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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-39634

Foghorn Therapeutics Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-5271393**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
500 Technology Square, Ste 700 Cambridge MA	**02139**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: 617-586-3100

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	FHTX	The Nasdaq Global Market

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 x 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 x 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	x	Smaller reporting company	x
		Emerging growth company	x

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 x

As of October 31, 2022, the registrant had 41,801,928 shares of common stock, $0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that are based on management's beliefs and assumptions and on information currently available to management. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential" or "continue" or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words. Forward-looking statements include, but are not limited to, statements concerning:

- the initiation, timing, progress and results of our research and development programs, preclinical and clinical studies, including the potential resolution of the full clinical hold and anticipated timing of release of clinical data;
- our ability to advance any product candidates that we may develop and to successfully complete preclinical and clinical studies;
- our ability to leverage our initial programs to develop additional product candidates using our Gene Traffic Control® platform;
- the impact of the COVID-19 pandemic on our and our collaborators' business operations, including our research and development programs and preclinical and clinical studies, as well as recent geopolitical instability and other developments that may negatively impact the ability to utilize contract development and manufacturing organizations, or CDMOs, and contract research organizations, or CROs, that are located outside of the United States;
- developments related to our competitors and our industry;
- our ability to expand the target populations of our programs and the availability of patients for clinical testing;
- our ability to obtain regulatory approval for FHD-286, FHD-609, and any future product candidates from the U.S. Food and Drug Administration, or FDA, and other regulatory authorities;
- our ability to identify and enter into future license agreements and collaborations;
- our ability to continue to rely on our CDMOs or CROs for our manufacturing and research needs;
- regulatory developments in the United States and foreign countries;
- general economic conditions, including recessionary conditions, interest rates, monetary fluctuations and supply chain constraints;
- our ability to attract and retain key scientific and management personnel; and
- the scope of protection we are able to establish, maintain and enforce for intellectual property rights covering FHD-286, FHD-609, our future products and our Gene Traffic Control platform.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions and are based largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of known and unknown risks, uncertainties and assumptions, including those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and in this Quarterly Report on Form 10-Q. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. Moreover, we operate in an evolving environment. New risks and uncertainties may emerge from time to time, and it is not possible for management to predict all risks and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Foghorn Therapeutics Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 87,604	$ 101,136
Marketable securities	285,894	53,153
Restricted cash	25	—
Collaboration receivable	—	300,000
Prepaid expenses and other current assets	4,237	5,273
Total current assets	377,760	459,562
Property and equipment, net	15,940	17,563
Restricted cash	1,708	1,733
Other assets	2,368	2,400
Operating lease right-of-use assets	36,156	38,516
Total assets	$ 433,932	$ 519,774
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,257	$ 3,819
Accrued expenses and other current liabilities	10,122	9,562
Operating lease liabilities	6,670	6,994
Deferred revenue	33,161	28,317
Total current liabilities	55,210	48,692
Operating lease liabilities, net of current portion	46,499	51,338
Deferred revenue, net of current portion	307,842	322,730
Other liabilities	58	143
Total liabilities	409,609	422,903
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 25,000,000 shares authorized at September 30, 2022 and December 31, 2021; no shares issued and outstanding at September 30, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; 175,000,000 shares authorized at September 30, 2022 and December 31, 2021; 41,799,368 shares issued and outstanding at September 30, 2022 and 41,299,720 shares issued and outstanding at December 31, 2021	4	4
Additional paid-in capital	373,435	361,133
Accumulated other comprehensive loss	(4,864)	(10)
Accumulated deficit	(344,252)	(264,256)
Total stockholders' equity	$ 24,323	$ 96,871
Total liabilities and stockholders' equity	$ 433,932	$ 519,774

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Collaboration revenue	$ 6,634	$ 41	$ 15,044	$ 606
Operating expenses:				
Research and development	26,928	20,494	77,410	57,862
General and administrative	7,965	5,808	22,885	15,396
Total operating expenses	34,893	26,302	100,295	73,258
Loss from operations	(28,259)	(26,261)	(85,251)	(72,652)
Other income (expense):				
Interest expense	—	(499)	—	(1,480)
Interest income and other income, net	2,490	680	5,255	1,955
Total other income, net	2,490	181	5,255	475
Net loss	$ (25,769)	$ (26,080)	$ (79,996)	$ (72,177)
Net loss per share attributable to common stockholders—basic and diluted	$ (0.62)	$ (0.71)	$ (1.93)	$ (1.96)
Weighted average common shares outstanding—basic and diluted	41,672,621	36,971,767	41,520,498	36,879,392
Comprehensive loss:				
Net loss	$ (25,769)	$ (26,080)	$ (79,996)	$ (72,177)
Other comprehensive loss:				
Unrealized losses on marketable securities	(1,675)	(3)	(4,854)	(6)
Total other comprehensive loss	(1,675)	(3)	(4,854)	(6)
Total comprehensive loss	$ (27,444)	$ (26,083)	$ (84,850)	$ (72,183)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2021	41,299,720	$ 4	$ 361,133	$ (10)	$ (264,256)	$ 96,871
Issuance of common stock upon exercise of stock options and employee stock purchase plan	129,895	—	384	—	—	384
Stock-based compensation expense	—	—	3,244	—	—	3,244
Unrealized losses on marketable securities	—	—	—	(1,184)	—	(1,184)
Net loss	—	—	—	—	(26,914)	(26,914)
Balances at March 31, 2022	41,429,615	4	364,761	(1,194)	(291,170)	72,401
Issuance of common stock upon exercise of stock options and employee stock purchase plan	198,297	—	1,030	—	—	1,030
Stock-based compensation expense	—	—	3,509	—	—	3,509
Unrealized losses on marketable securities	—	—	—	(1,995)	—	(1,995)
Net loss	—	—	—	—	(27,313)	(27,313)
Balances at June 30, 2022	41,627,912	4	369,300	(3,189)	(318,483)	47,632
Issuance of common stock upon exercise of stock options and employee stock purchase plan	171,456	—	334	—	—	334
Stock-based compensation expense	—	—	3,801	—	—	3,801
Unrealized losses on marketable securities	—	—	—	(1,675)	—	(1,675)
Net loss	—	—	—	—	(25,769)	(25,769)
Balances at September 30, 2022	41,799,368	$ 4	$ 373,435	$ (4,864)	$ (344,252)	$ 24,323

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2020	36,790,946	$ 4	$ 309,126	$ (7)	$ (162,936)	$ 146,187
Issuance of common stock upon exercise of stock options	35,829	—	62	—	—	62
Stock-based compensation expense	—	—	1,888	—	—	1,888
Unrealized gains on marketable securities	—	—	—	13	—	13
Net loss	—	—	—	—	(22,986)	(22,986)
Balances at March 31, 2021	36,826,775	4	311,076	6	(185,922)	125,164
Issuance of common stock upon exercise of stock options	34,575	—	111	—	—	111
Stock-based compensation expense	—	—	2,042	—	—	2,042
Unrealized gains on marketable securities	—	—	—	(16)	—	(16)
Net loss	—	—	—	—	(23,111)	(23,111)
Balances at June 30, 2021	36,861,350	4	313,229	(10)	(209,033)	104,190
Issuance of common stock upon exercise of stock options	183,413	—	505	—	—	505
Stock-based compensation expense	—	—	2,370	—	—	2,370
Unrealized losses on marketable securities	—	—	—	(3)	—	(3)
Net loss	—	—	—	—	(26,080)	(26,080)
Balances at September 30, 2021	37,044,763	$ 4	$ 316,104	$ (13)	$ (235,113)	$ 80,982

