

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly period ended June 30, 2021.

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ **to**
Commission file number 000-53862
Clinigence Holdings, Inc.

(Exact name of small business issuer as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

11-3363609
*(I.R.S. Employer
Identification No.)*

2455 East Sunrise Blvd., Suite 1204
Fort Lauderdale, FL 33304
(Address of Principal Executive Offices) (Zip Code)
(678) 607-6393
(Issuer's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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, \$0.001 par value	CLNH	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 16, 2021, there were 42,047,261 shares of common stock of the registrant, \$0.001 par value per share, issued and outstanding.

Clinigence Holdings, Inc.
Form 10-Q

Part I — Financial Information

- Item 1. Financial Statements:
Condensed Consolidated Balance Sheets as of June 30, 2021 (Unaudited) and December 31, 2020
Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020 (Unaudited)
Condensed Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2021 and 2020 (Unaudited)
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2019 (Unaudited)
Unaudited Condensed Notes to Consolidated Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

Part II — Other Information

- Item 1. Legal Proceedings
- Item 1A. Risk Factors
- Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
- Item 3. Defaults upon Senior Securities
- Item 4. Mine Safety Disclosures
- Item 5. Other Information
- Item 6. Exhibits

EX-31.1
EX-31.2
EX-32.1
EX-32.2

PART I — FINANCIAL INFORMATION

Item 1 — Financial Statements

CLINIGENCE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	<u>JUNE 30,</u> <u>2021</u>	<u>DECEMBER 31,</u> <u>2020</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 4,795,175	\$ 26,931
Accounts receivable	334,958	18,283
Prepaid expenses and other current assets	457,345	111,842
Total current assets	5,587,478	157,056
Long-term assets		
Property and equipment, net	10,367	12,391
Right of use asset, net	119,495	--
Investment in ACMG	6,994,190	--
Intangible assets, net	9,461,825	--
Goodwill	55,182,186	--
Deposits and other assets	410	410
Total assets	\$ 77,355,951	\$ 169,857
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,810,992	\$ 695,424
Customer deposits	25,326	38,651
Accrued interest on notes payable	319,276	--
Due to related parties	128,176	30,000
Lease liability - current	44,305	
Deferred revenue	74,028	76,687
Convertible notes payable, net of debt discount	2,155,088	--
Current portion of notes payable	727,072	312,890
Total current liabilities	7,284,263	1,153,652
Long-term liabilities		
Lease liability - long term	79,659	
Deferred tax liabilities	2,429,500	--
Notes payable	300,000	150,000
Total liabilities	10,093,422	1,303,652
Stockholders' equity (deficiency)		
Preferred stock, \$.001 par value; authorized - 100,000,000 shares; issued and outstanding - 0 shares in 2020 and 2019, respectively	--	--
Common stock, \$.001 par value; authorized - 800,000,000 shares; 41,250,118 and 5,282,545 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	41,250	5,282
Additional paid-in capital	92,712,821	17,079,885
Accumulated deficit	(25,402,032)	(18,218,962)
Noncontrolling interest	(89,510)	--
Total stockholders' equity (deficiency)	67,262,529	(1,133,795)
Total liabilities and stockholders' equity (deficiency)	\$ 77,355,951	\$ 169,857

See accompanying notes to the consolidated financial statements.

CLINIGENCE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS		SIX MONTHS	
	ENDED		ENDED	
	JUNE 30,		JUNE 30,	
	2021	2020	2021	2020
Sales	\$ 5,290,505	\$ 378,588	\$ 7,304,850	\$ 844,218
Cost of sales	<u>4,187,943</u>	<u>264,859</u>	<u>5,775,416</u>	<u>463,987</u>
Gross profit	<u>1,102,562</u>	<u>113,729</u>	<u>1,529,434</u>	<u>380,231</u>
Operating expenses				
Research and development	59,629	314,255	136,349	429,134
Sales and marketing	6,704	52,669	16,443	173,849
General and administrative expenses	1,780,972	1,341,701	6,207,264	2,177,753
Gain on sale of assets	--	(2,328,178)	--	(2,328,178)
Amortization	<u>192,131</u>	<u>87,726</u>	<u>256,175</u>	<u>222,032</u>
Total operating expenses	<u>2,039,436</u>	<u>(531,827)</u>	<u>6,616,231</u>	<u>674,590</u>
Income (loss) from operations	<u>(936,874)</u>	<u>645,556</u>	<u>(5,086,797)</u>	<u>(294,359)</u>
Other income (expenses)				
Loss on disposal of subsidiary	--	(1,170)	--	(158,744)
Income from forgiveness of debt	314,807	--	314,807	--
Loss from earnings from equity investment	(139,810)	--	(139,810)	--
Loss on extinguishment of debt	--	(167,797)	--	(167,797)
Interest income	245	--	359	--
Interest expense	<u>(2,026,808)</u>	<u>(249,283)</u>	<u>(2,361,139)</u>	<u>(314,276)</u>
Total other income (expenses)	<u>(1,851,566)</u>	<u>(418,250)</u>	<u>(2,185,783)</u>	<u>(640,817)</u>
Income (loss) from continuing operations	(2,788,440)	227,306	(7,272,580)	(935,176)
Income from discontinued operations (including gain on disposal of \$142,027 for the six months ended June 30, 2020)	<u>--</u>	<u>--</u>	<u>--</u>	<u>39,752</u>
Net income (loss)	(2,788,440)	227,306	(7,272,580)	(895,424)
Net loss attributable to noncontrolling interest	<u>(49,929)</u>	<u>--</u>	<u>(89,510)</u>	<u>--</u>
Net income (loss) attributable to Clinigence Holdings, Inc.	<u>\$ (2,738,511)</u>	<u>\$ 227,306</u>	<u>\$ (7,183,070)</u>	<u>\$ (895,424)</u>
Basic and fully diluted income (loss) per common share:				
Continuing operations	\$ (.07)	\$.05	\$ (.25)	\$ (.20)
Discontinued operations	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$.01</u>
Net income (loss) per common share	<u>\$ (.07)</u>	<u>\$.05</u>	<u>\$ (.25)</u>	<u>\$ (.19)</u>
Weighted average common shares outstanding - basic and fully diluted	<u>40,017,213</u>	<u>4,651,661</u>	<u>29,358,349</u>	<u>4,650,420</u>

See accompanying notes to the consolidated financial statements.

CLINIGENCE HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(UNAUDITED)

	<u>Common stock</u>		Additional	Accumulated	Noncontrolling	Treasury	<u>Totals</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Deficit</u>	<u>Interest</u>	<u>Stock</u>	
Balances, January , 2021	5,282,545	\$ 5,282	\$ 17,079,885	\$ (18,218,962)	\$ --	\$ --	\$ (1,133,795)
Stock-based compensation	932,567	933	3,851,704	--	--	--	3,852,637
Common stock issued for related party note	46,154	46	29,054	-	-	-	30,000
Common stock issued in business acquisitions	33,034,466	33,034	68,017,978	--	--	--	68,051,012
Net loss				<u>(4,444,559)</u>	<u>(39,581)</u>		<u>(4,484,140)</u>
Balances, March 31, 2021	<u>39,295,732</u>	\$ <u>39,295</u>	\$ <u>88,979,521</u>	\$ <u>(22,663,521)</u>	\$ <u>(39,581)</u>	\$ <u>--</u>	\$ <u>66,315,714</u>
Common stock issued for cash	1,825,714	1,826	3,193,174	--	--	--	3,195,000
Financing cost for offering raise	--	--	(319,500)	--	--	--	(319,500)
Notes payable converted to common stock	128,672	129	199,871	--	--	--	200,000
Debt discount on notes payable	--	--	659,755	--	--	--	659,755
Net loss				<u>(2,738,511)</u>	<u>(49,929)</u>		<u>(2,788,440)</u>
Balances, June 30, 2021	<u>41,250,118</u>	\$ <u>41,250</u>	\$ <u>92,712,821</u>	\$ <u>(25,402,032)</u>	\$ <u>(89,510)</u>	\$ <u>--</u>	\$ <u>67,262,529</u>
Balances, January 1, 2020	4,649,179	\$ 4,649	\$ 14,422,579	\$ (12,568,795)	\$ --	\$ --	\$ 1,858,433
Stock-based compensation	--	--	848,778	--	--	--	848,778
Purchase of treasury stock	--	--	--	--	--	(1,170)	(1,170)

Net loss				<u>(1,122,730)</u>			<u>(1,122,730)</u>
Balances, March 31, 2020	<u>4,649,179</u>	\$ <u>4,649</u>	\$ <u>15,271,357</u>	\$ <u>(13,691,525)</u>	\$ <u>--</u>	\$ <u>(1,170)</u>	\$ <u>1,583,311</u>
Options issued for services	--	--	1,056,599	--	--	--	1,056,599
Stock-based compensation	225,820	226	361,086	--	--	--	361,312
Treasury stock cancelled						1,170	1,170
Net income				<u>227,306</u>			<u>227,306</u>
Balances, June 30, 2020	<u>4,874,999</u>	\$ <u>4,875</u>	\$ <u>16,689,042</u>	\$ <u>(13,464,219)</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>3,229,698</u>

See accompanying notes to the consolidated financial statements.

