SECURITIES & EXCHANGE COMMISSION EDGAR FILING

VASO Corp

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-18105

VASO CORPORATION
(Exact name of registrant as specified in Its Charter)

Delaware	**11-2871434**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

Registrant's telephone number, including area code: *(516) 997-4600*

Securities registered under Section 12(b) of the Act: *None*

Title of each class	Trading Symbol	Name of each exchange on which registered

Securities registered under Section 12(g) of the Act:

Common Stock, $.001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of common stock held by non-affiliates was approximately $3.0 million based on the closing sales price of the common stock as quoted on the OTC PK on June 28, 2019.

At April 9, 2020, the number of shares outstanding of the issuer's common stock was 174,436,289.

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VASO CORPORATION
INDEX TO FORM 10-K

EXHIBITS

Exhibit 31 Certifications Pursuant to Securities Exchange Act Rule 13A-14(A)/15D-14(A)
Exhibit 32 Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

PART I

ITEM 1 – BUSINESS

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions, including the current COVID-19 pandemic; the effect of the dramatic changes taking place in IT and healthcare; continuation of the GEHC agreements; the impact of competitive technology and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in product development programs; the actions of regulatory authorities and third-party payers in the United States and overseas; and the risk factors reported from time to time in the Company's SEC reports. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Vaso" or "management" refer to Vaso Corporation and its subsidiaries.

General Overview

Vaso Corporation principally operates in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;

- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for General Electric Healthcare ("GEHC") into the health provider middle market; and

- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices, operating through a wholly-owned subsidiary VasoMedical, Inc., which in turn operates through Vasomedical Solutions, Inc. for domestic business and Vasomedical Global Corp. for international business, respectively.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services LLC (collectively, "NetWolves"), to address certain issues facing the healthcare IT industry. It currently consists of a managed network and security service division (NetWolves) and a healthcare IT application VAR (value added reseller) division (VasoHealthcare IT). Its current offering includes:

- Managed diagnostic imaging applications (national channel partner of GEHC Digital).
- Managed network infrastructure (routers, switches and other core equipment).
- Managed network transport (FCC licensed carrier reselling 175+ facility partners).
- Managed security services (partner with major cybersecurity technologies firms including IBM and Palo Alto).

VasoTechnology uses a combination of proprietary technology, methodology and best-in-class third-party applications to deliver its value proposition.

VasoHealthcare

VasoHealthcare commenced operations in 2010, in conjunction with the Company's execution of its exclusive sales representation agreement with GEHC, which is the healthcare business division of the General Electric Company ("GE"), to further the sale of certain medical capital equipment in certain domestic market segments.

VasoHealthcare's current offering consists of:

- GEHC diagnostic imaging capital equipment.
- GEHC service agreements for the above equipment.
- GEHC and third party financial services for the above equipment.

VasoHealthcare has built a team of over 80 highly experienced sales professionals who utilize proprietary sales management and analytic tools to manage the complete sales process and to increase market penetration.

VasoMedical

The proprietary medical equipment business now all under VasoMedical dates back to 1995 when the Company began the external counterpulsation technology in the United States. Vasomedical Global was formed in 2011 to combine and coordinate the various international operations including design, development, manufacturing, and sales of medical devices, while domestic activities are under Vasomedical Solutions. These devices primarily consist of cardiovascular diagnostic and therapeutic systems. Its current offering consists of:

- Biox™ series Holter monitors and ambulatory blood pressure recorders.
- ARCS™ series analysis, reporting and communication software for physiological signals such as ECG and blood pressure.
- MobiCare™ multi-parameter wireless vital-sign monitoring system.
- EECP® therapy systems, used for non-invasive, outpatient treatment of ischemic heart disease.

This segment uses its extensive cardiovascular device knowledge coupled with its engineering resources to cost effectively create and market its proprietary technology. It sells and services its products to domestic customers directly and sells and/or services its products in the international market mainly through independent distributors.

Historical Background

Vaso Corporation was incorporated in Delaware in July 1987. For most of its history, the Company primarily was a single-product company designing, manufacturing, marketing and servicing its proprietary Enhanced External Counterpulsation, or EECP®, therapy systems, mainly for the treatment of angina. In 2010 it began to diversify its business operations. The Company changed its name to Vaso Corporation in 2016 to more accurately reflect the diversified nature of its business, and continues to use the original name VasoMedical for its proprietary medical device subsidiary.

In May 2010, the Company launched its Professional Sales Service business through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, which was appointed the exclusive representative for the sale of select GE diagnostic imaging equipment to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The original agreement ("GEHC Agreement") was for three years ending June 30, 2013; it has been extended several times with the current extension through December 31, 2022, subject to earlier termination under certain conditions.

In June 2014, the Company began its IT segment business by concluding the Value Added Reseller Agreement ("VAR Agreement") with GEHC to become a national value added reseller of GEHC Digital's software solutions such as Picture Archiving and Communication System ("PACS"), Radiology Information System ("RIS"), and related services, including implementation, training, management and support. This multiyear VAR Agreement focuses primarily on existing customer segments currently served by VasoHealthcare on behalf of GEHC. A new wholly owned subsidiary, VasoHealthcare IT Corp. ("VHC IT"), was formed to conduct the healthcare IT business.

In May 2015, the Company further expanded its IT business segment by acquiring all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services, LLC (collectively, "NetWolves"), pursuant to an asset purchase agreement. NetWolves designs and delivers efficient and cost-effective multi-network and multi-technology solutions as a managed network provider, and provides a complete single-source solution that includes design, network redundancy, application device management, real-time network monitoring, reporting and support systems as a comprehensive solution.