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (79,996)	$ (72,177)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock-based compensation expense	10,555	6,300
Depreciation and amortization expense	2,473	2,417
Noncash lease expense	2,510	3,198
Noncash interest expense	—	260
Amortization (accretion) of discount on marketable securities	(721)	82
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	1,068	316
Collaboration receivable	300,000	—
Accounts payable	1,457	156
Accrued expenses and other liabilities	547	253
Operating lease liabilities	(5,313)	(2,331)
Deferred revenue	(10,044)	(606)
Net cash provided by (used in) operating activities	222,536	(62,132)
Cash flows from investing activities:		
Purchases of property and equipment	(941)	(3,233)
Purchases of marketable securities	(365,006)	(89,737)
Proceeds from maturities of marketable securities	128,132	119,470
Net cash provided by (used in) investing activities	(237,815)	26,500
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options and employee stock purchase plan	1,747	678
Net cash provided by financing activities	1,747	678
Net decrease in cash, cash equivalents and restricted cash	(13,532)	(34,954)
Cash, cash equivalents and restricted cash at beginning of period	102,869	94,528
Cash, cash equivalents and restricted cash at end of period	$ 89,337	$ 59,574
Supplemental cash flow information:		
Cash paid for interest	$ —	$ 1,218
Supplemental disclosure of noncash investing and financing information:		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 204	$ 9
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 87,604	$ 57,841
Restricted cash (current and non-current)	1,733	1,733
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 89,337	$ 59,574

The accompanying notes are an integral part of these condensed consolidated financial statements.

Foghorn Therapeutics Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Nature of Business and Basis of Presentation

Foghorn Therapeutics Inc. (the "Company") is a clinical-stage biopharmaceutical company discovering and developing a new class of medicines targeting genetically determined dependencies within the chromatin regulatory system. The Company uses its proprietary Gene Traffic Control platform to identify, validate and potentially drug targets within the system. The Company was founded in October 2015 as a Delaware corporation. The Company is headquartered in Cambridge, Massachusetts.

The Company is subject to risks similar to those of other early-stage companies in the biopharmaceutical industry, including dependence on key individuals, the need to develop commercially viable products, competition from other companies, many of whom are larger and better capitalized, the impact of the COVID-19 pandemic and the need to obtain adequate additional financing to fund the development of its products. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be maintained, that any products developed will obtain required regulatory approval or that any approved products will be commercially viable. Even if the Company's development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from the sale of its products.

Going concern

The accompanying condensed consolidated financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business. Since inception, the Company has funded its operations primarily with proceeds from sales of preferred stock, debt financing, an upfront payment of $15.0 million the Company received in July 2020 under a collaboration agreement (the "Merck Collaboration Agreement") with Merck Sharp & Dohme Corp. ("Merck") (see Note 8), proceeds from the sale of common stock in the IPO completed in October 2020 and, most recently, proceeds from the sale of common stock in December 2021 under the stock purchase agreement (the "Lilly SPA") with Eli Lilly and Company ("Lilly"). In the third quarter of 2022, the Company achieved a research milestone related to the Merck Collaboration Agreement and received a $5.0 million milestone payment from Merck. In January 2022, the Company received an upfront payment of $300.0 million pursuant to the collaboration agreement with Lilly (see Note 8). The Company has incurred recurring losses, including net losses of $80.0 million and $72.2 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, the Company had an accumulated deficit of $344.3 million. The Company expects to continue to generate operating losses in the foreseeable future. As of the issuance date of these interim condensed consolidated financial statements the Company expects that its cash, cash equivalents and marketable securities will be sufficient to fund its operating expenses and capital expenditure requirements for at least 12 months.

The Company will need to obtain additional funding through public or private equity offerings, debt financings, collaborations, strategic alliances and/or licensing arrangements to continue to fund its operations. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborative or strategic alliances or licensing arrangements. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders. Arrangements with collaborators or others may require the Company to relinquish rights to certain of its technologies or programs. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate some or all of its research and development programs, pipeline expansion or commercialization efforts, which could adversely affect its business prospects. Although management will continue to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding in the future on terms acceptable to the Company to fund continuing operations when needed or at all.

Basis of presentation

The Company's condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

2. Summary of Significant Accounting Policies

The accounting policies of the Company are set forth in Note 2 to the consolidated financial statements contained in the Company's 2021 Annual Report on Form 10-K, and the accounting policies followed by the Company for interim financial reporting are consistent with the accounting policies therein.

Recently issued accounting pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies that the Company adopts as of the specified effective date. The Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected not to "opt out" of the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company can adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and can do so until such time that the Company either (i) irrevocably elects to opt out of such extended transition period or (ii) no longer qualifies as an emerging growth company.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The new standard adjusts the accounting for assets held at amortized costs basis, including marketable securities accounted for as available for sale. The standard eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For public entities, the guidance was effective for annual reporting periods beginning after December 15, 2019 and for interim periods within those fiscal years. For nonpublic entities and emerging growth companies that choose to take advantage of the extended transition period, the guidance is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted for all entities. In November 2019, the FASB issued ASU No. 2019-10, which deferred the effective date for nonpublic entities to annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years. The Company is evaluating this standard and the effect the adoption will have on its condensed consolidated financial statements.

3. Marketable Securities and Fair Value Measurements

As of September 30, 2022, available for sale marketable securities by security type consisted of (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury notes (due within one year)	$ 6,984	$ —	$ (54)	$ 6,930
Commercial paper (due within one year)	70,322	—	(503)	69,819
Corporate notes and bonds (due within one year)	113,145	1	(1,444)	111,702
U.S. treasury notes (due after one year through two years)	2,987	—	(115)	2,872
Corporate notes and bonds (due after one year through three years)	97,320	—	(2,749)	94,571
Total	$ 290,758	$ 1	$ (4,865)	$ 285,894

As of December 31, 2021, available for sale marketable securities by security type consisted of (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper (due within one year)	$ 36,246	$ —	$ (3)	$ 36,243
Corporate notes and bonds (due within one year)	16,917	—	(7)	16,910
Total	$ 53,163	$ —	$ (10)	$ 53,153

The following tables present the Company's fair value hierarchy for its assets and liabilities, which are measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements at September 30, 2022 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 61,626	$ —	$ —	$ 61,626
Commercial paper	—	25,967	—	25,967
Marketable securities:				
U.S. treasury notes	—	9,802	—	9,802
Commercial paper	—	69,819	—	69,819
Corporate notes and bonds	—	206,273	—	206,273
Total	$ 61,626	$ 311,861	$ —	$ 373,487

	Fair Value Measurements at December 31, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 82,252	$ —	$ —	$ 82,252
Commercial paper	—	18,496	—	18,496
Marketable securities:				
Commercial paper	—	36,243	—	36,243
Corporate notes and bonds	—	16,910	—	16,910
Total	$ 82,252	$ 71,649	$ —	$ 153,901

During the three and nine months ended September 30, 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3.

4. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Laboratory equipment	$ 5,740	$ 4,889
Furniture and fixtures	815	815
Computer equipment and software	100	100
Leasehold improvements	17,088	17,059
Assets not yet placed in service	—	30
	23,743	22,893
Less: Accumulated depreciation and amortization	(7,803)	(5,330)
	$ 15,940	$ 17,563

Depreciation and amortization expense was $0.9 million and $0.8 million for the three months ended September 30, 2022 and 2021, respectively, and $2.5 million and $2.4 million for the nine months ended September 30, 2022 and 2021, respectively.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued employee compensation and benefits	$ 4,262	$ 5,596
Accrued external research and development expenses	4,780	3,079
Accrued professional fees	756	495
Other	324	392
	$ 10,122	$ 9,562

6. Common Stock and Net Loss Per Share

Common Stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are not entitled to receive dividends, unless declared by the board of directors.