CLINIGENCE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30,
(UNAUDITED)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (7,272,580)	\$ (895,424)
(Income) loss from discontinued operations	--	(39,752)
Net loss from continuing operations	(7,272,580)	(935,176)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,024	9,081
Amortization	266,651	82,633
Interest expense associated with debt discount	1,894,828	--
Non cash interest expense	24,372	474,344
Gain on sale of assets	--	(2,328,178)
Loss on extinguishment of debt	--	167,797
Income from forgiveness of debt	(311,125)	--
Loss from earnings from equity investment	139,810	--
Stock-based compensation expense	3,852,637	2,266,690
Changes in operating assets and liabilities:		
Accounts receivable	(47,360)	(35,901)
Prepaid expenses and other current assets	(317,225)	(128,913)
Deposits and other assets	--	(410)
Accounts payable and accrued expenses	(964,523)	(758,100)
Customer deposits	(13,325)	--
Accrued interest on notes payable	361,807	(27,335)
Lease liability	(6,007)	(24,613)
Deferred revenue	(2,659)	(130,148)
NET CASH USED IN OPERATING ACTIVITIES	(2,392,675)	(1,368,229)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Preacquisition loans from subsidiary	85,000	--
Cash acquired from acquisition of subsidiary	3,803,267	--
Net cash provided by continuing investing activities	3,888,267	--
Net cash used in discontinued investing activities	--	(2,656)
NET CASH PROVIDED BY (USED) IN INVESTING ACTIVITIES	3,888,267	(2,656)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	3,195,000	--
Payments on note receivable - related party	--	--

Proceeds from notes payable	413,917	461,125
Payments on notes payable	(16,765)	(92,052)
Payments of financing costs for capital raise	<u>(319,500)</u>	<u>--</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,272,652</u>	<u>369,073</u>
NET INCREASE (DECREASE) IN CASH	4,768,244	(1,001,812)
CASH - BEGINNING OF PERIOD	<u>26,931</u>	<u>1,065,434</u>
CASH - END OF PERIOD	\$ <u><u>4,795,175</u></u>	\$ <u><u>63,622</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest	\$ 289,812	\$ 9,130
----------	------------	----------

Non-cash investing and financing activities:

Investment in AHA in exchange of assets sold and liabilities assumed	\$ --	\$ 6,402,278
Common stock issued for acquisition of subsidiaries	68,051,012	--
Related party loans converted to common stock	30,000	--
Notes payable converted to accounts payable	228,518	--
Notes payable converted to common stock	200,000	--
Accrued interest converted to convertible notes payable	54,746	--
Deferred tax liability recorded on intangible assets	2,429,500	--
Debt discount on notes payable	659,755	--
Right of use asset added for operating lease	129,971	--

See accompanying notes to the consolidated financial statements.

CLINIGENCE HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements
Six Months Ended June 30, 2021 and 2020

Note 1 - Organization and Basis of Presentation

The consolidated financial statements presented are those of Clinigence Holdings, Inc., formerly known as iGambit Inc., (the “Company”) and its wholly-owned subsidiaries, Accountable Healthcare America, Inc. (“AHA”), AHP Management, Inc. (“AHP”), Clinigence Health, Inc. (“Clinigence”) and HealthDatix, Inc. (“HealthDatix”). The Company’s name was changed to Clinigence Holdings, Inc. on October 29, 2019 in connection with a reverse merger. In October 2018, Clinigence was incorporated as a wholly-owned subsidiary of Clinigence LLC. The Company is a population health analytics company that provides turnkey SaaS solutions that enable connected intelligence across the care continuum by transforming massive amounts of data into actionable insights. The Company’s solutions help healthcare organizations throughout the United States improve the quality and cost-effectiveness of care, enhance population health management and optimize provider networks. The Company enables risk-bearing healthcare organizations achieve their objectives on the path to value-based care. The Company’s platform automatically extracts and delivers targeted data insights from its cloud-based analytics engine directly to the workflows and technologies of its customers. This enhances end-user workflows with actionable analytics, seamlessly delivers data from disparate sources to the point of engagement, automates the delivery of data to ensure on-time access, and reduces dependency on non-essential applications from the end-user’s workflow. All of this allows the healthcare organization to enable population health management, manage cost and utilization, improve quality, identify gaps in care, risk stratify and target patients, increase collaboration among providers and to optimize network provider performance.

AHA was organized to acquire a series of companies providing a broad array of health and managed care services to Medicare members. AHA’s initial focus is on acquiring Accountable Care Organizations (“ACO’s”), Managed Service Organizations (“MSO’s”) and Primary Care Physician Practices (“PCP’s”) with significant numbers of Medicare members.

Interim Financial Statements

The following (a) condensed consolidated balance sheet as of December 31, 2020, which has been derived from audited financial statements, and (b) the unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2021 are not necessarily indicative of results that may be expected for the year ending December 31, 2021. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020 included in the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on April 5, 2021.

Business Acquisitions

Merger With AHP Management Inc.

On February 25, 2021, Clinigence Holdings, Inc., a Delaware corporation (“Parent” or the “Company”), AHP, Inc., a California corporation (“AHP”), AHP Acquisition Corp., a Delaware corporation, a wholly owned subsidiary of Parent (“Merger Sub”), and Robert Chan (the “Shareholders’ Representative”) entered into an agreement and plan of merger (the “AHP Merger Agreement”). The transactions contemplated by the AHP Merger Agreement were consummated on February 26, 2021 (the “AHP Closing”).

The AHP Merger Agreement provided for the merger of Merger Sub with and into AHP, hereafter referred to as the “AHP Acquisition.” As a result of the Acquisition, Merger Sub ceased to exist, and AHP became the surviving

corporation and a direct wholly owned subsidiary of Clinigence, and the former stockholders of AHP (the “AHP Stockholders”) have a direct equity ownership in Clinigence. Merger Sub was renamed AHP Management Inc. Merger Sub was originally incorporated in Delaware on January 26, 2021 and had no operating activity prior to the reported transaction.

AHP was a privately held company with controlling interest in its’ affiliate Associated Hispanic Physicians of Southern California IPA, a California Medical corporation, (“AHPIPA”). A key term of the AHP Merger Agreement is that at Closing, AHP Management Inc entered into a Management Services Agreement with AHPIPA (the “Management Services Agreements”) making AHPIPA a Variable Interest Entity (VIE) of Clinigence.

Merger With Accountable Healthcare America, Inc.

On February 25, 2021, Clinigence Holdings, Inc., a Delaware corporation (“Parent” or the “Company”), Accountable Healthcare America, Inc., a Delaware corporation (“AHA”), and AHA Acquisition Corp., a Delaware corporation, a wholly owned subsidiary of Parent (“Merger Sub”) entered into an agreement and plan of merger (the “AHA Merger Agreement”). The transactions contemplated by the AHA Merger Agreement were consummated on February 26, 2021 (the “AHA Closing”).

The AHA Merger Agreement provided for the merger of Merger Sub with and into AHA, hereafter referred to as the “AHA Acquisition.” As a result of the Acquisition, Merger Sub ceased to exist, and AHA became the surviving corporation and a direct wholly owned subsidiary of Clinigence, and the former stockholders of AHA (the “AHA Stockholders”) have a direct equity ownership in Clinigence. Merger Sub was renamed Accountable Healthcare America, Inc. Merger Sub was originally incorporated in Delaware on January 2, 2020 and had no operating activity prior to the reported transaction.

Pursuant to the AHP Merger Agreement, at the Closing, the former AHP Stockholders were entitled to receive 19,000,000 Company Shares valued at \$2.06 per share, inclusive of outstanding AHP options and warrants assumed by the Company, which constitutes 45% of the outstanding Company Shares on a fully diluted basis inclusive of outstanding options and warrants. For each share of AHP Shares, each former AHP Stockholder was entitled to receive 19,000,000 shares of Company Shares valued at \$2.06 per share. Pursuant to the AHA Merger Agreement, at the Closing, the former AHA Stockholders were entitled to receive 14,034,472 Company Shares, inclusive of certain outstanding AHA options and warrants assumed by the Company, which constitutes 35% of the outstanding Company Shares on a fully diluted basis inclusive of outstanding options and warrants.

