Unaudited Financial Statements and Management's Discussion & Analysis

For the quarterly period ended February 29, 2020

BIOQUAL, INC.

Prepared by:

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Chief Financial Officer

BIOQUAL, INC.

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Financial Statements.

BIOQUAL, INC.

UNAUDITED BALANCE SHEETS, FEBRUARY 29, 2020 AND MAY 31, 2019

ASSETS	**February 29, 2020**	May 31, 2019
CURRENT ASSETS:		
Cash and cash equivalents	**$ 10,037,874**	$ 9,207,608
Accounts receivable:		
Trade	**10,757,912**	6,837,333
Unbilled – current	**3,256,624**	4,591,636
Prepaid expenses	**687,636**	534,104
Income taxes receivable	**0**	100,000
Total current assets	**24,740,046**	21,270,681
FIXED ASSETS:		
Leasehold improvements	**5,146,087**	4,970,031
Furniture, fixtures and equipment	**12,937,371**	11,823,373
Total	**18,083,458**	16,793,404
Less accumulated depreciation and amortization	**(12,197,872)**	(11,499,795)
Fixed assets, net	**5,885,586**	5,293,609
OTHER ASSETS:		
Other intangibles, net	**8,536**	16,219
Goodwill	**1,028,408**	1,028,408
Operating lease right-of-use assets	**15,136,684**	0
Cash value of officers' life insurance policies	**700,827**	700,827
Total other assets	**16,874,455**	1,745,454
TOTAL	**$ 47,500,087**	$ 28,309,744
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	**1,763,935**	1,311,657
Accrued compensation and related liabilities	**963,916**	1,159,286
Accrued income taxes	**3,600**	0
Operating lease liabilities, current	**2,765,584**	0
Deferred revenue	**1,549,636**	269,632
Total current liabilities	**7,046,671**	2,740,575
Deferred income taxes	**208,400**	208,400
Operating lease liabilities, non-current	**13,360,319**	0
Deferred rent	**0**	796,586
Total liabilities	**20,615,390**	3,745,561
STOCKHOLDERS' EQUITY		
Preferred stock - par value of $1.00 per share; 500,000 shares authorized; no shares issued and outstanding		
Common stock - par value of $.01 per share; 5,000,000 shares authorized; 1,599,408 shares issued; 894,416 shares outstanding	**15,994**	15,994
Additional paid-in capital	**7,356,869**	7,346,994
Retained earnings	**20,553,074**	18,242,435
Treasury stock, at cost	**(1,041,240)**	(1,041,240)
Total stockholders' equity	**26,884,697**	24,564,183
TOTAL	**$ 47,500,087**	$ 28,309,744

See Management's Discussion and Analysis.

BIOQUAL, INC.
UNAUDITED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED FEBRUARY 29 AND FEBRUARY 28,

	2020	2019
REVENUES:		
Contract revenues	**$11,593,217**	$ 9,908,572
Total Revenues	**11,593,217**	9,908,572
OPERATING EXPENSES:		
Contract	**9,289,570**	8,051,683
General and administrative	**1,311,226**	1,213,560
Total Operating Expenses	**10,600,796**	9,265,243
OPERATING INCOME	**992,421**	643,329
INTEREST EXPENSE	**(0)**	(7,332)
INTEREST INCOME	**25,885**	22,277
INCOME BEFORE INCOME TAXES	**1,018,306**	658,274
PROVISION FOR INCOME TAXES	**(297,900)**	(192,500)
NET INCOME	**$ 720,406**	$ 465,774
BASIC EARNINGS PER SHARE	**$ 0.81**	$ 0.52
DILUTED EARNINGS PER SHARE	**$ 0.81**	$ 0.52
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR BASIC EARNINGS PER SHARE	**893,416**	893,416
EFFECT OF DILUTIVE SECURITIES – RESTRICTED SHARES	**427**	226
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	**893,843**	893,642

See Management’s Discussion and Analysis.