Net Loss Per Share

The following common stock equivalents presented based on amounts outstanding at each period end have been excluded from the calculation of diluted net loss per share because including them would have had an anti-dilutive impact:

	September 30,	
	2022	2021
Stock options to purchase common stock	7,860,248	6,229,978
Warrants to purchase common stock	18,445	18,445
	7,878,693	6,248,423

7. Stock-Based Compensation

2016 Stock Incentive Plan

The Company's 2016 Stock Incentive Plan (the "2016 Plan") provided for the Company to grant incentive stock options or nonqualified stock options and other equity awards to employees, directors and consultants of the Company. Upon the

effectiveness of the 2020 Equity Incentive Plan (the "2020 Plan") in October 2020, the Company ceased granting additional awards under the 2016 Plan.

2020 Equity Incentive Plan

The 2020 Plan provides for the grant of incentive stock options, non-qualified options, stock appreciation rights, restricted stock awards, restricted stock units and other stock-based awards. The number of shares initially reserved for issuance under the 2020 Plan was (i) 2,200,000 shares (the "share pool"), plus (ii) the number of shares of common stock available for issuance under the 2016 Plan as of the effective date of the 2020 Plan, plus the number of shares of common stock underlying awards under the 2016 Plan that on or after the date of adoption expire or become unexercisable without delivery of shares, are forfeited to, or repurchased for cash, are settled in cash, or otherwise become available again for grant under the 2016 Plan, in each case, in accordance with its terms (up to an aggregate of 5,078,295 shares). As of September 30, 2022, 1,498,877 shares remained available for future grant under the 2020 Plan.

The share pool will automatically increase on January 1 of each year from 2021 to 2030 by the lesser of (i) four percent of the number of shares of our common stock outstanding as of the close of business on the immediately preceding December 31 and (ii) the number of shares determined by the board of directors on or prior to such date for such year. The number of shares reserved for issuance under the 2020 Plan was increased by 1,651,989 shares effective January 1, 2022.

The 2020 Plan is administered by the board of directors or, at the discretion of the board of directors, by a committee of the board of directors. The exercise prices, vesting and other restrictions are determined at the discretion of the board of directors, or its committee if so delegated. Stock options granted with service-based vesting conditions generally vest over four years and expire after ten years. The exercise price for stock options granted is not less than the fair value of common stock on the date of grant. The Company bases fair value of common stock on the quoted market price. Prior to the IPO, the board of directors determined the value the Company's common stock, taking into consideration its most recently available valuation of common stock performed by third parties as well as additional relevant factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant.

2020 Employee Stock Purchase Plan

On October 21, 2020, the Company's board of directors adopted and its stockholders approved the 2020 Employee Stock Purchase Plan (the "ESPP"), which became effective on October 21, 2020. The aggregate number of shares of common stock available for purchase pursuant to the exercise of options under the ESPP is 360,000 shares, plus an automatic annual increase, as of January 1 of each year from 2021 to 2030, equal to the lesser of one percent of the number of shares of common stock outstanding as of the close of business on the immediately preceding December 31 and (ii) the number of shares determined by the board of directors on or prior to such date for such year (up to a maximum of 3,220,520 shares). The number of shares reserved for issuance under the ESPP was increased by 367,894 shares to 780,891 shares effective January 1, 2022.

The first offering period commenced under the ESPP on September 1, 2021. The Company recognized a de minimis amount of expense related to the ESPP for the three and nine months ended September 30, 2022.

Stock-Based Compensation

Stock-based compensation expense was classified in the condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Research and development expenses	$ 1,689	$ 1,198	$ 4,784	$ 3,321
General and administrative expenses	2,113	1,172	5,771	2,979
	$ 3,802	$ 2,370	$ 10,555	$ 6,300

As of September 30, 2022, total unrecognized compensation cost related to unvested options was $37.6 million, which is expected to be recognized over a weighted average period of 2.8 years.

8. Collaboration Agreements

Lilly Collaboration Agreement and Stock Purchase Agreement

In December 2021, the Company entered into a collaboration agreement (the "Lilly Collaboration Agreement") with Lilly to create novel oncology medicines by applying Foghorn's proprietary Gene Traffic Control platform. The collaboration includes a co-development and co-commercialization agreement for the Company's selective BRM oncology target, consisting of two

programs, and one additional undisclosed oncology target (collectively, the “Joint Programs”). The collaboration also includes three additional discovery targets or programs (collectively, the “Discovery Programs”) for a total of six programs directed at five targets.

With respect to the Joint Programs, the Company will lead discovery and early research activities through the successful completion of dose finding toxicity studies for the identified compound, while Lilly will lead development and commercialization activities of the identified compound with participation from the Company in development activities and 50% cost sharing until registrational clinical trials. The Company and Lilly may jointly develop and commercialize the Joint Program compound though the Company may, in its sole discretion, opt-out on a program-by-program basis of further participation in the development and commercialization efforts prior to the first registrational clinical trial. If the Company does not opt-out, Lilly and the Company will continue to share in the costs to further develop and commercialize the Joint Program compound on a worldwide basis, equally share in the U.S. profits on product sales, subject to certain adjustments and receive royalties on sales outside of the United States (“Ex-U.S.”) at royalty rates ranging from low double digits to high twenties. If the Company opts-out of further development and commercialization efforts, it will have no further obligations to share in the development and commercialization costs, will receive royalties rather than profit share on U.S. sales and will receive royalties at a lower rate on Ex-U.S. sales.

With respect to the Discovery Programs, the Company will lead discovery and early research activities through the successful completion of dose finding toxicity studies for the identified compounds. The Company may, in its sole discretion, opt in on a program-by-program basis after the successful completion of dose finding toxicity to participate in the further development and commercialization efforts of the Discovery Program compounds. If the Company opts-in to the development and commercialization of the Discovery Program compounds, it will be eligible to receive milestone payments of up to $10.0 million per program upon specified research and development milestones and up to $180.0 million per program upon achievement of specified regulatory and commercial milestones and will also be eligible to share in the U.S. profits at pre-determined percentages on product sales. The Company would also be eligible to receive tiered Ex-U.S. royalty rates, calculated on a product-by-product and country-by-country basis, on net sales outside of the United States, if any, ranging from low single digits to low double digits, but less then teens. If the Company does not opt in to further development and commercialization efforts for the Discovery Programs, it will be eligible to receive milestone payments of up to $70.0 million per program upon specified research and development milestones and up to $360.0 million per program upon achievement of specified regulatory and commercial milestones per approved product, if any. The Company would also be eligible to receive tiered royalties on net sales of products worldwide at royalty rates ranging from low single digits to low double digits, but less then teens.

Lilly has the right to make substitutions for each of the five targets during the research term of each program, subject to certain limitations. Pursuant to the Lilly Collaboration Agreement, the Company will also participate in joint decision-making through the joint steering committee and subcommittees. Unless terminated earlier, the Lilly Collaboration Agreement will continue on a product-by-product basis until the expiration of all royalty obligations under the Lilly Collaboration Agreement and when neither the Company nor Lilly is developing, commercializing or manufacturing any product under the Lilly Collaboration Agreement. The Company or Lilly may terminate the Lilly Collaboration Agreement upon an uncured material breach by the other party. Lilly may also terminate the Lilly Collaboration Agreement in its entirety or on a target-by-target, program-by-program or product-by-product basis for any reason upon certain notice to the Company.

Under the terms of the Lilly Collaboration Agreement, Lilly agreed to make a nonrefundable upfront payment of $300.0 million to the Company within thirty (30) business days following the effective date of the agreement. Simultaneously with the execution of the Lilly Collaboration Agreement, the Company and Lilly entered into the Lilly SPA, pursuant to which Lilly purchased 4,000,000 shares of the Company’s common stock at $20.00 per share, for an aggregate purchase price of $80.0 million.