The following table presents the preliminary allocation of the value of the common shares issued for AHA to the acquired identifiable assets, liabilities assumed and goodwill:

	<u>Fair Value</u>
Cash	\$ 697,191
Other current assets	2,100
Investment in ACMG	7,134,000
PHP technology	2,729,000
Loan to Clinigence	85,000
Accounts payable	(1,143,106)
Due to related party	(128,176)
Notes payable	(1,631,942)
Convertible notes payable	--
Goodwill	<u>21,115,272</u>
Purchase price	<u>\$ 28,859,339</u>

The following table presents the preliminary allocation of the value of the common shares issued for AHP to the acquired identifiable assets, liabilities assumed and goodwill:

	<u>Fair Value</u>
Cash	\$ 3,105,877
Accounts receivable	269,315
Deposits and other assets	26,178
Member relationships	6,444,000
Trademarks	545,000
Accounts payable	(2,683,896)
Goodwill	<u>31,433,526</u>
Purchase price	<u>\$ 39,140,000</u>

Note 2 – Discontinued Operations

Sale of Business

On April 21, 2020 (effective March 1, 2020) the Company completed the sale of HealthDatix, Inc., a Florida corporation (“HDX FL”) to Jerry Robinson, Mary-Jo Robinson and Kathleen Shepherd (“HDX Management”) in accordance with a Stock Purchase Agreement (the “Purchase Agreement”) by and between the Company and HDX Management. Pursuant to the Purchase Agreement, the total consideration paid for the outstanding capital stock of HDX FL was the execution of Settlement and Release Agreements by HDX Management, releasing the Company from all obligations pursuant to certain HDX Management Employment Agreements dated April 1, 2017, and remittance of 1,000 shares of HDX common stock previously issued to HDX Management. As per the Purchase Agreement, the Company’s operations of HDX FL ended February 29, 2020 and HDX Management’s operation of the business is effective as of March 1, 2020.

The components of loss from discontinued operations presented in the consolidated statements of operations for the six months ended June 30, 2021 are presented as follows:

Sales	\$ 5,958
Cost of sales	(6,795)
General and administrative expenses	(101,100)
Depreciation and amortization	(75)
Interest expense	<u>(263)</u>
Loss from operations	(102,275)
Gain on disposal of HealthDatix	<u>142,027</u>
Income from discontinued operations	<u>\$ 39,752</u>

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Clinigence Health, Inc., Accountable Healthcare America Inc., AHP Management Inc., and HealthDatix Inc. All intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Variable Interest Entities

On an ongoing basis, as circumstances indicate the need for reconsideration, the Company evaluates each legal entity that is not wholly-owned by the Company in accordance with the consolidation guidance. The evaluation considers all of the Company's variable interests, including equity ownership, as well as management services agreements. To fall within the scope of the consolidation guidance, an entity must meet both of the following criteria:

- The entity has a legal structure that has been established to conduct business activities and to hold assets; such entity can be in the form of a partnership, limited liability company, or corporation, among others; and
- The Company has a variable interest in the legal entity – i.e., variable interests that are contractual, such as equity ownership, or other financial interests that change with changes in the fair value of the entity's net assets.

If an entity does not meet both criteria above, the Company applies other accounting guidance, such as the cost or equity method of accounting. If an entity does meet both criteria above, the Company evaluates such entity for consolidation under either the variable interest model if the legal entity meets any of the following characteristics to qualify as a VIE, or under the voting model for all other legal entities that are not VIEs.

A legal entity is determined to be a VIE if it has any of the following three characteristics:

- 1.The entity does not have sufficient equity to finance its activities without additional subordinated financial support;
- 2.The entity is established with non-substantive voting rights (i.e., where the entity deprives the majority economic interest holder(s) of voting rights); or
- 3.The equity holders, as a group, lack the characteristics of a controlling financial interest. Equity holders meet this criterion if they lack any of the following:
 - a.The power, through voting rights or similar rights, to direct the activities of the entity that most significantly influence the entity's economic performance, as evidenced by:
 - i.Substantive participating rights in day-to-day management of the entity's activities; or
 - ii.Substantive kick-out rights over the party responsible for significant decisions;
 - iii.The obligation to absorb the entity's expected losses; or
 - iv.The right to receive the entity's expected residual returns.

If the Company determines that any of the three characteristics of a VIE are met, the Company will conclude that the entity is a VIE and evaluate it for consolidation under the variable interest model.

Variable interest model

If an entity is determined to be a VIE, the Company evaluates whether the Company is the primary beneficiary. The primary beneficiary analysis is a qualitative analysis based on power and economics. The Company consolidates a VIE if both power and benefits belong to the Company – that is, the Company (i) has the power to direct the activities of a VIE that most significantly influence the VIE's economic performance (power), and (ii) has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE (benefits). The Company consolidates VIEs whenever it is determined that the Company is the primary beneficiary. Refer to Note 18 – “Variable Interest Entities (VIEs)” to the consolidated financial statements for information on the Company's consolidated VIEs. If there are variable interests in a VIE but the Company is not the primary beneficiary, the Company may account for the investment using the equity method of accounting.

Fair Value Measurements

The Company adopted the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures*, which defines fair value as used in numerous accounting pronouncements, establishes a framework for measuring fair value and expands disclosure of fair value measurements.

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments. The carrying amounts of our short- and long-term credit obligations approximate fair value because the effective yields on these obligations, which include contractual interest rates taken together with other features such as concurrent issuances of warrants and/or embedded conversion options, are comparable to rates of returns for instruments of similar credit risk. The Company's investment in AHA was valued at level 3 input.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in convertible instruments in accordance with ASC 815, *Derivatives and Hedging Activities*.

Applicable GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under other GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company accounts for convertible instruments (when it has been determined that the embedded conversion options should not be bifurcated from their host instruments) as follows: The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption.

The Company accounts for the conversion of convertible debt when a conversion option has been bifurcated using the general extinguishment standards. The debt and equity linked derivatives are removed at their carrying amounts and the shares issued are measured at their then-current fair value, with any difference recorded as a gain or loss on extinguishment of the two separate accounting liabilities.

Revenue Recognition

Revenue is generated primarily by software licenses, training, and consulting. Software licenses are provided as SaaS-based subscriptions that grants access to proprietary online databases and data management solutions. Training and consulting are project based and billable to customers on a monthly-basis or task-basis.

Revenue from training and consulting are generally recognized upon delivery of training or completion of the consulting project. The duration of training and consulting projects are typically a few weeks or months and last no longer than 12 months.

SaaS-based subscriptions are generally marketed under multi-year agreements with annual, semi-annual, quarterly, or month-to-month renewals and revenue is recognized ratably over the renewal period with the unearned amounts received recorded as deferred revenue. For multiple-element arrangements accounted for in accordance with specific software accounting guidance, multiple deliverables are segregated into units of accounting which are delivered items that have value to a customer on a standalone basis.

On January 1, 2019, the Company adopted the new revenue recognition standard Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)”, using the modified retrospective method. The modified retrospective adoption used by the Company did not result in a material cumulative effect adjustment to the opening balance of accumulated deficit. Revenue from substantially all the Company’s contracts with customers continues to be recognized over time as performance obligations are satisfied.

The Company provides its customers with software licensing, training, and consulting through SaaS-based subscriptions. This subscription revenue represents revenue earned under contracts in which the Company bills and collects the charges for licensing and related services. The Company determines the measurement of revenue and the timing of revenue recognition utilizing the following core principles:

1. Identifying the contract with a customer;
2. Identifying the performance obligations in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations in the contract; and
5. Recognizing revenue when (or as) the Company satisfies its performance obligations.

Revenues from subscriptions are deferred and recorded as deferred revenue when cash payments are received in advance of the satisfaction of the Company’s performance obligations and recognized over the period in which the performance obligations are satisfied. The Company completes its contractual performance obligations through providing its customers access to specified data through subscriptions for a service period, and training on consulting associated with the subscriptions. The Company primarily invoices its customers on a monthly basis and does not provide any refunds, rights of return, or warranties to its customers.

AHA’s performance obligation is to manage ACO participants who provide healthcare services to CMS’s members for the purpose of generating shared savings. If achieved, the Company receives shared savings payments from CMS, which represents variable consideration. The shared savings payments are recognized using the most likely methodology. However, as the Company does not have sufficient insight from CMS into the financial performance of the shared risk pool because of unknown factors related to shifting patient count, risk adjustment factors and benchmark adjustments, among other factors, an estimate cannot be developed. Therefore, these amounts are considered to be fully constrained and only recorded in the months when such payments are known and/or received. The Company generally receives payment within ten months after the fiscal year-end.

AHP negotiates fixed per-member, per-month (PMPM) rates (Capitation) with third-party insurers for a fixed period of time. The IPA recognizes capitation payments received in advance from third-party insurers as revenue on a monthly basis without regard to the frequency, extent, or nature of the medical services actually furnished.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising costs of \$16,444 and \$33,791 were charged to operations for the six months ended June 30, 2021 and 2020, respectively.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with original maturities of 90 days or less at the date of purchase. The Company does not have any cash equivalents as of June 30, 2021 and December 31, 2020. The Company is exposed to credit risk in the event of default by the financial institutions or the issuers of these investments to the extent the amounts on deposit or invested are in excess of amounts that are insured.

Accounts Receivable

The Company analyzes the collectability of accounts receivable from continuing operations each accounting period and adjusts its allowance for doubtful accounts accordingly. A considerable amount of judgment is required in assessing the realization of accounts receivables, including the creditworthiness of each customer, current and historical collection history and the related aging of past due balances. The Company evaluates specific accounts when it becomes aware of information indicating that a customer may not be able to meet its financial obligations due to deterioration of its financial condition, lower credit ratings, bankruptcy or other factors affecting the ability to render payment.