BIOQUAL, INC.
UNAUDITED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED FEBRUARY 29 AND FEBRUARY 28,

	2020	2019
REVENUES:		
Contract revenues	**$32,884,055**	$27,922,919
Total Revenues	**32,884,055**	27,922,919
OPERATING EXPENSES:		
Contract	**24,922,484**	22,078,883
General and administrative	**3,896,094**	3,570,637
Total Operating Expenses	**28,818,578**	25,649,520
OPERATING INCOME	**4,065,477**	2,273,399
INTEREST EXPENSE	**(10,451)**	(25,469)
INTEREST INCOME	**95,804**	109,330
INCOME BEFORE INCOME TAXES	**4,150,830**	2,357,260
PROVISION FOR INCOME TAXES	**(1,214,100)**	(689,500)
NET INCOME	**$ 2,936,730**	$ 1,667,760
BASIC EARNINGS PER SHARE	**$ 3.29**	$ 1.87
DILUTED EARNINGS PER SHARE	**$ 3.29**	$ 1.87
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR BASIC EARNINGS PER SHARE	**893,416**	893,416
EFFECT OF DILUTIVE SECURITIES – RESTRICTED SHARES	**427**	226
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	**893,843**	893,642

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BIOQUAL, Inc.

Unaudited Statements of Stockholders' Equity

	Common Stock		Treasury Stock				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total
Balance, May 31, 2019	1,599,408	15,994	704,992	(1,041,240)	7,346,994	18,242,435	24,564,183
Stock compensation expense	-	-	-	-	9,875	-	9,875
Divided declared - $.70 per share	-	-	-	-	-	(626,091)	(626,091)
Net Income	-	-	-	-	-	2,936,730	2,936,730
Balance February 29, 2020	1,599,408	15,994	704,992	(1,041,240)	7,356,869	20,553,074	26,884,697

	Common Stock		Treasury Stock				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total
Balance, May 31, 2018	1,599,408	$ 15,994	704,992	$ (1,041,240)	$ 7,333,827	$15,740,999	$ 22,049,580
Cumulative adjustments due to adoption of Topic 606 (See Note 1 in Audited Financial Statements May 31, 2019 and May 2018)		-	-	-	-	207,211	207,211
Stock compensation expense	-	-	-	-	9,874	-	9,874
Divided declared - $.60 per share	-	-	-	-	-	(536,650)	(536,650)
Net Income	-	-	-	-	-	1,667,760	1,667,760
Balance February 28, 2019	1,599,408	15,994	704,992	(1,041,240)	7,343,701	17,079,320	23,397,775

See Management's Discussion and Analysis.

BIOQUAL, INC.
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 29 AND FEBRUARY 28,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	**$ 2,936,730**	$ 1,667,760
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Depreciation and amortization	**705,760**	653,501
Amortization of operating lease right-of-use asset	**2,276,751**	0
Stock compensation expense	**9,875**	9,874
(Increase) decrease in		
Accounts receivable	**(2,585,567)**	(1,917,214)
Prepaid expenses	**(53,532)**	198,947
Increase (decrease) in		
Accounts payable	**455,878**	95,912
Accrued compensation and related liabilities	**(195,370)**	67,353
Operating lease liability	**(2,084,118)**	0
Deferred rent	**0**	86,986
Deferred revenue	**1,280,004**	(454,256)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2,746,411**	408,863
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	**(1,290,054)**	(1,356,589)
NET CASH USED BY INVESTING ACTIVITIES	**(1,290,054)**	(1,356,589)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	**(626,091)**	(536,650)
Principal payments on note payable	**0**	(250,115)
NET CASH USED BY FINANCING ACTIVITIES	**(626,091)**	(786,765)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**830,266**	(1,734,491)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**9,207,608**	10,160,610
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 10,037,874**	$ 8,426,119
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	**$ 10,451**	$ 25,469
Income Taxes	**$ 1,142,000**	$ 767,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Recognition of ROU asset	**$17,276,698**	$ 0
Recognition of operating lease liability	**$18,073,284**	$ 0
Derecognition of deferred rent liability	**$ 796,586**	$ 0

See Management's Discussion and Analysis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Interim Financial Statements

In the opinion of management, all adjustments consisting only of normal recurring accruals necessary for a fair presentation of such amounts have been included. The results of operations for the quarter are not necessarily indicative of results for the year.