The Company determined that the Lilly Collaboration Agreement and the Lilly SPA should be evaluated as a combined contract in accordance with ASC 606. The Company determined the fair value of the shares sold under the Lilly SPA to be $37.8 million less than the contractual purchase price stipulated in the Lilly SPA. In accordance with the applicable accounting guidance in ASC 815-40, *Contracts in Entity’s Own Equity*, the Company determined that the sale of stock should be recorded at fair value and therefore allocated the excess consideration received under the Lilly SPA to the Lilly Collaboration Agreement, which along with the non-refundable payment of $300.0 million will be recognized as revenue over the total estimated period of performance.

The Company accounted for the arrangement under ASC 606 as the Company concluded it has a customer relationship with Lilly. The Company determined that (1) the research activities performed by the Company for both the Joint Programs and the Discovery Programs (2) the development activities and cost sharing for the Joint Program development efforts after dose finding toxicity until registrational clinical trials (3) the research, development, manufacture and commercialization licenses and (4) service on the joint steering committee and subcommittees represent a single performance obligation under the Lilly Collaboration Agreement. The Company determined that Lilly cannot benefit from the licenses separately from the research

activities, the development activities until registrational clinical trials and participation on the joint steering committee and subcommittees because these services are specialized and rely on the Company's expertise such that these activities are highly interrelated and therefore not distinct. Accordingly, the promised goods and services represent one combined performance obligation, and the entire transaction price was allocated to that single combined performance obligation. The performance obligation will be satisfied over time as the Company performs the research activities, participates and shares in the cost of the development activities for the Joint Programs and participates in a joint steering committee and subcommittees to oversee these activities.

The Company's options to share in further development and commercialization efforts via its opt-in/opt-out rights will be assessed and accounted for as separate units of accounting under the relevant guidance if, and when, such options are exercised by the Company.

The transaction price of $337.8 million was initially recorded as deferred revenue and is being recognized as revenue as the performance obligation is satisfied. The Company recognizes revenue using the cost-to-cost method, which it believes best depicts the transfer of control to the customer over time. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue is recorded as a percentage of the estimated transaction price based on the extent of progress towards completion. As of September 30, 2022, the potential research, development and regulatory milestone payments that the Company is eligible to receive were excluded from the transaction price as they were fully constrained by uncertain events. The Company will reevaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur, and if necessary, the Company will adjust its estimate of the transaction price. Any additions to the transaction price would be reflected in the period as a cumulative revenue catch-up based on the ratio of costs incurred to the total estimated costs expected applied to the revised transaction price. Sales-based royalties and milestone payments, which predominantly relate to the license, will be recognized if and when the related sales occur.

As of September 30, 2022, the aggregate amount of the transaction price related to the unsatisfied portion of the performance obligation was $323.8 million, which is expected to be recognized as revenue through 2029. The Company does not expect collaboration revenue to be recognized evenly over this period as it will be recognized on a percentage of completion basis (using cost-to-cost method) as the Company performs the research and development activities and participates on the joint steering committee and subcommittees, which will likely vary from period to period. In estimating the total costs to satisfy its single performance obligation pursuant to the Lilly Collaboration Agreement, the Company is required to make significant estimates including an estimate of the number of target substitutions Lilly may elect to make and the expected time and expected costs to fulfill the performance obligation. The cumulative effect of revisions to the total estimated costs to complete the Company's single performance obligation will be recorded in the period in which the changes are identified, and amounts can be reasonably estimated. While such revisions will have no impact on the Company's cash flows, a significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods and the classification of deferred revenue between short-term and long-term.

At inception, the Company assessed the Lilly Collaboration Agreement to determine whether a significant financing component exists and concluded that a significant financing component does not exist. For the three and nine months ended September 30, 2022, the Company had recorded $5.3 million and $13.3 million, respectively, of revenue under the Lilly Collaboration Agreement, which was included in deferred revenue at the beginning of the period.

As of December 31, 2021, the upfront payment of $300.0 million was recorded as collaboration receivable on the Company's consolidated balance sheets. In January 2022, the $300.0 million was collected from Lilly.

Merck Collaboration Agreement

In July 2020, the Company entered into the Merck Collaboration Agreement pursuant to which the Company and Merck will apply Foghorn's proprietary Gene Traffic Control platform to discover and develop novel therapeutics. Under the Merck Collaboration Agreement, the Company granted Merck exclusive global rights to develop, manufacture and commercialize drugs that target dysregulation of a single transcription factor. Under the terms of the Merck Collaboration Agreement, the Company and Merck are each responsible to perform certain research activities in accordance with a mutually-agreed upon research plan. Merck may substitute the selected transcription factor during certain stages of the research program, subject to certain limitations. Following completion of the research program, Merck is responsible for the development and commercialization of the compounds developed pursuant to the research program and any product containing such compounds. Pursuant to the Merck Collaboration Agreement, the Company will also participate on a joint steering committee.

Under the terms of the agreement, Foghorn received a nonrefundable upfront payment of $15.0 million from Merck, and is eligible to receive up to $245.0 million upon achievement of specified research, development and regulatory milestones by any product candidate generated by the collaboration, and up to $165.0 million upon achievement of specified sales-based

milestones per approved product from the collaboration, if any. The Company will be eligible to receive tiered royalties, calculated on a product-by-product and country-by-country basis, on net sales of approved products from the collaboration, if any, at royalty rates ranging from the mid-single digits to low tens, depending on whether the products are covered by patent rights it licenses to Merck.

Unless terminated earlier, the Merck Collaboration Agreement will continue in full force and effect until one or more products has received marketing authorization and, thereafter, until expiration of all royalty obligations under the Merck Collaboration Agreement. The Company or Merck may terminate the Merck Collaboration Agreement upon an uncured material breach by the other party or insolvency of the other party. Merck may also terminate the Merck Collaboration Agreement for any reason upon certain notice to the Company.

The Company determined that the (1) research, development, manufacture and commercialization licenses, (2) the research activities performed by the Company and (3) service on the joint committees represent a single performance obligation under the Merck Collaboration Agreement. The Company determined that Merck cannot benefit from the licenses separately from the research activities and participation on the joint steering committee because these services are specialized and rely on the Company's expertise such that these activities are highly interrelated and therefore not distinct. Accordingly, the promised goods and services represent one combined performance obligation and the entire transaction price was allocated to that single combined performance obligation. The performance obligation will be satisfied over the research term as the Company performs the research activities and participates in a joint steering committee to oversee research activities.

The upfront payment of $15.0 million was initially recorded as deferred revenue and is being recognized as revenue as the performance obligation is satisfied. The Company recognizes revenue using the cost-to-cost method, which it believes best depicts the transfer of control to the customer over time. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified performance obligation. Under this method, revenue is recorded as a percentage of the estimated transaction price based on the extent of progress towards completion. As of September 30, 2022, the potential research, development and regulatory milestone payments that the Company is eligible to receive and have not already been achieved, see below, were excluded from the transaction price as they were fully constrained by uncertain events. The Company will reevaluate the transaction price at the end of each reporting period and as uncertain events are resolved or other changes in circumstances occur, and if necessary, the Company will adjust its estimate of the transaction price. Any additions to the transaction price would be reflected in the period as a cumulative revenue catch-up based on the ratio of costs incurred to the total estimated costs expected applied to the revised transaction price. Sales-based royalties and milestone payments, which predominantly relate to the license, will be recognized if and when the related sales occur.

In the third quarter of 2022, the Company achieved a research milestone related to the Merck Collaboration Agreement and received a $5.0 million milestone payment from Merck. The Company considers this amount unconstrained and, as such, included this amount as an adjustment to the transaction price in the third quarter of 2022. For the three and nine months ended September 30, 2022, the Company recorded a $0.7 million revenue catch-up adjustment related to the aforementioned adjustment to the transaction price for the milestone achievement.