Property and equipment and depreciation

Property and equipment are stated at cost. Maintenance and repairs are charged to expense when incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is credited or charged to income. Depreciation for both financial reporting and income tax purposes is computed using combinations of the straight line and accelerated methods over the estimated lives of the respective assets as follows:

Office equipment and fixtures	5 - 7 years
Computer hardware	5 years
Computer software	3 years
Development equipment	5 years

Amortization

Intangible assets are amortized using the straight line method over the estimated lives of the respective assets as follows:

Population Health Platform technology	11 years
Member relationships	15 years
Trademarks	6 years

Goodwill

Goodwill represents the excess of assets acquired over liabilities assumed of AHA and AHP and the fair market value of the common shares issued by the Company for the acquisition of AHA and AHP. In accordance with ASC Topic No. 350 “Intangibles – Goodwill and Other”), the goodwill is not being amortized, but instead will be subject to an annual assessment of impairment by applying a fair-value based test, and will be reviewed more frequently if current events and circumstances indicate a possible impairment. An impairment loss is charged to expense in the period identified. If indicators of impairment are present and future cash flows are not expected to be sufficient to recover the asset’s carrying amount, an impairment loss is charged to expense in the period identified. No impairment was recorded during the six months ended June 30, 2021.

Long-Lived Assets

The Company assesses the valuation of components of its property and equipment and other long-lived assets whenever events or circumstances dictate that the carrying value might not be recoverable. The Company bases its evaluation on indicators such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements and other external market conditions or factors that may be present. If such factors indicate that the carrying amount of an asset or asset group may not be recoverable, the Company determines whether an impairment has occurred by analyzing an estimate of undiscounted future cash flows at the lowest level for which identifiable cash flows exist. If the estimate of undiscounted cash flows during the estimated useful life of the asset is less than the carrying value of the asset, the Company recognizes a loss for the difference between the carrying value of the asset and its estimated fair value, generally measured by the present value of the estimated cash flows.

Deferred Revenue

Deposits from customers are not recognized as revenues, but as liabilities, until the following conditions are met: revenues are realized when cash or claims to cash (receivable) are received in exchange for goods or services or when assets received in such exchange are readily convertible to cash or claim to cash or when such goods/services are transferred. When such income item is earned, the related revenue item is recognized, and the deferred revenue is reduced. To the extent revenues are generated from the Company's support and maintenance services, the Company recognizes such revenues when services are completed and billed. The Company has received deposits from its various customers that have been recorded as deferred revenue and presented as current liabilities in the amount of \$74,028 and \$76,687 as of June 30, 2021 and December 31, 2020, respectively.

Stock-Based Compensation

The Company accounts for its stock-based awards granted under its employee compensation plan in accordance with ASC Topic No. 718-20, *Awards Classified as Equity*, which requires the measurement of compensation expense for all share-based compensation granted to employees and non-employee directors at fair value on the date of grant and recognition of compensation expense over the related service period for awards expected to vest. The Company uses the Black-Scholes option pricing model to estimate the fair value of its stock options and warrants. The Black-Scholes option pricing model requires the input of highly subjective assumptions including the expected stock price volatility of the Company's common stock, the risk free interest rate at the date of grant, the expected vesting term of the grant, expected dividends, and an assumption related to forfeitures of such grants. Changes in these subjective input assumptions can materially affect the fair value estimate of the Company's stock options and warrants.

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with ASC Topic No. 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

The Company applies the provisions of ASC Topic No. 740 for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Company's financial statements. In accordance with this provision, tax positions must meet a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position.

Recent Accounting Pronouncements

We have reviewed other recent accounting pronouncements and concluded they are either not applicable to the business, or no material effect is expected on the condensed consolidated financial statements as a result of future adoption.

Note 4 – Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of \$25,262,222, and a working capital deficit of \$1,696,785 at June 30, 2021. These factors, among others, raise substantial doubt about the ability of the Company to continue as a going concern for the next twelve months from the date that the financial statements are issued. Management’s plans and assessment of the probability that such plans will mitigate and alleviate any substantial doubt about the Company’s ability to continue as a going concern, is dependent upon the ability to attain funding to secure additional resources to generate sufficient revenues and increased margin, which without these represent the principal conditions that raise substantial doubt about our ability to continue as a going concern.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operations. Other financial impact could occur though such potential impact is unknown at this time. A pandemic typically results in social distancing, travel bans and quarantine, and this may limit access to our facilities, customers, management, support staff and professional advisors. These factors, in turn, may not only impact our operations, financial condition and demand for our goods and services but our overall ability to react timely to mitigate the impact of this event. Also, it may hamper our efforts to comply with our filing obligations with the Securities and Exchange Commission.

The Company expects that working capital requirements will continue to be funded through a combination of its existing funds and further issuances of securities. Working capital requirements are expected to increase in line with the growth of the business. Existing working capital, further advances and debt instruments, and anticipated cash flow are expected to be adequate to fund operations over the next twelve months. The Company has no lines of credit or other bank financing arrangements. The Company has financed operations to date through the proceeds of a private placement of equity and debt instruments. In connection with the Company’s business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) developmental expenses associated with a start-up business and (ii) marketing expenses. The Company intends to finance these expenses with further issuances of securities, and debt issuances. Thereafter, the Company expects it will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to current stockholders. Further, such securities might have rights, preferences or privileges senior to common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict business operations.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 5 – Property and Equipment

Property and equipment are carried at cost and consist of the following at June 30, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Office equipment and fixtures	\$ 5,300	\$ 5,300
Computer hardware	41,065	41,065
Computer software	16,121	16,121
Less: Accumulated depreciation	<u>(52,119)</u>	<u>(50,095)</u>
	<u>\$ 10,367</u>	<u>\$ 12,391</u>

Depreciation expense of \$2,024 and \$9,081 was charged to operations for the six months ended June 30, 2021 and 2020, respectively.

Note 6 – Intangible Assets

The following tables provide detail associated with the Company’s acquired identifiable intangible assets:

	As of June 30, 2021			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (in years)
Amortized intangible assets:				
Member relationships	\$ 6,444,000	\$ (143,200)	\$ 6,300,800	15
Trademarks	545,000	(30,278)	514,722	6
PHP technology	2,729,000	(82,697)	2,646,303	11
Total	<u>\$ 9,718,000</u>	<u>\$ (256,175)</u>	<u>\$ 9,461,825</u>	

Aggregate Amortization Expense:

For the six months ended June 30, 2021 \$ 256,175

Note 7 – Investment in ACMG

In connection with the acquisition of Accountable Care Medical Group of Florida, Inc. (“ACMG”), AHA defaulted on its payment obligations of \$15,000,000 by the extended payment due date of November 15, 2020. Accordingly, AHA was required to return 71% of its ownership to the shareholders of ACMG in full settlement of the default. Consequently, AHA deconsolidated its reporting of ACMG. The Company recognized that AHA held a non-controlling 29% equity ownership interest in ACMG as of February 28, 2021 that was required to be measured at fair value. The Company determined through the services of an independent valuation under ASC 805 using an income approach, market approach, and asset-based approach that the fair value of its 29% equity ownership interest in ACMG is \$7,134,000. For the period March 1, 2021 through June 30, 2021, the Company reported a loss from earnings from its investment in ACMG of \$139,810. Investment in ACMG was \$6,994,190 at June 30, 2021.

Note 8 – Operating Lease

The Company determines if a contract is, or contains, a lease at contract inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, current portion of operating lease liabilities and operating lease liabilities, net of current portion in the Company's consolidated balance sheets. Finance leases are included in property and equipment, current portion of finance lease obligations and finance lease obligations, net of current portion in the Company's unaudited consolidated balance sheets.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. In addition, ROU assets include initial direct costs incurred by the lessee as well as any lease payments made at or before the commencement date and exclude lease incentives. The Company used the implicit rate in the lease in determining the present value of lease payments. Lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Leases with a term of one year or less are generally not included in ROU assets and liabilities.

Operating lease ROU assets and operating lease liabilities are recorded on the consolidated balance sheet as follows:

Operating Lease:	<u>June 30, 2021</u>
------------------	--------------------------

Operating lease right-of-use assets, net	\$ 119,495
Current portion of operating lease liabilities	44,305
Operating lease liabilities, net of current portion	79,659

As of June 30, 2021, the weighted-average remaining lease term of the operating lease was 2.6 years. The weighted-average discount rate for the operating lease was 6.75%.

The following table summarizes maturities of operating lease liabilities based on lease term as of June 30, 2021:

2021	\$ 25,229
2022	51,800
2023	53,354
2024	4,457
Total lease payments	<u>134,840</u>
Less: Imputed interest	10,876
Present value of lease liabilities	<u>\$ 123,964</u>

At June 30, 2021, the Company had the following future minimum payments due under the non-cancelable lease:

2021	\$ 25,229
2022	51,800
2023	53,354
2024	4,457
Total minimum lease payments	<u>\$ 134,840</u>

Consolidated rental expense from continuing operations for all operating leases was \$47,985 and \$49,617 for the six months ended June 30, 2021 and 2020, respectively.