The Company's Equipment business also has been significantly expanded from the original EECP ®-only operations. In September 2011, the Company acquired FGE, a British Virgin Islands company, which owns or controls two Chinese operating companies - Life Enhancement Technology Ltd. ("LET") based in Foshan, China, and Biox Instruments Co. Ltd. ("Biox") based in Wuxi, China, respectively - to expand its technical and manufacturing capabilities and to enhance its distribution network, technology, and product portfolio. Biox was a variable interest entity ("VIE") controlled by FGE through certain contracts and an option to acquire all the shares of Biox by FGE's wholly owned subsidiary Gentone, and in March 2019 Gentone exercised its option to acquire all of the shares of Biox. In August 2014, the Company through Gentone acquired all of the outstanding shares of Genwell Instruments Co. Ltd. ("Genwell"), located in Wuxi, China. Genwell was formed in China in 2010 with the assistance of a government grant to develop the MobiCare™ wireless multi-parameter patient monitoring system and holds intellectual property rights for this system. As a result, the Company has now expanded its equipment products portfolio to include Biox™ series ambulatory patient monitoring systems, ARCS™ series software for ECG and blood pressure analysis, and the MobiCare™ patient monitoring device. In 2017, as an effort to further reduce engineering and production cost of its EECP® products, the Company moved the operations of LET from Foshan, China to Biox in Wuxi, China, and closed LET in 2018.

In April 2014, the Company entered into a cooperation agreement with Chongqing PSK-Health Sci-Tech Development Co., Ltd. ("PSK") of Chongqing, China, the leading manufacturer of external counter pulsation, or ECP, therapy systems in China, to form a joint venture company, VSK Medical Limited ("VSK"), a Cayman Islands company, for the global marketing, sale and advancement of ECP therapy technology. The Company owned 49.9% of VSK, which commenced operations in January 2015. In March 2018, the Company terminated the cooperation agreement with PSK and sold its shares in VSK to PSK. The Company continues to cooperate with VSK by granting it distribution rights for EECP® systems in certain geographic territories of the world.

Management

The Company currently bases its headquarters in Plainview, Long Island, NY pursuant to a lease which expires in September, 2022. We also maintain an office in Manhattan, NY until May 31, 2020. Reporting to the Board of Directors, corporate officers of the Company include the President and Chief Executive Officer ("CEO"), Co-Chief Financial Officer and Secretary, Chief Operating Officer ("COO"), and Co-Chief Financial Officer and Treasurer.

The management of the Company's IT segment is led by the COO of the Company, who is also the President of VasoTechnology and NetWolves, which is based in Tampa, FL. Our VasoHealthcare IT VAR business is organized as a part of VasoTechnology and is also led by the COO, supported by several software solution sales and implementation specialists, based in Nashville, TN. The business unit works with our VasoHealthcare diagnostic imaging equipment sales team to generate leads and potential clients for the software solutions products and works with NetWolves sales and technical teams for comprehensive IT product and service offerings.

In the professional sales services segment, we sell GEHC diagnostic imaging products to our assigned market through a nationwide team of approximately 65 sales employees led by an executive team and nine regional managers who report to the President of VasoHealthcare. The operation is also supported by in-house administrative, analytic and other support staff, as well as applicable GEHC employees.

The equipment segment is under the direct supervision of the CEO of the Company. Sales and marketing efforts in the domestic market are led by a Vice President of national sales and service at Vasomedical Solutions, and the managers of our China subsidiaries are in charge of the development and production of all our proprietary products and marketing and sales in the international markets. We have marketed our EECP® systems internationally through distributors, including VSK Medical, in various countries throughout Europe, the Middle East, Africa, Asia and Latin America. We sell our Biox™ series and other products in China by a group of sales managers as well as through distributors covering various regions of China and other international geographies.

Competition

In the U.S. diagnostic imaging market where we sell GE products, our main competitors include Siemens, Philips, Canon, and Hologic. Key competitive factors in the market include price, quality, finance availability, delivery speed, service and support, innovation, distribution network, breadth of product and service offerings and brand name recognition. GEHC is a leading competitor in this market.

In the IT segment, our primary competitors in the healthcare IT VAR business are Agfa Healthcare, McKesson, Philips, Carestream Health and other independent software providers. Key competitive factors are brand recognition, quality, radiology workflow solutions, scalability and service and support capability. We are able to capitalize on the brand recognition of GEHC, a leader in healthcare software solutions. In the managed network services business our primary competition includes, but is not limited to, organizations who have a presence in most of the major markets for the following products and services: network services, managed services, security services and healthcare applications. Several of those competitors, many of which are our vendors, are: Verizon, AT&T, CenturyLink, IBM and Cisco Resellers, Siemens, Epic, small regional IT integrators and large company internal IT departments.

Though we believe that we are the industry leader of external counterpulsation technology, our competitors in the EECP ® business are Renew Group Pte. Ltd, and PSK-Health Sci-Tech Development Co., Ltd., with which we have partnered to market our EECP ® products in the international market.

In the ambulatory monitoring system business, there are numerous competitors of various size and strength. The Biox™ series is among the few from China with CE Mark certification for Europe, CFDA approval for China, US FDA clearances as well as Brazilian Agencia Nacional de Vigilancia Sanitaria (ANVISA) approval, which are among the most important qualifications to market and sell the products around the world.

Regulations on Medical Devices

As a medical device manufacturer and marketer, we are subject to extensive regulation by numerous government regulatory agencies, including the US FDA and similar foreign agencies. We are required to comply with applicable laws, regulations and standards governing the development, preclinical and clinical testing, manufacturing, quality testing, labeling, promotion, import, export, and distribution of our medical devices.

Compliance with Regulations in the United States

The Company has received appropriate US FDA premarket notification (510(k)) clearance for all its products marketed and sold in the United States, including all EECP® therapy systems and Biox™ ambulatory monitoring systems and analysis and report software. We continue to seek US FDA clearance or approval for new products prior to their introduction to the US market.