Newly adopted accounting pronouncements

The Company adopted the provisions of ASU 2016-02, Leases ("Topic 842"), as amended, as of June 1, 2019. The adoption of Topic 842 had a material impact on the Company's Consolidated Balance Sheets due to the recognition of certain right-of-use ("ROU") assets and lease liabilities. See Notes to the financial statement - Leases for new disclosures and policy information related to the Company's leases. Because of the transition method we used to adopt Topic 842, Topic 842 will not be applied to periods prior to adoption and the adoption of Topic 842 had no impact on the Company's previously reported results, or on opening equity at June 1, 2019.

Items of Note

In the third quarter of fiscal year 2020, which commenced on December 1, 2019, the Company realized net income of $720,406, a 54.7% increase compared to net income of $465,774 for the third quarter of fiscal year 2019. Net income for the first nine months of fiscal year 2020 totaled $2,936,730, a 76.1% increase compared to the net income of $1,667,760 for the first nine months of fiscal year 2019. See Results of Operations below for more detail on the increase in net income.

Subsequent to the end of the third quarter, BIOQUAL was awarded a seven-year Indefinite Delivery / Indefinite Quantity ("IDIQ") contract with the NIAID titled "Simian Vaccine Evaluation Units (SVEUs)". BIOQUAL was an incumbent contractor on the predecessor IDIQ contract. BIOQUAL was awarded this contract along with two other contractors. BIOQUAL's contract is for a maximum of $66,355,351 (if BIOQUAL were to win all proposed task orders under the contract) over the seven-year period. On April 1, 2020, BIOQUAL was awarded two task orders totaling $6,682,071 covering a seven-year period. The current funding obligated on the two task orders is $579,882 covering costs incurred until March 31, 2021. There are, however, no assurances that BIOQUAL will be awarded any other task orders under this contract.

COVID-19

On March 31st, BIOQUAL announced it is developing programs for in-vivo testing of COVID-19 candidate vaccines. BIOQUAL's efforts to develop animal models for COVID-19 began in February 2020 in collaboration with Dr. Dan Barouch at Beth Israel Deaconess Medical Center and the Ragon Institute, both affiliated with Harvard Medical School.

For a number of years, BIOQUAL has been engaged in development of in-vivo testing programs and has been extensively involved in research efforts to develop vaccines and therapies against emerging diseases including AIDS, Hepatitis, Zika, Chikungunya and others. The Company is now focused on COVID-19 research and is positioned to play an important role in the development of vaccines and therapies against this epidemic.

Results of Operations

Three Months Comparison

The $1,684,645 increase in revenues to $11,593,217 for the quarter ended February 29, 2020, compared to $9,908,572 for the quarter ended February 28, 2019, is primarily the result of an increase in contract activity in commercial contracts of approximately $2,125,000 compared to the third quarter of the previous fiscal year. The increase in revenues was partially offset by decreases in revenue generated by government contracts of approximately $436,000 and federal grants of approximately $7,000. The increase in commercial contract revenues is primarily the result of several new projects starting up or being performed for two large pharmaceutical company clients compared to similar projects starting up or being performed in the same quarter of fiscal year 2020.

The $1,237,887 increase in contract operating expenses for the quarter ended February 29, 2020, primarily reflects increases in expenses incurred of approximately $640,000 related to the purchase of nonhuman primates, higher labor and related benefits costs of approximately $125,000, higher contract materials and supplies costs of approximately $400,000 compared to similar costs incurred in the third quarter of the previous fiscal year, and an increase in depreciation expense resulting from the increase in capital expenditures in the current and previous fiscal year.