The following table summarizes the cash paid and related right-of-use operating lease recognized for the six months ended June 30, 2021.

	<u>Six Months Ended June 30, 2021</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 25,085
Right-of-use lease assets obtained in the exchange for lease liabilities:	
Operating leases	6,007

Note 9 - Earnings (Loss) Per Common Share

The Company calculates net income (loss) per common share in accordance with ASC 260 “*Earnings Per Share*” (“ASC 260”). Basic and diluted net earnings (loss) per common share was determined by dividing net earnings (loss) applicable to common stockholders by the weighted average number of common shares outstanding during the period. The Company’s potentially dilutive shares, which include outstanding common stock options, common stock warrants, and convertible debt have not been included in the computation of diluted net loss per share for the six months ended June 30, 2021 and 2020 as the result would be anti-dilutive.

Six Months Ended	
<u>June 30,</u>	
<u>2021</u>	<u>2020</u>

Stock options	2,890,431	1,174,814
Stock warrants	<u>8,434,409</u>	<u>557,873</u>
Total shares excluded from calculation	<u><u>11,324,840</u></u>	<u><u>1,732,687</u></u>

Note 10 – Stock Based Compensation

Options

In 2019, the Company adopted the 2019 Omnibus Equity Incentive Plan (the "2019 Plan"). Awards granted under the 2019 Plan have a ten-year term and may be incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units or performance shares. The awards are granted at an exercise price equal to the fair market value on the date of grant and generally vest over a four year period.

Stock option activity during the six months ended June 30, 2021 and 2020 follows:

	<u>Options Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>
Options outstanding at December 31, 2019	48,854	\$ 5.11	8.05
Options granted	1,130,734	1.49	
Options expired	(400)	0.01	
Options cancelled	<u>(4,374)</u>	<u>5.56</u>	
Options outstanding at June 30, 2020	<u>1,174,814</u>	\$ <u>1.61</u>	8.61
Options outstanding at December 31, 2020	1,174,814	\$ 1.61	8.11
Options granted	1,225,000	1.61	
Options assumed in merger	<u>490,617</u>	<u>2.00</u>	
Options outstanding at June 30, 2021	<u><u>2,890,431</u></u>	\$ <u><u>1.68</u></u>	7.39

Options outstanding at June 30, 2021 consist of:

<u>Date Issued</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
August 5, 2019	40,480	40,480	\$5.56	August 5, 2029
October 29, 2019	3,600	3,600	\$0.0725	June 6, 2027
January 27, 2020	307,884	307,884	\$1.50	January 27, 2030
January 27, 2020	225,000	225,000	\$1.50	January 27, 2027

February 29, 2020	95,794	95,794	\$1.25	February 28, 2030
May 11, 2020	380,000	380,000	\$1.50	May 11, 2027
June 30, 2020	122,056	122,056	\$1.45	June 30, 2030
January 28, 2021	1,000,000	1,000,000	\$1.61	January 28, 2031
January 28, 2021	225,000	225,000	\$1.61	January 28, 2028
February 25, 2021	290,617	290,617	\$2.00	March 15, 2025
February 25, 2021	<u>200,000</u>	<u>200,000</u>	\$2.00	February 25, 2031
Total	<u>2,890,431</u>	<u>2,890,431</u>		

Warrants

In 2018, the Company issued fully vested warrants to investors as part of a private placement offering. Each unit offered in the private placement consisted of one share of common stock, and a warrant convertible into 0.4 shares of common stock at an exercise of \$1.50 per whole share. The warrants are exercisable for a period of five years from the date of issuance. The warrants were cancelled on March 1, 2019 and reissued upon the Qualmetrix acquisition and are each convertible into one share of common stock at an exercise price of \$6.67 per share until December 31, 2024.

In November 2019, the Company issued fully vested warrants to investors as part of private placement subscription agreements pursuant to which the Company issued convertible promissory notes. Each noteholder received warrants to purchase common stock of 50% of the principal at an exercise price of \$5.56 per share with an expiration date of October 31, 2025.

Warrant activity during the six months ended June 30, 2021 and 2020 follows:

	<u>Warrants Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>
Warrants outstanding at December 31, 2019	1,065,251	\$ 6.04	5.17
Warrants cancelled	<u>(507,378)</u>	<u>--</u>	
Warrants outstanding at June 30, 2020	<u>557,873</u>	<u>\$ 6.77</u>	4.29
Warrants outstanding at December 31, 2020	557,873	\$ 6.77	3.79
Warrants granted	1,460,571	1.75	
Warrants assumed in merger	<u>6,415,965</u>	<u>1.74</u>	
Warrants outstanding at June 30, 2021	<u>8,434,409</u>	<u>\$ 2.07</u>	4.91

Warrants outstanding at June 30, 2021 consist of:

<u>Date Issued</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
March 21, 2019	96,433	96,433	\$6.67	December 31, 2024
April 30, 2019	3,598	3,598	\$6.67	December 31, 2024
May 13, 2019	14,393	14,393	\$6.67	December 31, 2024
May 28, 2019	199,703	199,703	\$6.67	December 31, 2024
June 5, 2019	7,197	7,197	\$6.67	December 31, 2024
June 25, 2019	208,361	208,361	\$6.67	December 31, 2024
September 6, 2019	25,188	25,188	\$6.67	December 31, 2024

October 29, 2019	1,500	1,500	\$25.00	February 5, 2023
October 29, 2019	1,500	1,500	\$25.00	April 27, 2023
February 25, 2021	1,666,573	1,666,573	\$1.55	October 31, 2025
February 25, 2021	48,750	48,750	\$1.25	October 31, 2025
February 25, 2021	500,000	500,000	\$4.00	February 26, 2026
February 25, 2021	1,506,452	1,506,452	\$1.55	February 1, 2027
February 25, 2021	2,694,190	2,694,190	\$1.55	July 31, 2026
May 14, 2021	651,429	651,429	\$1.75	May 14, 2027
May 28, 2021	228,571	228,571	\$1.75	May 28, 2027
June 11, 2021	182,857	182,857	\$1.75	June 11, 2027
June 22, 2021	137,143	137,143	\$1.75	June 22, 2027
June 24, 2021	169,143	169,143	\$1.75	June 24, 2027
June 28, 2021	45,714	45,714	\$1.75	June 28, 2027
June 29, 2021	45,714	45,714	\$1.75	June 29, 2027
Total	<u>8,434,409</u>	<u>8,434,409</u>		

Note 11 – Convertible Notes Payable

Convertible notes payable consisted of the following at June 30, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Notes payable convertible into Clinigence common shares at \$1.55 per share; bearing interest at a rate of 10%; net of debt discount of \$1,780,088 and \$0, respectively; maturing in July 2022	\$1,580,088	\$ --
Note payable convertible into Clinigence common shares bearing interest at a rate of 12%	<u>575,000</u>	<u>--</u>
Total convertible notes payable	<u>\$2,155,088</u>	<u>\$ --</u>

Included in the liabilities assumed in the AHA merger are convertible promissory notes to various individuals totaling \$1,580,088 at June 30, 2021. The face value of the notes at issuance was \$7,565,375. The noteholders were granted warrants to purchase the Company's common stock at \$1.55 per share in an amount equal to 50% of the shares to be received upon conversion of the Note.

The debt discount of \$7,565,375 is being accreted over 20 months. The accreted balance as of June 30, 2021 is \$1,580,088. During the three months ended June 30, 2021, various noteholders converted principal balances of \$200,000 into 128,672 common shares.

At the time of issuance of these notes based on independent valuation, debt discounts were calculated and allocated based on the relative values of \$2,658,960 for the value of the warrants and \$4,906,415 related to a beneficial conversion feature. The total debt discount of \$3,703,134 is being accreted over 20 months. The accreted balance as of June 30, 2021 is \$1,086,095.

Included in the liabilities assumed in the AHA merger are convertible promissory notes to an individual investor totaling \$575,000 at June 30, 2021. The note was entered into on August 25, 2020 and was convertible into AHA's

common stock contingent upon a merger transaction with a SPAC, which did not close. Under an Agreement with the investor signed on April 20, 2021, the Note was deemed to mature as of December 31, 2020 and accrued penalty interest was assessed through April 15, 2021 when the Note (including accrued interest) was to be converted into 625,313 shares of Clinigence common stock consisting of principal of \$575,000 and penalty interest of \$50,313, valued at \$1.00 per share. As of the date of this report, the Note has not been converted. The Company and the noteholder are renegotiating the terms of the Note.

