,143	(33)
	$92,792	$ (137)	$15,482	$ (39)	$108,274	$ (176)
As of December 31, 2017:						
Government-sponsored enterprise securities (due in less than one year)	$-	$ -	$12,460	$ (40)	$12,460	$ (40)
Commercial paper (due in less than one year)	7,717	(1)	-	-	7,717	(1)
Corporate notes (due in less than one year)	55,210	(106)	1,499	(2)	56,709	(108)
Corporate notes (due in one to two years)	14,241	(62)	-	-	14,241	(62)
	$77,168	$ (169)	$13,959	$ (42)	$91,127	$ (211)

The gross unrealized losses related to government-sponsored enterprise securities, commercial paper and corporate notes as of September 30, 2018 and December 31, 2017 were due to changes in interest rates and not credit risk. We determined that the gross unrealized losses on our marketable securities as of September 30, 2018 and December 31, 2017 were temporary in nature. We review our investments quarterly to identify and evaluate whether any investments have indications of possible other-than-temporary impairment. Factors considered in determining whether a loss is temporary include the length of time and extent to which the fair value has been less than the amortized cost basis and whether we intend to sell the security or whether it is more likely than not that we would be required to sell the security before recovery of the amortized cost basis. We currently do not intend to sell these securities before recovery of their amortized cost bases.

Fair Value on a Recurring Basis

We categorize financial instruments recorded at fair value on our condensed balance sheets based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

Level 1	– Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	– Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
Level 3	– Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Below is a description of the valuation methodologies used for financial instruments measured at fair value on our condensed balance sheets, including the category for such financial instruments.

Money market funds are categorized as Level 1 within the fair value hierarchy as their fair values are based on quoted prices available in active markets. U.S. government-sponsored enterprise securities, commercial paper, corporate notes and equity investments are categorized as Level 2 within the fair value hierarchy as their fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

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NOTES TO CONDENSED FINANCIAL STATEMENTS

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(UNAUDITED)

The following table presents information about our financial instruments that are measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017 and indicates the fair value category assigned.

	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other	Significant Unobservable