The $97,666 increase in General and Administrative (G&A) expenses for the quarter ended February 29, 2020, primarily reflects increases in administrative labor and related benefits costs compared to similar costs incurred in the third quarter of the previous fiscal year.

The $349,092 increase in operating income primarily reflects the profits earned on a higher volume of commercial contracts revenue during this quarter compared to the third quarter of the previous fiscal year.

Nine Months Comparison

The $4,961,136 increase in revenues to $32,884,055 for the nine months ended February 29, 2020, compared to $27,922,919 for the nine months ended February 28, 2019, is primarily the result of an increase in contract activity in commercial contracts of approximately $5,600,000 compared to the first nine months of the previous fiscal year. The increase in revenues was partially offset by decreases in revenue generated by government contracts of approximately $550,000 and federal grants of approximately $88,000. The increase in commercial contract revenues is primarily the result of several new projects starting up and being performed for two large pharmaceutical company clients during the second and third quarters compared to similar projects starting up in the same period of fiscal year 2019.

The $2,843,601 increase in contract operating expenses for the nine months ended February 29, 2020, primarily reflects increases in expenses incurred of approximately $1,067,000 related to the purchase of nonhuman primates, higher labor and related benefits costs of approximately $1,125,000, higher contract materials and supplies costs of approximately $800,000 compared to similar costs incurred in the first nine months of the previous fiscal year, and an increase in depreciation expense resulting from the increase in capital expenditures in the previous fiscal year. The increases above were partially offset by a $155,000 decrease in subcontractor costs compared to similar costs incurred in the previous fiscal year.

The $325,457 increase in General and Administrative (G&A) expenses for the nine months ended February 29, 2020, primarily reflects increases in administrative labor and related benefits costs of approximately $200,000 and an increase in rent expense of approximately $70,000 compared to similar costs incurred in the first nine months of the previous fiscal year.

The $1,792,078 increase in operating income primarily reflects the profits earned on a higher volume of commercial contracts during the first nine months of fiscal year 2020 compared to the first nine months of the previous fiscal year. Additionally, during the first quarter of fiscal year 2020, the Company successfully negotiated the addition of approximately $300,000 of funding on fixed-price-per-unit contracts with commercial clients to cover contract costs incurred in the previous fiscal year.

Liquidity and Capital Resources

During the first nine months of fiscal year 2020, the Company directed approximately $1,290,000 towards capital expenditures compared to approximately $1,357,000 in the first nine months of fiscal year 2019. These expenditures were necessary to provide additional equipment and nonhuman primate (NHP) and rodent cages for research being performed in the Company's laboratories. The Company has been able to continue to fund all of these expenditures through the use of available cash provided by profits.

During the next three months, the Company estimates the aggregate purchase price of equipment to upgrade older equipment, enhance its capabilities, add nonhuman primate and small animal caging, and to renovate animal housing space will total approximately $500,000.

In December 2018, the Company entered into an eight-year office and laboratory lease located in Maryland with total lease payments of approximately $4,040,000. The Company has engaged an architectural and engineering (A&E) firm to assist with the design and build-out of approximately 10,700 square feet of space to be utilized as a vivarium. The Company estimates the purchase of an additional $800,000 in infrastructure, cage washing, sanitation, and animal care equipment over the next six months. With the assistance of the A&E firm, the Company is currently determining the construction costs of the vivarium.

The Company is obligated, as lessee, under non-cancelable operating leases covering its facilities and certain equipment at various dates through 2026. Rent expense for the first nine months of fiscal year 2020 was approximately $2,792,000. As of February 29, 2020, the total of the future minimum rental payments is approximately $18,897,000.