Note 12 – Notes Payable

Notes payable consisted of the following at June 30, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Notes payable with maturities between six months and twelve months from the date of issuance with annual percentage interest rates between 24% and 31%	\$ --	\$ 1,765
SBA Paycheck Protection Program notes payable issued in April 2020 and February 2021 with maturity dates through August 2023 and interest rate of 1%	432,087	311,125
SBA Economic Injury Disaster Loan notes payable issued in May 2020 with a maturity date of May 2051 and interest rate of 3.75%	300,000	150,000
Note payable with a maturity date of January 31, 2023 and interest rate of 12.9%	<u>294,985</u>	<u>--</u>
Total notes payable	1,027,072	462,890
Current portion	<u>(727,072)</u>	<u>(312,890)</u>
Total notes payable, net	<u>\$ 300,000</u>	<u>\$ 150,000</u>

Beginning in April 2018, the Company entered into a series of short-term notes with interest rates ranging from 24% to 31% per annum. Throughout the year ended December 31, 2020 the Company made average monthly principal and interest payments approximating \$8,200 per month. The outstanding balance on the short-term notes at June 30, 2021 and December 31, 2020 was \$0 and \$1,765, respectively.

The Company's long-term debt is comprised of promissory notes pursuant to the Paycheck Protection Program and Economic Injury Disaster Loan (see below), under Coronavirus Aid, Relief and Economic Security Act ("CARES ACT") enacted on March 27, 2020 and revised under the provisions of the PayCheck Protection Flexibility Act of 2020 on June 5, 2020 and administered by the United States Small Business Administration ("SBA").

On May 22, 2020, the Company received loan proceeds of \$150,000 pursuant to the U.S. Small Business Administration ("SBA") COVID-19 *Economic Injury Disaster Loan* (EIDL) program. Under the terms of the loan, Borrower must pay principal and interest payments of \$731 every month beginning Twenty four (24) months from the date of the Note. The SBA will apply each installment payment first to pay interest accrued to the day the SBA receives the payment and will then apply any remaining balance to reduce principal. All remaining principal and accrued interest is due and payable Thirty (30) years from the date of the Note. Borrower may prepay this Note in part

or in full at any time, without notice or penalty. AHA's SBA loan of \$150,000 was assumed in the merger transaction under the same terms.

On April 21, 2020, the Company received a loan in the amount of \$311,125 under the Payroll Protection Program ("PPP Loan"). On February 25, 2021, the Company received a second PPP loan of \$260,087. The loans accrue interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement of the Company and SBA. The PPP loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties.

Under the terms of the loan, a portion or all of the loan is forgivable to the extent the loan proceeds are used to fund qualifying payroll, rent and utilities during a designated twenty-four week period. Payments are deferred until the SBA determines the amount to be forgiven. The Company has utilized the proceeds of the PPP loan in a manner which has enabled qualification as a forgivable loan. However, no assurance can be provided that all or any portion of the PPP loans will be forgiven. AHA's PPP loan of \$172,000 was assumed in the merger transaction under the same terms. On June 21, 2021, the first PPP loan in the amount of \$311,125 was forgiven by the SBA and reported as other income in the consolidated statement of operations. The balance on the PPP loans was \$432,087 and \$311,125 as of June 30, 2021 and December 31, 2020, respectively and has been classified as a long-term liability in notes payable, less current portion on the accompanying consolidated balance sheets.

The Company assumed a note payable in the AHA merger transaction that AHA entered into with an individual investor on October 24, 2019. AHA issued a note with a principal amount of \$700,000 and a six-year warrant to purchase an aggregate 1,506,452 shares at a purchase cost \$50,000 of AHA's common stock at an exercise price of \$1.55 per share, in exchange for \$750,000 of total cash proceeds. The Note bears interest at 12.9% and is subject to optional prepayment by the Company. The Note matured on April 29, 2021.

Effective February 1, 2021, an Amended and Restated Note was entered into in which the principal amount increased to \$840,000 (original Note plus the principal amount of Series D Convertible Shares owned by the Investor) which bears interest at 12.9% and matures on January 31, 2023. The debt premium of \$840,000 is being accreted over 23 months. The accreted balance as of June 30, 2021 is \$294,985.

Note 13 – Stock Transactions

Common Stock Issued

The Company sold 1,825,714 common shares valued at \$1.75 per share to various investors for proceeds totaling \$3,195,000 during the three months ended June 30, 2021. The Company paid the placement agent \$319,500 in cash and issued 547,715 warrants.

In connection with the convertible notes payable (see Note 11 above) various noteholders converted \$200,000 of principal balance to 128,672 shares of common stock during the three months ended June 30, 2021. The stock issued was determined based on the terms of the convertible notes.

In connection with the acquisition of AHA the Company issued 14,034,472 common shares valued at \$2.06 per share to the shareholders of AHA on February 25, 2021.

In connection with the acquisition of AHP the Company issued 19,000,000 common shares valued at \$2.06 per share to the shareholders of AHP on February 25, 2021.

In connection with the AHA and AHP acquisitions, the Company issued 750,000 common shares valued at \$2.06 per share for consulting services on February 25, 2021.

On January 28, 2021, the Company issued 228,721 common shares to officers and employees for deferred salaries and bonuses and reimbursed expenses, including 153,606 common shares issued to directors and officers, valued at \$.65 per share.

Note 14 - Income Taxes

A full valuation allowance was recorded against the Company's net deferred tax assets. A valuation allowance must be established if it is more likely than not that the deferred tax assets will not be realized. This assessment is based upon consideration of available positive and negative evidence, which includes, among other things, the Company's most recent results of operations and expected future profitability. Based on the Company's cumulative losses in recent years, a full valuation allowance against the Company's deferred tax assets has been established as Management believes that the Company will not realize the benefit of those deferred tax assets. A deferred tax liability of \$2,429,500 was recorded as of June 30, 2021 for the intangible assets acquired from AHA and AHP.

Note 15 – Concentrations and Credit Risk

Sales and Accounts Receivable

The Company had sales to two customers which accounted for approximately 22% and 19%, respectively of total sales for the six months ended June 30, 2021. The two customers had no accounts receivable balances at June 30, 2021.

The Company had sales to one customer which accounted for approximately 12% of total sales for the six months ended June 30, 2020. The customer accounted for 14% of accounts receivable at June 30, 2020.

Cash

Cash is maintained at a major financial institution. Accounts held at U.S. financial institutions are insured by the FDIC up to \$250,000. Cash balances could exceed insured amounts at any given time, however, the Company has not experienced any such losses. The Company did not have any interest-bearing accounts at June 30, 2021 and December 31, 2020, respectively.

Note 16 - Related Party Transactions

Due to Related Parties

Due to related parties with a balance of \$128,176 and \$30,000 at June 30, 2021 and December 31, 2020, respectively, does not bear interest and is payable on demand. The Company's former subsidiary, Arcmail owed amounts on a credit card that is guaranteed by the husband of the Company's Chief Financial Officer, who was held personally responsible by the credit card company for the unpaid balance. The balance of \$128,176 was included in the assumed liabilities of the AHA merger transaction. A shareholder and former officer made a \$30,000 non-interest bearing loan to the Company on December 31, 2020, which was repaid with common stock on January 28, 2021.

Note 17 – Commitments and Contingencies

Employment Arrangements With Executive Officers

The Company entered into 3-year employment agreements with Elisa Luqman and Dr. Lawrence Schimmel. Pursuant to the employment agreements with Ms. Luqman and Dr. Schimmel, each is entitled to receive a base annual salary of \$150,000 and 180,000, respectively, during the term, which continue to be obligations of the Company at Closing. Dr. Hosseinion entered into a 5-year employment agreement with the Company which became effective at Closing and pursuant to which Dr. Hosseinion is entitled to receive a base salary of \$250,000 during the term. AHP had entered into a 2-year employment agreement with Michael Bowen and a 5-year employment agreements with Fred Sternberg and Andrew Barnett. Pursuant to the employment agreements with Mr. Sternberg, Mr. Bowen, and Mr. Barnett, each is entitled to receive a base annual salary of \$250,000, \$150,000 and \$250,000, respectively, during the term, which became obligations of the Company at Closing.

Pursuant to the employment agreements with the named officers, upon termination, each such individual would be entitled to receive payment of all salary and benefits accrued up to the termination date of his or her employment in

all employment termination events. Thereafter, Ms. Luqman would be entitled to receive twelve (12) months of base salary as a severance payment, Dr. Schimmel would be entitled to receive twenty-four (24) months of base salary as a severance payment, Dr. Hosseinion would be entitled to receive twenty four (24) months of base salary as a severance payment, Mr. Sternberg would be entitled to receive twenty four (24) months of base salary as a severance payment, Mr. Bowen would be entitled to receive twelve (12) months of base salary as a severance payment, and Mr. Barnett would each be entitled to the balance of the remaining months under his employment agreement of base salary as a severance payment, upon termination of his or her employment by the Company without cause or by such individual for good reason.