We are subject to other US FDA regulations that apply prior to and after a product is commercially released. We also are subject to periodic and random inspections by the US FDA for compliance with the current Good Manufacturing Practice, or cGMP, requirements and Quality System Regulation. The US FDA also enforces post-marketing controls that include the requirement to submit medical device reports to the agency when a manufacturer becomes aware of information suggesting that any adverse events are related to its marketed products. The FDA relies on medical device reports to identify product problems and utilizes these reports to determine, among other things, whether it should exercise its enforcement powers. The FDA also may require post-market surveillance studies for specified devices.

We are subject to the Federal Food, Drug, and Cosmetic Act's, or FDCA's, general controls, including establishment registration, device listing, and labeling requirements.

The sales and advertising of our products is subject to regulation by the Federal Trade Commission, or FTC. The FTC Act prohibits unfair or deceptive acts or practices in or affecting commerce. Violations of the FTC Act, such as failure to have substantiation for product claims, would subject us to a variety of enforcement actions, including compulsory process, cease and desist orders and injunctions, which can require, among other things, limits on advertising, corrective advertising, consumer redress and restitution, as well as substantial fines or other penalties.

As a medical device sales channel partner and product reseller to healthcare facilities, we are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, including anti-kickback and false claims laws.

Foreign Regulation

In most countries to which we seek to export our medical devices, a local regulatory clearance must be obtained. The regulatory review process varies from country to country and can be complex, costly, uncertain, and time-consuming. Our medical devices, including EECP® systems and Biox™ series products, are all manufactured in accordance with ISO 13485 (Medical device – Quality management systems – Requirement for regulatory purpose), an internationally agreed standard that sets out the requirements for a quality management system specific to the medical devices industry. All our current medical devices have obtained necessary clearances or approvals prior to their release in the appropriate jurisdictions, including CE marking certification for European Union countries, China FDA (CFDA) approval for mainland China, Korean FDA (KFDA) approval for South Korea, Agência Nacional de Vigilância Sanitária (ANVISA) approval for Brazil, Taiwan FDA (TFDA) for Taiwan, and the Saudi SFDA (MDMA) for the Kingdom of Saudi Arabia.

We are also subject to audits by organizations authorized by foreign countries to determine compliance with laws, regulations and standards that apply to the commercialization of our products in those markets. Examples include auditing by a European Union Notified Body organization (authorized by a member state's Competent Authority) to determine conformity with the Medical Device Directives (MDD) and by an organization authorized by the Brazilian government to determine conformity with the ANVISA requirement.

Patient Privacy

Federal and state laws protect the confidentiality of certain patient health information, including patient records, and restrict the use and disclosure of that protected information. The U.S. Department of Health and Human Services (HHS) published patient privacy rules under the Health Insurance Portability and Accountability Act of 1996 (HIPAA privacy rule) and the regulation was finalized in October 2002. Currently, the HIPAA privacy rule affects us only indirectly in that patient data that we access, collect and analyze may include protected health information. Additionally, we have signed some Business Associate Agreements with Covered Entities that contractually bind us to protect private health information, consistent with the HIPAA privacy rule's requirements. We do not expect the costs and impact of the HIPAA privacy rule to be material to our business.

Regulations in the IT Business

As a reseller of telecommunication services and network solutions provider, our products and services are subject to federal, state and local regulations. These regulations govern, in part, our rates and the way we conduct our business, including the requirement to offer telecommunications services pursuant to nondiscriminatory rates, terms, and conditions, the obligation to safeguard the confidentiality of customer proprietary network information, as well as the obligation to maintain specialized records and file reports with the Federal Communications Commission and state regulatory authorities. While we believe we are in compliance with laws and regulations in jurisdictions where we do business, we continue to monitor and assess our compliance.

The Federal Communications Commission ("FCC") exercises jurisdiction over services and regulates interstate and international communications in all 50 states, the District of Columbia and U.S territories. As an independent U.S. government agency overseen by Congress, the commission is the United States' primary authority for communications laws, regulation and technological innovation.

We maintain Certificates of Public Convenience and Necessity in all 50 states, which enable us to provide services within each state. We are therefore subject to regulation from the Public Utility Commissions in each state.

Intellectual Properties

In addition to other methods of protecting our proprietary technology, know-how and show-how as well as trade secrets, we pursue a policy of seeking patent protection, both in the US and abroad, for our proprietary technologies including those in EECP®, Biox™ and MobiCare™ products.

We own four US utility patents that expire at various times through 2023. We will from time to time file other patent applications regarding specific enhancements to the current EECP® models, future generation products, and methods of treatment in the future. Moreover, trademarks have been registered for the names “Vaso”, “EECP”, “AngioNew”, “Natural Bypass”, “Vasomedical”, “Vasomedical EECP”, “VasoGlobal”, “VasoSolutions”, “VasoHealthcare”.

Through our China-based subsidiaries, we own twenty-eight invention and utility patents in China that expire at various times through 2032, as well as fifteen software copyright certificates in China related to proprietary technologies in physiological data acquisition, analysis and reporting. We also maintain five registered trademarks in China for our products.

Through our Netwolves subsidiary we hold a patent for Secure and Remote Monitoring Management (“SRM”) and we hold trademarks “NetWolves”, “SRM”, and “Wolfpac”.

There can be no assurance that our patents will not be violated or that any issued patents will provide protection that has commercial significance. As with any patented technology, litigation could be necessary to protect our patent position. Such litigation can be costly and time-consuming, and there can be no assurance that we will be successful.

Employees

As of December 31, 2019, we employed 294 full-time persons, of which 15 are employed through our facility in Plainview, New York, 84 through VasoHealthcare, 10 through VasoHealthcare IT, 123 through our Netwolves operations, and 62 in our China operations. None of our employees are represented by a labor union. We believe that our employee relations are good.

The Company also uses several part-time employees and consultants from time to time for various purposes.

Manufacturing

The Company conducts medical device manufacturing activities primarily through its Biox facilities in China, while maintaining certain manufacturing capability in the Plainview, NY location to satisfy certain domestic and international needs for the EECP® systems. The Biox facilities manufacture EECP® systems, ambulatory monitoring devices and other medical devices.