As of September 30, 2022, the aggregate amount of the transaction price related to the unsatisfied portion of the performance obligation is $17.2 million, which is expected to be recognized as revenue through 2028. The Company does not expect collaboration revenue to be recognized evenly over this period as it will be recognized on a percentage of completion basis (using cost-to-cost method) as the Company performs the research activities and participates on the joint steering committee, which will likely vary from period to period. In estimating the total costs to satisfy its single performance obligation pursuant to the Merck Collaboration Agreement, the Company is required to make significant estimates including an estimate of the number of transcription factor substitutions and the expected time and expected costs to fulfill the performance obligation. The cumulative effect of revisions to the total estimated costs to complete the Company's single performance obligation will be recorded in the period in which the changes are identified, and amounts can be reasonably estimated. While such revisions will have no impact on the Company's cash flows, a significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods and the classification of deferred revenue between short-term and long-term.

At inception, the Company assessed the Merck Collaboration Agreement to determine whether a significant financing component exists and concluded that a significant financing component does not exist. For the three months ended September 30, 2022 and 2021, the Company had recorded $1.3 million and less than $0.1 million of revenue under the Merck Collaboration Agreement. For the nine months ended September 30, 2022 and 2021, the Company had recorded $1.7 million and $0.6 million, respectively. For the revenue recognized under the Merck Collaboration Agreement for the three and nine

months ended September 30, 2022, $0.6 million and $1.0 million, respectively, was included in deferred revenue at the beginning of the period.

9. Commitments and Contingencies

Leases

The Company leases office space under a non-cancelable operating lease. There have been no material changes to the Company's lease during the three months ended September 30, 2022. For additional information, see Note 11, *Leases*, to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

License agreements

The Company has entered into various exclusive and non-exclusive license agreements for certain technologies. Under the terms of these license agreements, the Company could be required to reimburse the licensors for patent expenses and remit amounts in the low single-digit as sales-based royalties upon the occurrence of specific events as outlined in the corresponding license agreements. The Company is also required to make annual license maintenance fees of less than $0.3 million and pay up to $1.1 million in regulatory milestones on each licensed product upon the occurrence of specific events as outlined in one of the license agreements. None of our product candidates utilize technologies covered by these licenses.

Indemnification agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, contract research organizations, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and its executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. The Company has not incurred any material costs as a result of such indemnifications and is not currently aware of any indemnification claims.

Legal Proceedings

From time to time, the Company may become involved in litigation or other legal proceedings. The Company is not currently a party to any material litigation or legal proceedings.

10. Defined Contribution Plan

The Company has a 401(k) defined contribution plan (the “401(k) Plan”) for its employees. Eligible employees may make pretax contributions to the 401(k) Plan up to statutory limits. There was no discretionary match made under the 401(k) Plan as of September 30, 2022 and 2021.

11. Related Parties

In October 2015, the Company entered into a five-year consulting agreement with a scientific founder of the Company who is also a shareholder. This agreement was amended and extended to January 1, 2024 and is subject to automatic one-year renewal terms until terminated. During the three months ended September 30, 2022 and 2021, the Company paid the scientific founder less than $0.1 million amount. During the nine months ended September 30, 2022 and 2021, the Company paid the scientific founder $0.1 million. As of September 30, 2022 and December 31, 2021, the Company had less than $0.1 million, respectively, of accounts payable to the scientific founder.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Some of the numbers included herein have been rounded for the convenience of presentation. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and in this Quarterly Report on Form 10-Q.

Overview

We are a clinical stage biotechnology company pioneering a new class of medicines that modulate gene expression through selectively targeting the chromatin regulatory system, an untapped opportunity for therapeutic intervention. Our proprietary Gene Traffic Control platform gives us an integrated, mechanistic understanding of how the various components of the chromatin regulatory system interact, allowing us to identify, validate and potentially drug targets within the system. Breakdowns in the chromatin regulatory system are associated with over 50 percent of all cancers. Addressing these breakdowns could potentially provide therapies for over 2.5 million patients globally. Consequently, we are initially focused in oncology. We are developing FHD-286, a selective, allosteric ATPase inhibitor that is currently being evaluated in two separate Phase 1 studies in (i) metastatic uveal melanoma (currently recruiting patients) and (ii) relapsed and/or refractory acute myeloid leukemia, or AML and myelodysplastic syndrome, or MDS (currently on full clinical hold). We are developing FHD-609, a targeted protein degrader that is currently being evaluated in a Phase 1 study in synovial sarcoma. Our vision is to use our Gene Traffic Control platform to discover and develop drugs in oncology and other therapeutic areas, including virology, autoimmune disease and neurology.

Since our inception in October 2015, we have focused substantially all of our resources on building our Gene Traffic Control platform, organizing and staffing our company, business planning, raising capital, conducting discovery and research activities, protecting our trade secrets, filing patent applications, identifying potential product candidates, undertaking preclinical studies and clinical trial activities, establishing arrangements with third parties for the manufacture of initial quantities of our product candidates and component materials and initiating two strategic collaborations. We do not have any products approved for sale and have not generated any revenue from product sales.

On October 27, 2020, we completed our initial public offering, or IPO, pursuant to which we issued and sold 7,500,000 shares of our common stock at a public offering price of $16.00 per share, resulting in net proceeds of $107.9 million, after deducting underwriting discounts and commissions and other offering expenses. On November 19, 2020, we issued and sold an additional 951,837 shares of common stock at the IPO price of $16.00 per share pursuant to the underwriters' partial exercise of their option to purchase additional shares of common stock, resulting in additional net proceeds of $14.2 million after deducting underwriting discounts and commissions. Prior to our IPO, we funded our operations with proceeds from sales of preferred stock, term loans and an upfront payment of $15.0 million we received in July 2020 under our collaboration agreement, or the Merck Collaboration Agreement, with Merck Sharp & Dohme Corp., or Merck.

On December 10, 2021, we entered into a collaboration agreement, or the Lilly Collaboration Agreement, with Eli Lilly and Company, or Lilly, for which we received an upfront payment of $300.0 million in January 2022 (see Note 8 to our notes to unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q). Concurrent with the Lilly Collaboration Agreement, we also entered into a stock purchase agreement, or the Lilly SPA, and issued and sold Lilly 4,000,000 shares of our common stock at a price of $20.00 per share, resulting in net proceeds of $80.0 million, of which $42.2 million was allocated to equity upon the issuance of the Company's common stock.

In the third quarter of 2022, the Company achieved a research milestone related to the Merck Collaboration Agreement and received a $5.0 million milestone payment from Merck.

We have incurred significant operating losses since our inception. For the nine months ended September 30, 2022 and the year ended December 31, 2021, we reported net losses of $80.0 million and $101.3 million, respectively. As of September 30, 2022, we had an accumulated deficit of $344.3 million. We expect to continue to incur significant expenses and increasing operating losses for at least the next several years. Our ability to generate any product revenue or product revenue sufficient to achieve profitability will depend on the successful development and eventual commercialization of one or more product candidates we are developing and may develop.

We expect that our expenses and capital requirements will increase substantially in connection with our ongoing activities, particularly if and as we:

- advance our FHD-286 and FHD-609 product candidates and continue our preclinical development of product candidates from our current research programs;
- identify additional research programs and additional product candidates;
- initiate preclinical testing for any new product candidates we identify and develop;
- obtain, maintain, expand, enforce, defend and protect our trade secrets and intellectual property portfolio and provide reimbursement of third-party expenses related to our patent portfolio;
- hire additional research and development personnel;
- add operational, legal, compliance, financial and management information systems and personnel to support our research, product development and operations;
- expand the capabilities of our platform;
- acquire or in-license product candidates, intellectual property and technologies;
- operate as a public company;
- seek marketing approvals for any product candidates that successfully complete clinical trials; and
- ultimately establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval.