Effective April 1, 2017, in connection with the acquisition of HealthDatix Inc., the Company entered into employment agreements with Jerry Robinson, MaryJo Robinson, and Kathleen Shepherd each under a three-year term at a base salary of \$75,000 per year, bonuses based upon objectives set by the Company, and participation in all benefit programs generally made available to HealthDatix employees. The employment agreements restrict the executive officers from engaging in certain competitive activities for the greater of 60 months from the date of the agreements or two years following the termination of their respective employment. The employment agreements were terminated in connection with the sale of HealthDatix effective March 1, 2020.

Note 18 - Variable Interest Entities (VIEs)

A VIE is defined as a legal entity whose equity owners do not have sufficient equity at risk, or, as a group, the holders of the equity investment at risk lack any of the following three characteristics: decision-making rights, the obligation to absorb losses, or the right to receive the expected residual returns of the entity. The primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the VIE that most significantly affect the entity's economic performance and the obligation to absorb expected losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company follows guidance on the consolidation of VIEs that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. See Note 2 to the accompanying consolidated financial statements for information on how the Company determines VIEs and its treatment.

The following table includes assets that can only be used to settle the liabilities of AHPIPA and the creditors of AHPIPA have no recourse to the Company. These assets and liabilities are included in the accompanying consolidated balance sheets.

	June 30, 2021
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,703,028
Accounts receivable	259,457
Prepaid expenses and other assets	<u>100,281</u>
Total Current Assets	<u>3,062,766</u>
Other Assets	
Goodwill	31,433,526
Right of use asset, net	119,495
Intangible assets, net	<u>6,815,522</u>
Total Other Assets	<u>38,368,543</u>
Total Assets	<u>\$ 41,431,309</u>
Current Liabilities	
Accounts payable and accrued expenses	\$ 2,256,856

Lease liability - current	44,305
Total Current Liabilities	<u>2,301,161</u>
Long-term Liabilities	
Lease liability – long-term	<u>79,659</u>
Total Liabilities	<u><u>\$ 2,380,820</u></u>

Note 19 – Subsequent Events

The Company evaluated its June 30, 2021 condensed consolidated financial statements for subsequent events through the date the condensed consolidated financial statements were issued.

Common Stock Issued

Subsequent to the end of the period through the date of the report, the Company sold 797,143 shares of common stock to various investors valued at \$1.75 per share for proceeds of \$1,395,000.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

This Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included or incorporated by reference in this Form 10-Q which address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), finding suitable merger or acquisition candidates, expansion and growth of the Company’s business and operations, and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. Factors that could adversely affect actual results and performance include, among others, potential fluctuations in quarterly operating results and expenses, government regulation, technology change and competition. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

Overview

The Company, together with our recent acquisitions of AHP Management, Inc. (“AHP”) and Accountable Healthcare America, Inc. (“AHA”) is a technology-enabled, risk-bearing population health management company that manages provider networks.

Headquartered in Fort Lauderdale, Florida, our subsidiaries include management services organizations (“MSOs”), affiliated independent practice associations (“IPAs”), and Clinigence Health, Inc., a healthcare information technology company providing a cloud-based platform that enables healthcare organizations to provide value-based care and population health management (PHM). AHP Management, Inc. (AHP) is the administrative and managerial services company for its affiliated variable interest entity (VIE), a physician-owned professional corporation that contracts with independent physicians to deliver medical services in-office and virtually under the Associated Hispanic Physicians of Southern California, Inc., a Professional Medical Corporation (“AHPIPA”). Based in Los Angeles, California, AHPIPA currently provides care for 22,065 patients, including approximately 1800 Medicare Advantage patients, through a network of 141 primary care physicians and 660 specialists. AHA currently has an investment in Accountable Care Medical Group of Florida, an accountable care organizations (“ACO”), with approximately 16,000 Medicare members through a network of over 65 providers.

Recent Developments

Merger with AHP Management Inc.

On February 25, 2021, the Company, AHP, Inc., a California corporation (“AHP”), AHP Acquisition Corp., a Delaware corporation, a wholly owned subsidiary of Parent (“Merger Sub”), and Robert Chan (the “Shareholders’ Representative”) entered into an agreement and plan of merger (the “AHP Merger Agreement”). The transactions contemplated by the AHP Merger Agreement were consummated on February 26, 2021 (the “AHP Closing”).

The AHP Merger Agreement provided for the merger of Merger Sub with and into AHP, hereafter referred to as the “AHP Acquisition.” As a result of the Acquisition, Merger Sub ceased to exist, and AHP became the surviving corporation and a direct wholly owned subsidiary of Clinigence, and the former stockholders of AHP (the “AHP Stockholders”) have a direct equity ownership in Clinigence. Merger Sub was renamed AHP Health Management Inc. Merger Sub was originally incorporated in Delaware on January 26, 2021 and had no operating activity prior to the reported transaction.

Merger with Accountable Healthcare America, Inc.

On February 25, 2021, Clinigence Holdings, Inc., a Delaware corporation (“Parent” or the “Company”), Accountable Healthcare America, Inc., a Delaware corporation (“AHA”), and AHA Acquisition Corp., a Delaware corporation, a wholly owned subsidiary of Parent (“Merger Sub entered into an agreement and plan of merger (the “AHA Merger Agreement”). The transactions contemplated by the AHA Merger Agreement were consummated on February 26, 2021 (the “AHA Closing”).

The AHA Merger Agreement provided for the merger of Merger Sub with and into AHA, hereafter referred to as the “AHA Acquisition.” As a result of the Acquisition, Merger Sub ceased to exist, and AHA became the surviving corporation and a direct wholly owned subsidiary of Clinigence, and the former stockholders of AHA (the “AHA Stockholders”) have a direct equity ownership in Clinigence. Merger Sub was renamed Accountable Healthcare America, Inc. Merger Sub was originally incorporated in Delaware on January 2, 2020 and had no operating activity prior to the reported transaction.

Key Financial Measures and Indicators

Operating Revenues

Our revenue primarily consists of capitation revenue and SaaS subscription services. The form of billing and related risk of collection for such services may vary by type of revenue and the customer.

Operating Expenses

Our largest expense is the patient care cost paid to contracted physicians, and the cost of providing management and administrative support services to our affiliated physician groups. These services include providing utilization and case management, physician practice billing, revenue cycle services, physician practice management, administrative oversight, coding services, and other consulting services.

Results of operation

CLINIGENCE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,	
	2021	2020
Sales	\$ 5,290,505	\$ 378,588
Cost of sales	<u>4,187,943</u>	<u>264,859</u>
Gross profit	<u>1,102,562</u>	<u>113,729</u>
Total operating expenses	<u>2,039,436</u>	<u>1,796,351</u>
Loss from operations	<u>(936,874)</u>	<u>(1,682,622)</u>
Total other income (expenses)	<u>(1,851,566)</u>	<u>1,909,928</u>
Income (loss) from continuing operations	(2,788,440)	227,306
Income (loss) from discontinued operations		
Net income (loss)	<u>(2,788,440)</u>	<u>227,306</u>
Net loss attributable to noncontrolling interests	(49,929)	--
	<u>(49,929)</u>	<u>--</u>
Net income (loss) attributable to Clinigence Holdings, Inc.	\$ <u>(2,738,511)</u>	\$ <u>227,306</u>

CLINIGENCE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	SIX MONTHS	
	ENDED	
	JUNE 30,	
	<u>2021</u>	<u>2020</u>
Sales	\$ 7,304,850	\$ 844,218
Cost of sales	<u>5,775,416</u>	<u>463,987</u>
Gross profit	<u>1,529,434</u>	<u>380,231</u>
Total operating expenses	<u>6,616,231</u>	<u>674,590</u>
Loss from operations	<u>(5,086,797)</u>	<u>(294,359)</u>
Total other income (expenses)	<u>(2,185,783)</u>	<u>(640,817)</u>
Income (loss) from continuing operations	(7,272,580)	(935,176)
Income (loss) from discontinued operations	-	39,752
Net income (loss)	<u>(7,272,580)</u>	<u>(895,424)</u>
Net loss attributable to noncontrolling interests	(89,510)	
	<u>(89,510)</u>	<u>--</u>
Net income (loss) attributable to Clinigence Holdings, Inc.	\$ <u><u>(7,183,070)</u></u>	\$ <u><u>(895,424)</u></u>

Revenue

Our revenue for the three months ended June 30, 2021, was \$5,290,000 million, as compared to \$378,588 for the three months ended June 30, 2020. The increase was primarily attributable to the AHP acquisition.

Our revenue for the six months ended June 30, 2021, was \$7,304,850 million, as compared to \$844,218 for the six months ended June 30, 2020. The increase was primarily attributable to the AHP acquisition.

Cost of Services

Expenses related to cost of services for the three months ended June 30, 2021, were \$4.19 million, as compared to \$264,859 for the same period in 2020. The overall increase was primarily due to the AHP acquisition.

Expenses related to cost of services for the six months ended June 30, 2021, were \$5.78 million, as compared to \$463,987 for the same period in 2020. The overall increase was primarily due to the AHP acquisition.