All manufacturing operations are conducted under the cGMP requirements as set forth in the FDA Quality System Regulation as well as ISO 13485 (Medical device – Quality management systems – Requirement for regulatory purpose), an internationally agreed standard that sets out the requirements for a quality management system specific to the medical devices industry. We are also certified to conform to full quality assurance system requirements of the EU Medical Device Directive (MDD 93/42/EEC Annex II) and can apply CE marking to all of our current product models. Lastly, we are certified to comply with the requirements of the Brazilian Agência Nacional de Vigilância Sanitária (ANVISA). All these regulations and standards subject us to inspections to verify compliance and require us to maintain documentation and controls for the manufacturing and quality activities.

We believe our manufacturing capacity and warehouse facility are adequate to meet the current and immediately foreseeable future demand for the production of our medical devices. We believe our suppliers of the other medical devices we distribute or represent are capable of meeting our demand for the foreseeable future.

Subsequent Event

In April 2020, the Company extended the maturity dates of its lines of credit and MedTech Notes to April 30, 2021 and made principal payments aggregating $1.2 million on its lines of credit and $1.2 million on its MedTech Notes. The interest rate on the MedTech Notes was also reduced from 10% to 6% per annum. In addition, in March 2020 and April 2020 the maturity dates of $930 thousand in other related party notes was extended six months and the interest rate was reduced from 10% to 8% per annum.

ITEM 1A - RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with the information included elsewhere in this Report on Form 10K. The risks and uncertainties described below are those we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies, such as market conditions, geopolitical events, changes in laws or accounting rules, fluctuation in interest rates, terrorism, wars or conflicts, major health concerns, natural disasters or other disruptions of economic or business conditions, including the current COVID-19 pandemic. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial position.

Financial Risks

Achieving profitable operations is dependent on several factors

We achieved profitability in the year ended December 31, 2019; however, we incurred net losses from operations for the years ended December 31, 2018 and 2017, and we maintain lines of credit from a lending institution. Due to the impending maturity of such lines at the time of our previous quarterly filing on Form 10Q, we reported at that time that substantial doubt remained about our ability to continue as a going concern. In April 2020, we resolved the conditions that raised such substantial doubt by extending the maturity date of these lines of credit and another substantial debt to April 30, 2021. Our ability to sustain profitability is dependent on many factors, primarily being the sufficient and timely generation of cash and recognition of revenue in our professional sales services segment, attaining profitability in our IT segment, the success of our marketing, sales and cost reduction efforts in the equipment segment, as well as the success of our other strategic initiatives.

Risks Related to Our Business

We currently derive a significant amount of our revenue and segment operating income from our agreement with GEHC.

On May 19, 2010, we signed a sales representation agreement with GEHC. Under the GEHC Agreement, we have been appointed the exclusive representative for these products to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The GEHC Agreement had an initial term of three years commencing July 1, 2010 and in 2012 was extended for two additional years to June 30, 2015. In December 2014, the agreement was extended again through December 31, 2018. In December 2017, the agreement was further extended through December 31, 2022, including GEHC's right to terminate without cause with certain conditions.

A significant amount of our revenue and operating income arise from activities under this agreement. Moreover, our growth depends partially on the territories, customer segments and product modalities assigned to us by GEHC, and thus relies on our ability to demonstrate our added value as a channel partner, and on maintaining a positive relationship with GEHC. There is no assurance that the agreement will not be terminated prior to its expiration pursuant to its termination provisions or will be extended beyond the current expiry. Should GEHC terminate the agreement, it would have a material adverse effect on our financial condition and results of operations.

We face competition from other companies and technologies.

In all segments of our business we compete with other companies that market technologies, products and services in the global marketplace. We do not know whether these companies, or other potential competitors who may succeed in developing technologies, products or services that are more efficient or effective than those offered by us, and that would render our technology and existing products obsolete or non-competitive. Potential new competitors may also have substantially greater financial, manufacturing and marketing resources than those possessed by us. In addition, other technologies or products may be developed that have an entirely different approach or means of accomplishing the intended purpose of our products. Accordingly, the life cycles of our products are difficult to estimate. To compete successfully, we must keep pace with technological advancements, respond to evolving consumer requirements and achieve market acceptance.

We depend on management and other key personnel.

We are dependent on a limited number of key management and technical personnel. The loss of one or more of our key employees may harm our business if we are unable to identify other individuals to provide us with similar services. We do not maintain "key person" insurance on any of our employees. In addition, our success depends upon our ability to attract and retain additional highly qualified management, sales, IT, manufacturing and research and development personnel in our various operations. The competition for IT personnel is intense.

We may not continue to receive necessary FDA clearances or approvals, which could hinder our ability to market and sell certain products.

If we modify our medical devices and the modifications significantly affect safety or effectiveness, or if we make a change to the intended use, we will be required to submit a new premarket notification (510(k)) or premarket approval (PMA) application to the FDA. We would not be able to market the modified device in the U.S. until the FDA issues a clearance for the 510(k).

If we offer new products that require 510(k) clearance or a PMA, we will not be able to commercially distribute those products until we receive such clearance or approval. Regulatory agency approval or clearance for a product may not be received or may entail limitations on the device's indications for use that could limit the potential market for the product. Delays in receipt of, or failure to obtain or maintain, regulatory clearances and approvals, could delay or prevent our ability to market or distribute our products. Such delays could have a material adverse effect on our equipment business.

If we are unable to comply with applicable governmental regulation*s*, we may not be able to continue certain of our operations.

As a reseller of telecommunication services and network solutions provider, our products and services are subject to federal, state and local regulations. These regulations govern, in part, our rates and the way we conduct our business, including the requirement to offer telecommunications services pursuant to nondiscriminatory rates, terms, and conditions, the obligation to safeguard the confidentiality of customer proprietary network information, as well as the obligation to maintain specialized records and file reports with the Federal Communications Commission and state regulatory authorities. While we believe we are in compliance with laws and regulations in jurisdictions where we do business, we must continue to monitor and assess our compliance.