We will not generate revenue from product sales unless and until we successfully commercialize one of our product candidates, after completing clinical development and obtaining regulatory approval. If we obtain regulatory approval for any of our product candidates, we expect to incur significant expenses related to developing our commercialization capability to support product sales, marketing, manufacturing and distribution. Further, we expect to incur additional costs associated with operating as a public company.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of equity offerings, debt financings and collaborations or licensing arrangements and our collaboration agreements with Merck and Lilly. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back our development or commercialization plans for one or more of our product candidates.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

COVID-19

In March 2020, COVID-19 was declared a global pandemic by the World Health Organization, and to date the COVID-19 pandemic continues to present a substantial public health and economic challenge around the world. The length of time and full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain, subject to change and are difficult to predict. While we continue to conduct our research and development activities, the COVID-19 pandemic may cause disruptions that affect our ability to initiate and complete preclinical studies, ongoing and future clinical trials or to procure items that are essential for our research and development activities.

We plan to continue to closely monitor the ongoing impact of the COVID-19 pandemic on our employees and our business operations. In an effort to provide a safe work environment for our employees, we have, among other things, increased the cadence of sanitization of our office and lab facilities, implemented various social distancing measures in our office and labs including replacing in-person meetings with virtual interactions, and are providing personal protective equipment for our employees present in our office and lab facilities. We expect to continue to take actions as may be required or recommended by

government authorities or as we determine are in the best interests of our employees and other business partners in light of the pandemic.

Components of Our Results of Operations

Collaboration Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the near future. If our development efforts for our product candidates are successful and result in regulatory approval or licenses with third parties, we may generate revenue in the future from product sales, milestone payments under our existing collaboration agreements or payments from other license agreements that we may enter into with third parties.

In December 2021, we entered into a strategic collaboration with Loxo Oncology at Lilly, a research and development group of Eli Lilly and Company, to create novel oncology medicines by applying Foghorn's proprietary Gene Traffic Control platform. The collaboration includes a co-development and co-commercialization agreement for the aforementioned selective BRM oncology program and an additional undisclosed oncology target. In addition, the collaboration includes three additional discovery programs using Foghorn's proprietary Gene Traffic Control platform. Under the terms of the collaboration, Foghorn received upfront consideration of $300.0 million in cash pursuant to the Lilly Collaboration Agreement, together with an equity investment by Lilly of $80.0 million in shares of Foghorn common stock pursuant to the Lilly SPA.

For the BRM-selective program and the additional undisclosed target program, Foghorn will lead discovery and early research activities, while Lilly will lead development and commercialization activities with participation from Foghorn in operational activities and cost sharing. Foghorn and Lilly will share 50/50 in the U.S. economics, and Foghorn is eligible to receive royalties on ex-U.S. sales starting in the low double-digit range and escalating into the twenties based on revenue levels.
For the additional discovery programs, Foghorn will lead discovery and early research activities. Foghorn may receive up to a total of $1.3 billion in potential development and commercialization milestones. Additionally, Foghorn will have an option to participate in a percentage of the U.S. economics and is eligible to receive tiered royalties from the mid-single digit to low-double digit range on sales outside the U.S. that may be exercised after the successful completion of the dose-finding toxicity studies.

We cannot provide assurances as to the timing of future milestones, royalty payments and economics associated with the strategic collaboration with Loxo Oncology at Lilly.

We recognized total deferred revenue of $337.8 million related to the Lilly Collaboration Agreement and the Lilly SPA, which included the $300.0 million upfront payment under the Lilly Collaboration Agreement as well as $37.8 million allocated to deferred revenue from the gross proceeds of the Lilly SPA to be recognized over the performance period. During the three and nine months ended September 30, 2022, we recognized $5.3 million and $13.3 million, respectively, of revenue under the Lilly Collaboration Agreement and, as of September 30, 2022, we had $323.8 million of deferred revenue related to the above mentioned upfront payment and revenue allocation remaining on our condensed consolidated balance sheets.

In July 2020, we entered into the Merck Collaboration Agreement, pursuant to which we will apply our proprietary Gene Traffic Control platform to discover and develop novel therapeutics. Under the Merck Collaboration Agreement, we granted Merck exclusive global rights to develop and commercialize drugs that target dysregulation of a single transcription factor. Under the terms of the Merck Collaboration Agreement, we received a nonrefundable upfront payment of $15.0 million from Merck, and are eligible to receive up to $245.0 million upon achievement of specified research, development and regulatory milestones by any product candidate generated by the collaboration, and up to $165.0 million upon achievement of specified sales-based milestones per approved product from the collaboration, if any, as well as royalties on sales of any approved product from the collaboration. We cannot provide assurance as to the timing of future milestone or royalty payments or that we will receive any of these payments at all.

We record revenue over the research term as we satisfy our performance obligation under the Merck Collaboration Agreement. Accordingly, the upfront payment of $15.0 million is being recognized as revenue using the cost-to-cost method, which we believe best depicts the transfer of control to the customer over time. Under the cost-to-cost method, the extent of progress towards completion is measured based on the ratio of actual costs incurred to the total estimated costs expected upon satisfying the identified single performance obligation. We expect revenue to fluctuate as the achievement of milestones becomes probable and as our efforts to satisfy our performance obligation vary from period to period. In estimating the total costs to satisfy our performance obligation pursuant to the Merck Collaboration Agreement, we are required to make significant estimates including an estimate of the number of transcription factor substitutions and the expected time and expected costs to fulfill the performance obligation. The cumulative effect of revisions to the total estimated costs to complete our performance obligation will be recorded in the period in which the changes are identified, and amounts can be reasonably estimated. While such revisions will have no impact on our cash flows, a significant change in these assumptions and estimates could have a material impact on the timing and amount of revenue recognized in future periods. During the three months ended September 30, 2022 and 2021, we recognized $1.3 million and less than $0.1 million of revenue under the Merck Collaboration

Agreement. During the nine months ended September 30, 2022 and 2021, we recognized $1.7 million and $0.6 million, respectively, of revenue under the Merck Collaboration Agreement. In the third quarter of 2022, the Company achieved a research milestone related to the Merck Collaboration Agreement and received a $5.0 million milestone payment from Merck. As of September 30, 2022, we had $17.2 million of deferred revenue related to the upfront payment remaining on our condensed consolidated balance sheets.

Operating Expenses

Our operating expenses are comprised of research and development expenses and general and administrative expenses.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our discovery efforts, and progressing our programs, which include:

- personnel-related costs, including salaries, benefits and stock-based compensation expense, for employees engaged in research and development functions;
- expenses incurred in connection with our research programs and preclinical and clinical development of our product candidates, including under agreements with third parties, such as consultants and contractors and contract research organizations, or CROs;
- the cost of manufacturing drug substance and drug product for use in our research and preclinical studies and clinical trials under agreements with third parties, such as consultants and contractors and contract development and manufacturing organizations, or CDMOs;
- laboratory supplies and research materials;
- facilities, depreciation and amortization and other expenses, which include direct and allocated expenses for rent and maintenance of facilities and insurance; and
- payments made under third-party licensing agreements.

We track our direct external research and development expenses on a program-by-program basis. These consist of costs that include fees, reimbursed materials, and other costs paid to consultants, contractors, CDMOs, and CROs in connection with our preclinical, clinical and manufacturing activities. We do not allocate employee costs, costs associated with our discovery efforts, laboratory supplies, and facilities expenses, including depreciation or other indirect costs, to specific product development programs because these costs are deployed across multiple programs and our platform and, as such, are not separately classified.