Sales and Marketing

Sales and Marketing expense for the three months ended June 30, 2021, was \$6,704, compared to \$52,669 for the three months ended June 30, 2020. The decrease was primarily attributable to the reduction of sales and marketing personnel for our Clinigence Health subsidiary.

Sales and Marketing expense for the six months ended June 30, 2021, was \$16,443, compared to \$173,849 for the six months ended June 30, 2020. The decrease was primarily attributable to the reduction of sales and marketing personnel for our Clinigence Health subsidiary.

Research and Development

Research and Development expense for the three months ended June 30, 2021, was \$59,629 compared to \$314,255 for the three months ended June 30, 2020. The decrease was primarily attributable to the reduction of research and development personnel for our Clinigence Health subsidiary.

Research and Development expense for the six months ended June 30, 2021, was \$136,349 compared to \$429,134 for the six months ended June 30, 2020. The decrease was primarily attributable to the reduction of research and development personnel for our Clinigence Health subsidiary.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2021, were \$1.78 million, as compared to \$1.3 million for the same period in 2020. The increase was primarily attributable to the AHP and AHA acquisitions.

General and administrative expenses for the six months ended June 30, 2021, were \$6.2 million, as compared to \$2.2 million for the same period in 2020. The increase was primarily attributable to stock-based compensation expense of \$3.9 million and the AHP and AHA acquisitions.

Amortization

Amortization expense for the three months ended June 30, 2021, was \$192,131 as compared to \$87,726 for the same period in 2020. This amount includes the amortization of intangible assets acquired from AHP and AHA.

Amortization expense for the six months ended June 30, 2021, was \$256,175 as compared to \$222,032 for the same period in 2020. This amount includes the amortization of intangible assets acquired from AHP and AHA.

Interest Expense

Interest expense for the three months ended June 30, 2021, was \$2M as compared to \$249,283 for the same period in 2020. The Interest expense reflected was primarily for \$1.9 million in accretion of debt combined with interest incurred on convertible debt related to the acquisition of AHA.

Interest expense for the six months ended June 30, 2021, was \$2.3 million as compared to \$314,276 for the same period in 2020, an increase of \$152,035 or 48%. The Interest expense reflected was primarily for \$1.9 million in accretion of debt combined with interest incurred on convertible debt related to the acquisition of AHA.

Interest Income

Interest income for the three months ended June 30, 2021, was \$245 as compared to \$0 for the three months ended June 30, 2020. Interest income reflects interest earned on cash held in deposit accounts.

Interest income for the six months ended June 30, 2021, was \$359 as compared to \$0 for the three months ended June 30, 2020. Interest income reflects interest earned on cash held in deposit accounts.

Income from Discontinued Operations

Income from discontinued operations was \$39,752 for the for the six months ended June 30, 2020, as a result of the sale of our HDX subsidiary in 2020.

Net Income (Loss) Attributable to Noncontrolling Interests

Net Loss attributable to noncontrolling interests was \$49,929 for the three months ended June 30, 2021. The was primarily due to amortization expense on intangibles in the current period allocated to the noncontrolling interest in the AHP VIE.

Net Loss attributable to noncontrolling interests was \$89,510 for the six months ended June 30, 2021. The was primarily due to amortization expense on intangibles in the current period allocated to the noncontrolling interest in the AHP VIE.

LIQUIDITY AND CAPITAL RESOURCES

General

We had cash of \$4,795,175 for the six months ended June 30, 2021, compared to \$ 26,931 as of December 31, 2020, an increase of \$4,768,244 or 177%.

Historically, we have had a working capital deficiency and we have operated at a net loss since inception. With the acquisition of AHP we generate cash primarily from capitation contracts. In order to execute our business plans, including the expansion of operations, our primary capital requirements in 2021 are likely to rise. It is not possible to quantify those costs at this point in time, in that they depend on AHP, AHAs and Clinigence Health's business opportunities and the state of the overall economy. We anticipate raising capital in the private markets to cover any such costs, though there can be no guaranty we will be able to do so on terms we deem to be acceptable. We do not have any plans at this point in time to obtain a line of credit or other loan facility from a commercial bank. We believe we have sufficient liquidity to fund our operations through at least the next 12 months.

Cash Flow Activity

Cash used in operating activities for the six months ended June 30, 2021, was \$2,392,675 as compared to cash used in operating activities of \$1,368,229 for the six months ended June 30, 2020. The increase in cash used in operating activities was primarily driven by our operating revenues not being sufficient to cover our on-going obligations. Additional contributing factors include a decrease in accounts receivable of \$47,360, an increase in account payable and accrued expenses of \$964,523, an increase in customer deposits of \$13,325, an increase in prepaid expenses of \$317,225, income from forgiveness of debt of \$311,125, offset by accretion expense of \$1,894,828, amortization and depreciation expense of \$268,675, interest expense associated with debt discount of \$1,894,828, accrued interest of \$361,807, loss from earnings from equity investment of \$139,810 and stock-based compensation expense of \$3,852,637.

Cash provided by investing activities during the six months ended June 30, 2021, was \$3,888,267, primarily due to cash acquired in the acquisition of AHP, compared to cash used in investing activities of \$2,656 from discontinued investing activities, during the six months ended June 30, 2020.

Cash provided by financing activities for the six months ending June 30, 2021, was \$3,272,652 compared \$369,073 for the six months ending June 30, 2020 and consisted of proceeds from the sale of common stock of \$3,195,000, proceeds from notes payable of \$413,917 offset by payments on notes payable of \$16,765 and payments of financing costs for capital raise of \$319,500.

Plan of Operation and Funding

We expect that working capital requirements will continue to be funded through a combination of our existing funds and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business. Existing working capital, further advances and debt instruments, and anticipated cash flow are anticipated to be adequate to fund our operations over the next twelve months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) developmental expenses associated with a

start-up business and (ii) marketing expenses. We intend to finance these expenses with further issuances of securities, and debt issuances. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock that may have a greater dilutive impact to our current shareholders. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

The notes accompanying our financial statements for the six months ending June 30, 2021 contain an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared “assuming that the Company will continue as a going concern.” Our ability to continue as a going concern is dependent on raising additional capital to fund our operations and ultimately on generating future profitable operations. There can be no assurance that we will be able to raise sufficient additional capital or eventually have positive cash flow from operations to address all of our cash flow needs. If we are not able to find alternative sources of cash or generate positive cash flow from operations, our business and shareholders may be materially and adversely affected.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

Not Required.

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

As of June 30, 2021, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officers and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including Chief Executive Officers and Chief Financial Officer, concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act, were effective as of June 30, 2021, to ensure that information required to be disclosed by us in this Quarterly Report on Form 10-Q or submitted under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under Exchange Act) during our first fiscal quarter of 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings.*

From time-to-time, the Company is involved in various civil actions as part of its normal course of business. The Company is not a party to any litigation that is material to ongoing operations as defined in Item 103 of Regulation S-K as of the period ended June 30, 2021.

Item 1A. *Risk Factors.*

Our business, financial condition, and operating results are affected by a number of factors, whether currently known or unknown, including risks specific to us or the healthcare industry, as well as risks that affect businesses in general. In addition to the information and risk factors set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on April 2, 2021. The risks disclosed in such Annual Report and in this Quarterly Report could materially adversely affect our business, financial condition, cash flows, or results of operations and thus our stock price. We believe there have been no material changes in our risk factors from those disclosed in the Annual Report. However, additional risks and uncertainties not currently known or which we currently deem to be immaterial may also materially adversely affect our business, financial condition, or results of operations.

These risk factors may be important to understanding other statements in this Quarterly Report and should be read in conjunction with the consolidated financial statements and related notes in Part I, Item 1, “Financial Statements” and Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q. Because of such risk factors, as well as other factors affecting the Company’s financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Our operations and financial results are subject to various risks and uncertainties, including but not limited to those described below, which could harm our business, reputation, financial condition, and operating results.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds.*

None

Item 3. *Defaults upon Senior Securities.*

None

Item 4. *Mine Safety Disclosures*

Not Applicable

Item 5. *Other Information.*

None

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

- 32.1 Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)
- 32.2 Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 16, 2021.

Clinigence Holdings, Inc.

/s/ Warren Hosseinion

Warren Hosseinion
Chief Executive Officer

/s/ Michael Bowen

Michael Bowen
Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)
32.2	Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)

I, Warren Hosseinion, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clinigence Holdings, 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 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 controls 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 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.

August 16, 2021

/s/ Warren Hosseinion
Chief Executive Officer

I, Michael Bowen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Clinigence Holdings, 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 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 controls 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 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.

August 16, 2021

/s/ Michael Bowen
Chief Financial Officer

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Executive Officer of Clinigence Holdings, Inc.. (the “Company”), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021, (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 16, 2021

/s/ Warren Hosseinion
Chief Executive Officer

WRITTEN STATEMENT OF THE CHIEF FINANCIAL OFFICER
Pursuant to 18 U.S.C. Section 1350
As adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Financial Officer of Clinigence Holdings, Inc.. (the “Company”), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021, (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 16, 2021

/s/ Michael Bowen
Chief Financial Officer