We also must comply with current Good Manufacturing Practice requirements as set forth in the Quality System Regulation to receive US FDA approval to market new products and to continue to market current products. Most states also have similar regulatory and enforcement authority for medical devices.

Our operations in China are also subject to the laws of the People's Republic of China with which we must be in compliance in order to conduct these operations.

We are subject to various federal, state and local laws targeting fraud and abuse in the healthcare industry, including anti-kickback and false claims laws.

We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we predict what effect additional governmental regulations or administrative orders, either domestically or internationally, when and if promulgated, would have on our business in the future. We may be slow to adapt, or we may never adapt to changes in existing requirements or adoption of new requirements or policies. We may incur significant costs to comply with laws and regulations in the future or compliance with laws or regulations may create an unsustainable burden on our business.

We have foreign operations and are subject to the associated risks of doing business in foreign countries.

The Company continues to have operations in China. Operating internationally involves additional risks relating to such things as currency exchange rates, different legal and regulatory environments, political, economic risks relating to the stability or predictability of foreign governments, differences in the manner in which different cultures do business, difficulties in staffing and managing foreign operations, differences in financial reporting, operating difficulties, and other factors. The occurrence of any of these risks, if severe enough, could have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Commercial law is still developing in China and there are limited legal precedents to follow in commercial transactions. There are many tax jurisdictions each of which may have changing tax laws. Applicable taxes include value added taxes ("VAT"), enterprise income tax ("EIT"), and social (payroll) taxes. Regulations are often unclear. Tax declarations (reports) are subject to review and taxing authorities may impose fines, penalties and interest. These facts create risks for our operations in China.

We depend on several suppliers for the supply of certain products.

As a GEHC channel partner, we could be negatively impacted by interruptions or delays to equipment installations, production and quality issues, and any customer concerns related to GEHC. With respect to our proprietary medical products we now manufacture our own products primarily through our China based facilities, and we depend on certain independent suppliers for parts, components and certain finished goods.

We may not have adequate intellectual property protection.

Our patents and proprietary technology may not be able to prevent competition by others. The validity and breadth of claims in technology patents involve complex legal and factual questions. Future patent applications may not be issued, the scope of any patent protection may not exclude competitors, and our patents may not provide competitive advantages to us. Our patents may be found to be invalid and other companies may claim rights in or ownership of the patents and other proprietary rights held or licensed by us. Also, our existing patents may not cover products that we develop in the future. Moreover, when our patents expire, the inventions will enter the public domain. There can be no assurance that our patents will not be violated or that any issued patents will provide protection that has commercial significance. Litigation may be necessary to protect our patent position. Such litigation may be costly and time-consuming, and there can be no assurance that we will be successful in such litigation.

The loss or violation of certain of our patents and trademarks could have a material adverse effect upon our business.

Since patent applications in the United States are maintained in secrecy until such patent applications are issued, our current product development may infringe patents that may be issued to others. If our products were found to infringe patents held by competitors, we may have to modify our products to avoid infringement, and it is possible that our modified products would not be commercially successful.

Risks Related to Our Industries

Our growth could suffer if the markets into which we sell products decline, do not grow as anticipated or experience cyclicality.

Our growth depends in part on the growth of the IT and healthcare markets which we serve. In our professional sales services segment, our quarterly sales and profits depend significantly on the volume and timing of delivery of the underlying equipment of the orders we booked during the quarter, and the delivery of such products is difficult to forecast since it is largely dependent on GEHC. Product demand is dependent upon the customer's capital spending budget as well as government funding policies, and matters of public policy as well as product cycles and economic downturns that can affect the spending decisions of these entities. These factors could adversely affect our growth, financial position, and results of operations.

Technological change is difficult to predict and to manage.

We face the challenges that are typically faced by companies in the IT and medical device fields. Our products and services may require substantial development efforts and compliance with governmental clearance or approval requirements. We may encounter unforeseen technological or scientific problems that force abandonment or substantial change in the development of a specific product or process.

We are subject to product liability claims and product recalls that may not be covered by insurance.

The nature of our manufacturing operations exposes us to risks of product liability claims and product recalls. Medical devices as complex as ours frequently experience errors or failures, especially when first introduced or when new versions are released.

We currently maintain product liability insurance at $7,000,000 per occurrence and $7,000,000 in the aggregate. Our product liability insurance may not be adequate. In the future, insurance coverage may not be available on commercially reasonable terms, or at all. In addition, product liability claims or product recalls could damage our reputation even if we have adequate insurance coverage.

We do not know the effects of healthcare reform proposals.

The healthcare industry is undergoing fundamental changes resulting from political, economic and regulatory influences. In the United States, the Affordable Care Act (“ACA”) is designed to provide increased access to healthcare for the uninsured, control the escalation of healthcare expenditures within the economy and use healthcare reimbursement policies to balance the federal budget.

The United States Congress already has changed the ACA. We expect that there could be more changes or even a repeal of the ACA. In any event, we anticipate that there will continue to be a number of federal and state proposals to constrain expenditures for medical products and services, which may affect payments for products such as ours. We cannot predict which, if any of such proposals will be adopted and when they might be effective, or the effect these proposals may have on our business. Other countries also are considering health reform. Significant changes in healthcare systems could have a substantial impact on the manner in which we conduct our business and could require us to revise our strategies.

Risks Related to our Securities

The application of the "penny stock" rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.

As long as the trading price of our common shares is below $5 per share, the open-market trading of our common shares will be subject to the "penny stock" rules. The "penny stock" rules impose additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors (generally those with assets in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of securities and have received the purchaser's written consent to the transaction before the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the broker-dealer must deliver, before the transaction, a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements must be sent disclosing recent price information on the limited market in penny stocks. These additional burdens imposed on broker-dealers restrict the ability and decrease the willingness of broker-dealers to sell our common shares, which we believe results in decreased liquidity for our common shares as well as increased transaction costs for sales and purchases of our common shares as compared to other securities.