We expect that our research and development expenses will increase substantially as we advance our programs into clinical development and expand our discovery, research and preclinical activities in the near term and in the future. At this time, we cannot accurately estimate or know the nature, timing and costs of the efforts that will be necessary to complete the preclinical and clinical development of any product candidates we may develop. A change in the outcome of any number of variables with respect to product candidates we may develop could significantly change the costs and timing associated with the development of that product candidate. We may never succeed in obtaining regulatory approval for any product candidates we may develop.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits and stock-based compensation, for employees engaged in executive, legal, finance and accounting and other administrative functions. General and administrative expenses also include professional fees for legal, patent, consulting, investor and public relations and accounting and audit services as well as direct and allocated facility-related costs.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research activities and development of our programs and platform. We also anticipate that we will continue to incur increased accounting, audit, legal, regulatory, compliance, director and officer insurance costs and investor and public relations expenses associated with operating as a public company.

Other Income (Expense)

Interest Expense

Interest expense consists of interest expense associated with outstanding borrowings under our loan agreements as well as the amortization of debt discount associated with such agreements.

Interest Income and Other Income (Expense), Net

Interest income consists of interest earned on our invested cash balances. Other income (expense) consists of sublease income and miscellaneous expense unrelated to our core operations.

Income Taxes

Since our inception, we have not recorded any income tax benefits for the net losses we have incurred or for the research and development tax credits earned in each period, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credit carryforwards will not be realized.

As of December 31, 2021, we had federal and state net operating loss carryforwards of $228.9 million and $206.0 million, respectively, which may be available to offset future taxable income. The federal net operating loss carryforwards include $12.5 million which expire at various dates beginning in 2035 and $216.4 million which carryforward indefinitely but in some circumstances may be limited to offset 80% of annual taxable income. The state net operating loss carryforwards expire at various dates beginning in 2036. As of December 31, 2021, we also had federal and state research and development tax credit carryforwards of $6.1 million and $4.1 million, respectively, which may be available to reduce future tax liabilities and expire at various dates beginning in 2036 and 2031, respectively. Due to our history of cumulative net losses since inception and uncertainties surrounding our ability to generate future taxable income, we have recorded a full valuation allowance against our net deferred tax assets at each balance sheet date.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, costs and expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 as well as elsewhere in this Quarterly Report on Form 10-Q, we believe that revenue recognition and accrued research and development expenses are those most critical to the judgments and estimates used in the preparation of our condensed consolidated financial statements. There have been no material changes to our critical accounting policies and estimates detailed in the C*ritical Accounting Policies and Significant Judgements* section of *Item 7. Managements Discussion and Analysis of financial Condition and Results of Operations* in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2022 and 2021

The following table summarizes our results of operations for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Collaboration revenue	$ 6,634	$ 41	$ 6,593	$ 15,044	$ 606	$ 14,438
Operating expenses:						
Research and development	26,928	20,494	6,434	77,410	57,862	19,548
General and administrative	7,965	5,808	2,157	22,885	15,396	7,489
Total operating expenses	34,893	26,302	8,591	100,295	73,258	27,037
Loss from operations	(28,259)	(26,261)	(1,998)	(85,251)	(72,652)	(12,599)
Other income (expense):						
Interest expense	—	(499)	499	—	(1,480)	1,480
Interest income and other income, net	2,490	680	1,810	5,255	1,955	3,300
Total other income, net	2,490	181	2,309	5,255	475	4,780
Net loss	$ (25,769)	$ (26,080)	$ 311	$ (79,996)	$ (72,177)	$ (7,819)

Collaboration Revenue

Collaboration revenue was $6.6 million for the three months ended September 30, 2022, compared to less than $0.1 million for the three months ended September 30, 2021. The increase is attributed to $5.3 million of collaboration revenue recognized under the Lilly Collaboration Agreement entered into in December 2021 and an increase of $1.3 million revenue recognized under the Merck collaboration agreement primarily driven by the milestone research achievement in the third quarter of 2022.

Collaboration revenue was $15.0 million for the nine months ended September 30, 2022, compared to $0.6 million for the nine months ended September 30, 2021. The increase is mainly attributed to $13.3 million of collaboration revenue recognized under the Lilly Collaboration Agreement entered into in December 2021 and an increase of $1.1 million revenue recognized under the Merck collaboration agreement primarily driven by the milestone research achievement in the third quarter of 2022.

Research and Development Expenses

The following table summarizes our research and development expenses for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Research and development program expenses:						
FHD-286	$ 4,280	$ 2,231	$ 2,049	$ 13,146	$ 6,279	$ 6,867
FHD-609	2,729	2,597	132	7,862	5,309	2,553
Platform, research and discovery, and unallocated expenses:						
Platform and other early stage research external costs	5,803	4,988	815	16,397	14,045	2,352
Personnel related (including stock-based compensation)	8,705	6,243	2,462	24,706	18,549	6,157
Facility related and other	5,411	4,435	976	15,299	13,680	1,619
Total research and development expenses	$ 26,928	$ 20,494	$ 6,434	$ 77,410	$ 57,862	$ 19,548

Research and development expenses were $26.9 million for the three months ended September 30, 2022, compared to $20.5 million for the three months ended September 30, 2021. The increase is attributed to the following:

- an increase in personnel-related costs of $2.5 million, including a $0.5 million increase in stock-based compensation expense, due primarily to increased headcount in our research and development function;
- an increase in FHD-286 program costs of $2.0 million, is associated with continued advancement of our Phase 1 clinical trials in uveal melanoma and AML/MDS;
- an increase in facility-related and other expenses of $1.0 million, which was due to the increased costs of supporting a growing research and development organization and their research efforts;
- an increase in platform and other early stage research costs of $0.8 million, which was due to continued investment and development of our platform and early research pipeline; and
- an increase in our FHD-609 program costs of $0.1 million as the Company initiated enrollment in a Phase 1 clinical trial in the second half of 2021 in Synovial Sarcoma.

Research and development expenses were $77.4 million for the nine months ended September 30, 2022, compared to $57.9 million for the nine months ended September 30, 2021. The increase is attributed to the following:

- an increase in FHD-286 program costs of $6.9 million as the Company began patient enrollment and timing of study initiation in its Phase 1 clinical trials in uveal melanoma and AML/MDS during the second quarter of 2021;
- an increase in personnel-related costs of $6.2 million, including a $1.5 million increase in stock-based compensation expense, due primarily to increased headcount in our research and development function;
- an increase in our FHD-609 program costs of $2.6 million as the Company began patient enrollment and timing of study initiation in a Phase 1 clinical trial in the second half of 2021 in Synovial Sarcoma;
- an increase in platform and other early stage research costs of $2.4 million, which was due to continued investment and development of our platform and early research pipeline; and
- an increase in facility-related and other expenses of $1.6 million, which was due to the increased costs of supporting a growing research and development organization and their research efforts.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
	(in thousands)			(in thousands)		
Personnel related (including stock-based compensation)	$ 4,878	$ 3,215	$ 1,663	$ 13,425	$ 8,376	$ 5,049
Professional and consulting	1,716	1,381	335	5,145	3,452	1,693
Facility related and other	1,371	1,212	159	4,315	3,568	747
Total general and administrative expenses	$ 7,965	$ 5,808	$ 2,157	$ 22,885	$ 15,396	$ 7,489

General and administrative expenses were $8.0 million for the three months ended September 30, 2022, compared to $5.8 million for the three months ended September 30, 2021. The increase is attributed to the following:

- an increase in personnel-related costs of $1.7 million, including a $0.9 million million increase in stock-based compensation expense, which was a result of an increase in headcount in our general and administrative function to support our business;
- an increase in professional and consulting costs of $0.3 million, which was due to additional external costs required to support growing operations; and
- an increase in facility-related and other expense of $0.2 million which was primarily due to increased corporate expenses.

General and administrative expenses were $22.9 million for the nine months ended September 30, 2022, compared to $15.4 million for the nine months ended September 30, 2021. The increase is attributed to the following:

- an increase in personnel-related costs of $5.0 million, including a $2.8 million increase in stock-based compensation expense, which was a result of an increase in headcount in our general and administrative function to support our business;
- an increase in professional and consulting costs of $1.7 million, which was due to additional external costs required to support growing operations; and
- an increase in facility related and other expense of $0.7 million which was primarily due to increased corporate expenses and the purchase of non-capital equipment.