Other than the items mentioned above, the Company does not anticipate other substantial capital and other expenditures during fiscal year 2020. However, if the Company is awarded new contracts that require additional equipment or animal enclosures during that period, the Company believes it will have sufficient capital resources to provide for the purchase of the equipment.

BIOQUAL has a $2,000,000 line of credit with M&T Bank available to help cover costs of its daily operations. The line of credit is due on demand and renewable annually. As of February 29, 2020, there was no balance due on the line of credit. The interest rate on funds drawn on the line of credit is the prime rate plus .25%, which as of February 29, 2020, was 5.00%. On February 29, 2020, the

Company had a balance of cash and cash equivalents of $10,037,874. With the above line of credit and the cash resources expected to be available as a result of collection of accounts receivable, the Company believes it will have sufficient capital resources to provide for daily operations and its capital needs through the end of fiscal year 2020.

The following provides additional information on select balance sheet items: 1) the $2,585,567 increase in accounts receivable reflects the impact of the increased volume of commercial contracts activity as well as slower than normal collection of outstanding invoices during the first nine months of fiscal year 2020 offset by a decrease in unbilled accounts receivable reflecting the issuance of a several invoices for work recorded in unbilled receivables at May 31, 2019; 2) the $195,370 decrease in accrued compensation and related liabilities primarily reflects the payment of the accrued fiscal year 2019 bonuses during the first quarter of fiscal year 2020; 3) the $452,278 increase in accounts payable reflects a higher total amount of outstanding invoices for the purchase of nonhuman primates as compared to the end of the previous fiscal year; and 4) the $1,280,004 increase to deferred revenue primarily reflecting an increase in the amount of advanced billings related to the increased volume of commercial contracts activity during the third quarter of fiscal year 2020.

In light of possible COVID-19 exposures to its staff, the Company has contacted its clients to request that new non-COVID-19 related studies be delayed. This request is necessary to reduce the possibility of having inadequate staffing due to potential illness, which could jeopardize the progress of the intended work. Also, the Company has experienced the cancellation of a few commercial contracts due to the pandemic; however, the Company has recently entered into new contracts with government, commercial organizations and universities to begin work on COVID-19 vaccine development studies. The Company is currently unable to determine the effect of the cancellations and new contracts to its short-term results of operations.

In response to the effects on the economy of COVID-19, the Company has contacted its critical suppliers to ensure the continued delivery of necessary materials to keep our employees safe and healthy at the workplace as well as to continue to provide animal husbandry and required procedures for our clients. To date, the Company has been able to procure adequate quantities of critical materials and supplies to continue operations. Based on market demand, the Company has had to pay higher prices for certain critical items which may have a short-term negative impact on the results of operations. There are, however, no assurances that BIOQUAL will be able to continue obtaining such critical materials without interruption.

Additionally, there are several new line items on the balance sheet related to the adoption of Topic 842. The operating lease right-of-use assets and operating lease liabilities balances reflect the Company’s future lease commitments. Please refer to the Notes to financial statements for more information related to the adoption of Topic 842. Lastly, please refer to the Statements of Consolidated Cash Flows on Page 5 for further detail related to the changes in cash and cash equivalents.

Notes to financial statements

Risks and uncertainties

The expanding coronavirus outbreak (COVID-19) could negatively impact the Company's operations, suppliers or other vendors, and customer base. Any quarantines, labor shortages or other disruptions to operations, or those of customers, may adversely impact the Company's revenues, ability to deliver its services, and operating results. In addition, a widespread health crisis will adversely affect the local and global economies, resulting in an economic downturn that could affect demand for the Company's services, collectability of receivables, and valuation of investments. Management is unable to predict the near and long-term effects on the Company.

Leases

The Company adopted ASC Topic 842, *Leases*, on June 1, 2019 using a modified retrospective transition approach. As permitted by ASC 842, the Company elected not to reassess (i) whether any expired or existing contracts are leases or contain leases, (ii) the lease classification of any expired or existing leases, and (iii) the initial direct costs for existing leases.