Our common stock is subject to price volatility.

The market price of our common stock historically has been and may continue to be highly volatile. Our stock price could be subject to wide fluctuations in response to various factors beyond our control, including, but not limited to:

- actual or anticipated fluctuations in our operating results;
- overall market fluctuations and domestic and worldwide economic conditions;
- medical reimbursement;
- announcements of technological innovations, new products or pricing by our competitors;
- the timing of patent and regulatory approvals;
- the timing and extent of technological advancements;
- the sales of our common stock by affiliates or other shareholders with large holdings; and
- other factors described in the “Risk Factors” and elsewhere in this Report.

Our future operating results may fall below the expectations of securities industry analysts or investors. Any such shortfall could result in a significant decline in the market price of our common stock. In addition, the stock market has experienced significant price and volume fluctuations that have affected the market price of our stock and that often have been unrelated to the operating performance of such companies. These broad market fluctuations may directly influence the market price of our common stock.

We do not intend to pay dividends in the foreseeable future.

We do not intend to pay any cash dividends on our common stock in the foreseeable future.

Additional Information

We are subject to the reporting requirements under the Securities Exchange Act of 1934 and are required to file reports and information with the Securities and Exchange Commission (SEC), including reports on the following forms: annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports files or furnished pursuant to Section 13(a) or 15(d) of the Securities Act of 1934.

ITEM 2 – PROPERTIES

The Company leases its headquarters at an 8,700 square foot facility at 137 Commercial Street, Plainview, New York 11803, under a lease with a term that expires on September 15, 2022 and with a base annual rental of approximately $71,000. The Company’s NetWolves unit leases a 16,200 square foot facility in Tampa, Florida, under a lease expiring in May 2020 with an annual rental of approximately $177,000. VHC-IT leases a 3,500 square foot facility in Nashville, Tennessee on a month-to-month basis with an annual cost of $49,000. The Company is evaluating possible renewal options and believes sufficient space is available at similar cost in Nashville. We believe that our current facilities are adequate for foreseeable current and future needs.

We also lease approximately 1,500 square feet of office space in New York City under a lease that expires on May 31, 2020. The annual base rent for this lease is approximately $60,000. We currently do not intend to renew this lease.

We lease our engineering and production facilities in China. Specifically, we lease approximately 14,700 square feet of space in Wuxi, China under leases expiring in August 2020, September 2020, and December 2020 at an aggregate annual cost of approximately $58,000. Wuxi leases are renewable upon expiration.

PART II

ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock currently trades on the OTC Market under the symbol VASO. The number of record holders of common stock as of April 13, 2020, was approximately 900, which does not include approximately 8,500 beneficial owners of shares held in the name of brokers or other nominees. The table below sets forth the range of high and low trade prices of the common stock for the fiscal periods specified.

	Year ended December 31, 2019		Year ended December 31, 2018	
	High	Low	High	Low
First quarter	$ 0.04	$ 0.03	$ 0.07	$ 0.05
Second quarter	$ 0.03	$ 0.02	$ 0.06	$ 0.04
Third quarter	$ 0.02	$ 0.02	$ 0.05	$ 0.03
Fourth quarter	$ 0.03	$ 0.01	$ 0.05	$ 0.02

The last bid price of the Company's common stock on April 9, 2020, was $0.02 per share.

Dividend Policy

We have never paid any cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains descriptions of our expectations regarding future trends affecting our business. These forward looking statements and other forward-looking statements made elsewhere in this document are made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Please read the section titled "Risk Factors" in "Item One – Business" to review certain conditions, among others, which we believe could cause results to differ materially from those contemplated by the forward-looking statements.

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions, including the current COVID-19 pandemic;the effect of the dramatic changes taking place in IT and healthcare; continuation of the GEHC agreements; the impact of competitive technology and products and their pricing; medical insurance reimbursement policies; unexpected manufacturing or supplier problems; unforeseen difficulties and delays in the conduct of product development programs; the actions of regulatory authorities and third-party payers in the United States and overseas; and the risk factors reported from time to time in the Company's SEC reports. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

The following discussion should be read in conjunction with the financial statements and notes thereto included in this Annual Report on Form 10-K.

Overview

Vaso Corporation (formerly Vasomedical, Inc.) ("Vaso") was incorporated in Delaware in July 1987. We principally operate in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;

- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for General Electric Healthcare (GEHC) into the health provider middle market; and

- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices, operating through a wholly-owned subsidiary VasoMedical, Inc., which in turn operates through Vasomedical Solutions, Inc. for domestic business and Vasomedical Global Corp. for international business, respectively.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services LLC (collectively, "NetWolves"), to address certain issues facing the healthcare IT industry. It currently consists of a managed network and security service division (NetWolves) and a healthcare IT application VAR (value added reseller) division (VasoHealthcare IT). Its current offering includes:

- Managed diagnostic imaging applications (national channel partner of GEHC Digital).
- Managed network infrastructure (routers, switches and other core equipment).
- Managed network transport (FCC licensed carrier reselling 175+ facility partners).
- Managed security services (partner with major cybersecurity technologies firms including IBM and Palo Alto).

VasoTechnology uses a combination of proprietary technology, methodology and best-in-class third-party applications to deliver its value proposition.

VasoHealthcare

VasoHealthcare commenced operations in 2010, in conjunction with the Company's execution of its exclusive sales representation agreement with GEHC, which is the healthcare business division of the General Electric Company ("GE"), to further the sale of certain medical capital equipment in certain domestic market segments.

VasoHealthcare's current offering consists of:

- GEHC diagnostic imaging capital equipment.
- GEHC service agreements for the above equipment.
- GEHC and third party financial services for the above equipment.