Other Income (Expense)

The company did not record any interest expense for the three and nine months ended September 30, 2022, compared to $0.5 million and $1.5 million for the three and nine months ended September 30, 2021, respectively. The decrease in interest expense for the three and nine months ended September 30, 2022 was due to the payoff of the Oxford debt in December 2021, resulting in no interest expense compared to the three and nine months ended September 30, 2021.

Interest income and other income (expense), net was $2.5 million for the three months ended September 30, 2022, compared to $0.7 million for the three months ended September 30, 2021. The increase in interest and other income (expense), net for the three months ended September 30, 2022 was due to an increase of $1.8 million of interest income compared to three months ended September 30, 2021.

Interest income and other income (expense), net was $5.3 million for the nine months ended September 30, 2022, compared to $2.0 million for the nine months ended September 30, 2021. The increase in interest and other income (expense), net as of September 30, 2022 was due to an increase of $3.3 million of interest income and an increase of $0.1 million sublease income compared to three months ended September 30, 2021.

Liquidity and Capital Resources

Since our inception in October 2015, we have incurred significant operating losses. We expect to incur significant expenses and operating losses for the foreseeable future as we support our continued research activities and development of our programs and platform. Through September 30, 2022, we have funded our operations with proceeds from our IPO in October 2020, sales of preferred stock, term loans, an upfront payment of $15.0 million we received in July 2020 under the Merck Collaboration Agreement, proceeds we received in December 2021 under the Lilly SPA of $80.0 million and an upfront payment of $300.0 million we received from the Lilly Collaboration Agreement. As of September 30, 2022, we had cash, cash equivalents and marketable securities of $373.5 million.

Cash Flows

The following table summarizes our sources and uses of cash for each of the periods presented:

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Net cash provided by (used in) operating activities	$ 222,536	$ (62,132)
Net cash provided by (used in) investing activities	(237,815)	26,500
Net cash provided by financing activities	1,747	678
Net decrease in cash, cash equivalents and restricted cash	$ (13,532)	$ (34,954)

Operating Activities

During the nine months ended September 30, 2022, operating activities provided $222.5 million of cash, resulting from our changes in our operating assets and liabilities of $287.7 million and net non-cash charges of $14.8 million partially offset by a net loss of $80.0 million to fund our operations. Net cash provided by changes in our operating assets and liabilities for the nine months ended September 30, 2022 consisted primarily of a $303.1 million net increase in working capital, primarily related to the $300.0 million of cash received related to our collaboration receivable from Lilly, partially offset by a $10.0 million decrease in deferred revenue resulting from the recognition of revenue on the upfront payments received in connection with our collaboration agreements and a $5.3 million decrease in operating lease liabilities.

During the nine months ended September 30, 2021, operating activities used $62.1 million of cash, resulting from our net loss of $72.2 million and by changes in our operating assets and liabilities of $2.2 million, partially offset by net non-cash charges of $12.3 million. Net cash used by changes in our operating assets and liabilities for the nine months ended September 30, 2021 consisted primarily of a decrease of $2.4 million in lease liabilities and a decrease of $0.6 million in deferred revenue resulting from the recognition of revenue on the upfront payment received in connection with our Merck Collaboration Agreement partially offset by a $0.5 million increase in accounts payable and accrued expenses and a decrease of $0.3 million in prepaid expenses and other current assets.

Changes in accounts payable, accrued expenses and other current liabilities and prepaid expenses and other current assets in all periods were generally due to growth in our business, the advancement of our research programs and the timing of vendor invoicing and payments.

Investing Activities

During the nine months ended September 30, 2022 net cash used in investing activities was $237.8 million due to $365.0 million of purchases of marketable securities and $0.9 million in purchases of property and equipment partially offset by $128.1 million of maturities of marketable securities.

During the nine months ended September 30, 2021 net cash provided by investing activities was $26.5 million due to $119.5 million of sales of marketable securities partially offset by $89.7 million of purchases of marketable securities and $3.3 million in purchases of property and equipment. Property and equipment purchases for the nine months ended September 30, 2021 were primarily related to leasehold improvements for our new facility in Cambridge, Massachusetts.

Financing Activities

During the nine months ended September 30, 2022, net cash provided by financing activities was $1.7 million consisting of net proceeds from the exercise of common stock options and the employee stock purchase plan.

During the nine months ended September 30, 2021, net cash provided by financing activities was $0.7 million consisting of net proceeds from the exercise of common stock options.

Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing activities, particularly as we advance the preclinical activities, initiate clinical trials for our product candidates in development and continue to fund on-going clinical trials. As of the issuance date of these interim condensed consolidated financial statements, we expect that our cash, cash equivalents and marketable securities will be sufficient to fund our operating expenses and capital expenditure requirements for at least twelve months. We have based these estimates as to how long we expect we will be able to fund our operations on assumptions that may prove to be inaccurate. We could use our available capital resources sooner than we currently expect, in which case we would be required to obtain additional financing sooner than planned, which may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will be required to obtain further funding through public or private equity offerings, debt financings, collaborations and licensing arrangements or other sources.

If we are unable to raise sufficient capital as and when needed, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any product candidate we may develop, or be unable to expand our operations or otherwise capitalize on our business opportunities. If we raise additional funds through collaborations or licensing arrangements with third parties, we may have to relinquish valuable rights to future revenue streams or product candidates or grant licenses on terms that may not be favorable to us.

See “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 for additional risks associated with our substantial capital requirements.

Off-balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Principal Executive Officer (our Chief Executive Officer) and Principal Accounting and Financial Officer (our Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures as of period end. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any

disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2022, our Principal Executive Officer and Principal Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are probable to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on our business, financial condition, results of operations and prospects because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

For a discussion of potential risks or uncertainties, please see "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The Company has reviewed the risk factors, and, except as presented below, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

It may take considerable time and expense to resolve the full clinical hold that has been placed on our dose escalation Phase 1 study of FHD-286 in relapsed and/or refractory acute myelogenous leukemia and myelodysplastic syndrome by the FDA, and no assurance can be given that the FDA will remove the full clinical hold, in which case our business and prospects will likely suffer material adverse consequences.

In May 2022, the U.S. Food and Drug Administration (FDA) placed a partial clinical hold on the Company's dose escalation Phase 1 study of FHD-286 in relapsed and/or refractory acute myelogenous leukemia and myelodysplastic syndrome (the "Phase 1 AML/MDS Study"), and in August 2022, the FDA placed the Phase 1 AML/MDS Study on full clinical hold. The FDA has requested a review of the safety database, risk mitigation strategies and a breakdown of clinical activity across dose levels. It may take a considerable period of time, the length of which is not certain at this time, and expense for us to fully address the FDA's concerns. Even if we are able to fully respond to the FDA's questions, the FDA may subsequently make additional requests that we would need to fulfill prior to the lifting of the full clinical hold. It is possible that we will be unable to fully address the FDA's questions and as a result the full clinical hold may never be lifted and we may never be able to enroll new patients in the Phase 1 AML/MDS Study.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

FOGHORN THERAPEUTICS, INC.

Date: November 8, 2022

By: /s/ Allan Reine

Allan Reine, M.D.
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Adrian Gottschalk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foghorn Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Adrian Gottschalk

Adrian Gottschalk
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Reine, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Foghorn Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2022

/s/ Allan Reine

Allan Reine, M.D.
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foghorn Therapeutics Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 8, 2022

/s/ Adrian Gottschalk

Adrian Gottschalk
President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foghorn Therapeutics Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 8, 2022

/s/ Allan Reine

Allan Reine, M.D.
Chief Financial Officer
(Principal Accounting and Financial Officer)