The Company leases certain assets, consisting primarily of real estate, and assesses at contract inception whether a contract is, or contains, a lease. A right-of-use asset and lease liability is recorded on the balance sheet for all leases except those with an original lease term of twelve months or less. The Company's leases typically have lease terms between three years and ten years and may include one or more renewal options. At lease commencement, the Company assesses whether it is reasonably certain to exercise a renewal option, or reasonably certain not to exercise a termination option, by considering various economic factors. Options that are reasonably certain of being exercised are factored into the determination of the lease term, and related payments are included in the calculation of the right-of-use asset and lease liability.

The Company uses its incremental borrowing rate to calculate the present value of lease payments when the interest rate implicit in a lease is not disclosed. Variable lease payments that are linked to a certain rate or index, such as the CPI, are included in the present value of lease payments and measured using the prevailing rate or index at lease commencement, with changes in the associated rate or index recognized in earnings during the period in which the change occurs. The right-of-use asset and lease liability are not remeasured as a result of any subsequent change in the index or rate unless remeasurement is required for another reason. Variable lease payments that are not linked to a certain rate or index are comprised primarily of operating costs.

The components of total lease cost and other supplemental lease information are presented in the following tables:

	For the Nine Months Ended February 29, 2020
Components of lease cost:	
Operating lease costs	2,792,087
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	2,599,454
Lease liabilities arising from obtaining ROU assets (subsequent to adoption)	
Operating leases	136,738

Weighted average remaining lease terms and discount rates are presented in the following table:

Weighted average remaining lease term (in years):	February 29, 2020
Operating leases	5.43
Weighted average discount rate (annual):	
Operating leases	5.71%

The following table presents a maturity analysis of the Company's operating liabilities at February 29, 2020:

	Operating Leases
Year 1	3,635,690
Year 2	3,732,120
Year 3	3,320,049
Year 4	3,241,306
Year 5	2,113,161
Thereafter	2,854,039
Total lease payments	18,896,365
Less: imputed interest	(2,770,462)
Present value of lease liabilities	16,125,903

Revenue recognition accounting

Billings under cost-based government contracts are calculated using provisional rates which permit recovery of indirect costs. These rates are subject to audit on an annual basis by the government agencies' cognizant audit agency. The cost audits will result in the negotiation and determination of the final indirect cost rates which the Company may use for the years audited. The final rates, if different from the provisional rates, may create a receivable or a liability.

As of February 29, 2020, the Company had negotiated final settlements on indirect cost rates through 2011. The Company periodically reviews its cost estimates and experience rates, and adjustments, if needed, are made and reflected in the period in which the estimates are revised. In the opinion of management, redetermination of any cost-based contracts for the open years will not have any material effect on the Company's financial position or results of operations.

Changes in estimates related to contracts with performance obligation(s) accounted for using the output method on fixed-price-milestone (FP-M) type contracts, that is primarily based on a proportion of study-related procedures and/or tests, are recognized in the period in which such changes are made on a cumulative catch-up basis. This basis recognizes in the current period the cumulative effect of the changes on current and prior periods based on the performance obligations' related proportionate progress towards completion. During the first quarter of fiscal year 2020, the Company was able to recognize revenue of approximately $300,000 on 3 fixed-price-per-unit (FP-U) contracts due to procuring additional funds to cover costs incurred in the previous fiscal year. The contract amounts were increased by the new funding and the services were invoiced to each client immediately.

For the nine months ended February 29, 2020, there were no material modifications recorded related to work previously performed on FP-M type contracts prior to the execution of formal modifications or amendments. A significant change in one or more estimates could affect the profitability of one or more of the performance obligations.

Remaining Performance Obligations: Remaining performance obligations represent the expected value (transaction price) of executed contracts, both funded and unfunded, less revenue recognized to date. Remaining performance obligations do not include future potential purchase or work orders expected to be awarded under Master Service Agreement (MSA) or similar agreements.