VasoHealthcare has built a team of over 80 highly experienced sales professionals who utilize highly focused sales management and analytic tools to manage the complete sales process and to increase market penetration.

VasoMedical

The proprietary medical equipment business now all under VasoMedical traces back to 1995 when the Company began the external counterpulsation technology in the United States. Vasomedical Global was formed in 2011 to combine and coordinate the various international operations including design, development, manufacturing, and sales of medical devices, while domestic activities are under Vasomedical Solutions. These devices primarily consist of cardiovascular diagnostic and therapeutic systems. Its current offering consists of:

- Biox™ series Holter monitors and ambulatory blood pressure recorders.
- ARCS™ series analysis, reporting and communication software for physiological signals such as ECG and blood pressure.
- MobiCare™ multi-parameter wireless vital-sign monitoring system.
- EECP®therapy systems, used for non-invasive, outpatient treatment of ischemic heart disease.

This segment uses its extensive cardiovascular device knowledge coupled with its engineering resources to cost effectively create and market its proprietary technology. It sells and services its products to domestic customers directly and sells and/or services its products in the international market mainly through independent distributors.

Strategic Plan and Objectives

Our short- and long-term plans for the growth of the Company and to increase stockholder value are:

- Continue engaging in effectively reducing operating costs.
- Continue to expand our product and service offerings as well as market penetration in our healthcare IT business and managed network services business.
- Build our brand name in the healthcare provision middle market with the goal of establishing our technology platform and managed services methodology as the standard for secure, efficient use of equipment and applications ecosystems.
- Maintain and improve business performance in our professional sales service segment by increasing market penetration of the GE Healthcare product modalities we represent, and possibly building new teams to represent other vendors.
- Maintain and grow our equipment business by aligning the cost structure with revenue growth.
- Continue to seek accretive partnership opportunities.

Results of Operations – For the Years Ended December 31, 2019 and 2018

Total revenues increased by $1,766,000, or 2.4%, to $75,746,000 in the year ended December 31, 2019, from $73,980,000 in the year ended December 31, 2018. We reported net income of $39,000 for the year ended December 31, 2019 as compared to a net loss of $3,734,000 for the year ended December 31, 2018, an improvement of $3,773,000. The change to net income was primarily due to higher gross profit and lower operating expenses. Our net income (loss) was $0.00 and $(0.02) per basic and diluted common share for the years ended December 31, 2019 and 2018, respectively.

Revenues

Revenue in the IT segment was $45,736,000 for the year ended December 31, 2019 as compared to $44,228,000 for the prior year, an increase of $1,508,000, or 3.4%, of which $1,568,000 was attributable to growth in VHC-IT revenues, offset by a $60,000 decrease in NetWolves revenues.

Commission revenues in the professional sales service segment increased by $697,000, or 2.7%, to $26,208,000 in the year ended December 31, 2019, as compared to $25,511,000 in the year ended December 31, 2018. The increase was primarily due to the achievement of certain performance incentives and by a higher blended commission rate for equipment delivered in 2019, offset by lower volume of GEHC equipment delivered in 2019. As discussed in Note B to the financial statements, the Company defers recognition of commission revenue until the underlying equipment is delivered. As of December 31, 2019, the Company recorded on its consolidated balance sheet for this segment deferred commission revenue of $18,565,000, of which $6,645,000 is long-term, an increase of $1,467,000 or 9%, compared to $17,098,000 of deferred commission revenue at December 31, 2018, of which $7,200,000 was long-term. The increase in deferred revenue is due principally to higher total orders booked during the year, partially offset by the decrease in equipment deliveries over the same period.

Revenue in our equipment segment decreased 10.4% to $3,802,000 for the year ended December 31, 2019 from $4,241,000 for the year ended December 31, 2018, as a result of a decrease in equipment sales of $373,000, or 11.8%, to $2,778,000 for the year ended December 31, 2019, as compared to $3,151,000 for the year ended December 31, 2018, and a decrease in equipment rentals and services revenue of $66,000, or 6.1%, to $1,024,000 in the year ended December 31, 2019 from $1,090,000 in the year ended December 31, 2018. The decrease in equipment sales is due primarily to decreased EECP® equipment sales. The decrease in revenue generated from equipment rentals and services is due primarily to lower recognition of service contract revenues. As of December 31, 2019, the Company recorded on its consolidated balance sheet for this segment $778,000 of deferred revenue, of which $354,000 is long-term, compared to $988,000 of deferred revenue at December 31, 2018, of which $503,000 was long-term, a decrease of $210,000 or 21.3%. The decrease in deferred revenue is due principally to a fewer service contracts sold during the year.

Gross Profit

The Company recorded gross profit of $42,663,000, or 56% of revenue, for the year ended December 31, 2019, compared to $41,124,000, or 56% of revenue, for the year ended December 31, 2018. The increase of $1,539,000, or 3.7%, was due primarily to a $1,122,000 increase in the professional sales service segment mainly as a result of higher incentive payments, and by a $642,000 increase in the IT segment resulting primarily from higher revenues, offset by a monthly $225,000 decrease in the equipment segment.

IT segment gross profit increased to $19,021,000, or 42% of segment revenues, for the year ended December 31, 2019 as compared to $18,379,000, or 42% of segment revenues, in the prior year, an increase of $642,000, of which $606,000 was attributable to VHC-IT and $36,000 was attributable to NetWolves, both increases resulting mainly from increased revenues.

Professional sales service segment gross profit was $21,287,000, or 81% of the segment revenues, for the year ended December 31, 2019, an increase of $1,122,000, or 5.6%, from segment gross profit of $20,165,000, or 79% of the segment revenue, for the year ended December 31, 2018. The increase in gross profit was due primarily to the achievement of performance incentives and by higher blended commission rates on the equipment delivered during the year, offset by a decrease in equipment delivery volume. Cost of commissions decreased by $425,000, or 7.9%, to $4,921,000 for the year ended December 31, 2019, as compared to cost of commissions of $5,346,000 in 2018. The decrease is due primarily to an improved commission cost structure. Cost of commissions reflects commission expense associated with certain recognized commission revenues. Commission expense associated with deferred revenue is recorded as deferred commission expense until the related commission revenue is earned.