As of February 29, 2020, the Company expects to recognize a majority of the remaining performance obligations over the next 12 months.

Disaggregation of Revenues: The Company disaggregates revenue by customer-type and contract-type as these categories best represent how the nature, timing and uncertainty of the Company's revenue and cash flows are affected by the U.S. government procurement environment and economic factors.

Disaggregated revenue by customer-type and contract type was as follows:

Revene by Customer Type and Contract Type	Three Months Ended February 29, 2020	Nine Months Ended February 29, 2020
National Institutes of Health (NIH)		
Cost-Plus-Fixed-Fee	$ 2,310,044	$ 5,212,286
Fixed-Price-Per-Unit and Time-And-Materials	14,669	2,831,959
Fixed-Price-Milestone	85,596	289,464
Total National Institutes of Health	2,410,309	8,333,709
Commercial and Other		
Cost-Plus-Fixed-Fee	497,906	1,444,332
Fixed-Price-Per-Unit and Time-And-Materials	5,484,473	15,098,650
Fixed-Price-Milestone	3,200,529	8,007,364
Total Commercial and Other	9,182,908	24,550,346
Total Revenues	$ 11,593,217	$ 32,884,055

Cost-plus-fixed-fee (CPFF) contracts are generally lower risk and have lower profits. Time-and-materials (T&M) and fixed-price-per-unit (FP-U) contracts are also low risk, but profits may vary depending on actual labor costs compared to negotiated contract billing rates. FP-M contracts offer the potential for higher profits while increasing the Company's exposure to risk of cost overruns.

Contract Assets and Liabilities: Contract assets include unbilled contract receivables, which is the amount of revenue recognized that exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Contract assets also include incremental fulfillment costs where, under certain fixed-price contracts, costs are incurred usually at the beginning of the contract performance, where the single performance obligation has not yet been completely satisfied. Contract liabilities consist of deferred revenue.

The components of contract assets and contract liabilities consisted of the following:

Contract asset and liabilities:

		February 29, 2020	June 1, 2019
Contract assets:	Balance sheet line item:		
Unbilled contract receivables (1)	Accounts receivable - contracts	$ 3,256,624	$ 4,591,636
Fulfillment costs	Prepaid expenses	58,899	161,705
		$ 3,315,523	$ 4,753,341
Contract liabilities:	Balance sheet line item:		
Deferred revenue	Deferred revenue	$ 1,549,636	$ 269,632

The increase in "Contract assets" was primarily due to the timing of billings and revenue recognized on certain contracts. The increase also relates to fulfillment costs being capitalized on certain contracts, offset by amortization for the quarter ended February 29, 2020. The increase in "Contract liabilities- current" was primarily due to billings in excess of revenue recognized on certain FP-M contracts.

During the nine months ended February 29, 2020, the Company recognized revenue of approximately $173,000 relating to amounts that were included as a contract liability at June 1, 2019.

During the nine months ended February 29, 2020, the Company recognized approximately $268,100 of amortization related to its fulfillment costs. The Company did not recognize any impairment losses on contract assets for the nine months ended February 29, 2020.

(1) Balances include primarily timing differences between what the Company has billed or has the right to bill as of the period end as compared with the revenue recognized, on FP-M and CPFF type contracts.

Forward Looking Information

Statements herein that are not descriptions of historical facts are forward-looking and subject to risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors including risks relating to the ability to continue to extend current government contracts; the Company's ability to obtain new government or commercial contracts; continued demand for the use of animal models in scientific research; the Company's ability to perform under its contracts in accordance with the requirements of the contracts; the actual costs incurred in performing the Company's contracts and its ability to manage its costs, including its capital expenditures; dependence on third parties; future capital needs; the ability to fund its capital needs through the use of its cash on hand and line of credit; and the future availability and cost of financing/capital sources to the Company.