Equipment segment gross profit decreased to $2,355,000, or 62% of equipment segment revenues, for the year ended December 31, 2019 compared to $2,580,000, or 61% of equipment segment revenues, for the year ended December 31, 2018, due to lower sales volume and lower average selling prices. Equipment segment gross profits are dependent on a number of factors including the mix of products sold, their respective models and average selling prices, the ongoing costs of servicing EECP® systems, as well as certain fixed period costs, including facilities, payroll and insurance.

Operating Income (Loss)

Operating income was $1,012,000 for the year ended December 31, 2019 compared to operating loss of $3,724,000 for the year ended December 31, 2018, an improvement of $4,736,000. The improvement was primarily attributable to the decrease in operating loss in the IT segment from $3,748,000 in the year ended December 31, 2018 to $749,000 in the year ended December 31, 2019, due to higher gross profit at VHC-IT and lower operating expenses at both NetWolves and VHC-IT. It is also attributable to an increase in operating income in the professional sales service segment from $1,958,000 for the year ended December 31, 2018 to $3,626,000 for the year ended December 31, 2019 due to higher gross profit and reduced operating expenses. Equipment segment operating loss increased to $855,000 for the year ended December 31, 2019 from $812,000 for the prior year, an increase of $43,000, due to lower gross profit, partially offset by lower operating expenses.

Selling, general and administrative (SG&A) expenses for the years ended December 31, 2019 and 2018 were $40,838,000, or 54% of revenues, and $43,962,000, or 59% of revenues, respectively, reflecting a decrease of $3,124,000 or 7%. The decrease in SG&A expenditures in the year ended December 31, 2019 resulted primarily from a $2,401,000 decrease in the IT segment due to lower personnel, marketing and travel costs, a $547,000 decrease in the professional sales service segment attributable mainly to lower sales personnel-related cost, and a $66,000 decrease in the equipment segment, and by a $110,000 decrease in corporate expenses.

Research and development (R&D) expenses of $813,000, or 1% of revenues, for the year ended December 31, 2019 decreased by $73,000, or 8%, from $886,000, or 1% of revenues, for the year ended December 31, 2018. The decrease is primarily attributable to lower new product development costs in our China operations.

Adjusted EBITDA

We define Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure, as net (loss) income, plus net interest expense (income), tax expense, depreciation and amortization, and non-cash expenses for share-based compensation. Adjusted EBITDA is a metric that is used by the investment community for comparative and valuation purposes. We disclose this metric in order to support and facilitate the dialogue with research analysts and investors.

Adjusted EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States ("GAAP") and should not be considered a substitute for operating income, which we consider to be the most directly comparable GAAP measure. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider Adjusted EBITDA in isolation, or as a substitute for net income or other consolidated income statement data prepared in accordance with GAAP. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

A reconciliation of net income (loss) to Adjusted EBITDA is set forth below:

	(in thousands)	
	Year ended December 31,	
	2019	**2018**
Net income (loss)	$ 39	$ (3,734)
Interest expense (income), net	962	727
Income tax expense (benefit)	111	(385)
Depreciation and amortization	2,681	2,522
Share-based compensation	141	313
Adjusted EBITDA	$ 3,934	$ (557)

Adjusted EBITDA increased by $4,491,000, to $3,934,000 in the year ended December 31, 2019 from $(557,000) in the year ended December 31, 2018. The increase was primarily attributable to the change from net loss to net income, to higher interest expense and depreciation and amortization costs, and from the change from income tax benefit to income tax expense, offset by lower share-based compensation as compared to the prior year.

Other Income (Expense), Net

Other income (expense), net for the years ended December 31, 2019 and 2018, was $(862,000) and $(395,000), respectively, an increase in net expense of $467,000. The increase was due primarily to higher interest expense on our lines of credit and other debt instruments, partially offset by the $212,000 gain on sale of our investment in the VSK joint venture in fiscal 2018.

Income Tax Expense (Benefit)

During the year ended December 31, 2019, we recorded income tax expense of $111,000, as compared to income tax benefit of $(385,000) in the year ended December 31, 2018. The Company utilized $137,000 and $0 in net operating loss carryforwards for the years ended December 31, 2019 and 2018, respectively. The change from income tax benefit in 2018 to income tax expense in 2019 arose primarily from the impact of the change in the carryforward period for 2018 net operating losses from 20 years to indefinitely on deferred tax liabilities arising from goodwill generated by the NetWolves acquisition. The Company has net operating loss carryforwards of approximately $45 million at December 31, 2019.

Liquidity and Capital Resources

Cash and Cash Flow – For the year ended December 31, 2019

We have financed our operations and investment activities primarily from working capital and additional borrowings. At December 31, 2019, we had cash and cash equivalents of $2,124,000 and negative working capital of $7,469,000. $9,560,000 in negative working capital at December 31, 2019 is attributable to the net balance of deferred commission expense and deferred revenue. These are non-cash expense and revenue items and have no impact on future cash flows. At March 31, 2020 the Company's cash and cash equivalents were approximately $7.2 million.

Cash used by operating activities was $1,333,000 during the year ended December 31, 2019, which consisted of net income after non-cash adjustments of $3,434,000 and cash used by changes in operating assets and liabilities of $4,767,000. The changes in the account balances primarily reflect increases in accounts and other receivables and prepaid expenses of $5,301,000 and $450,000, respectively, partially offset by an increase in deferred revenue of $1,258,000.

Cash used in investing activities during the year ended December 31, 2019 was $1,183 in net purchases of equipment and software.

Cash provided by financing activities during the year ended December 31, 2019 was $1,909,000, primarily attributable to $1,550,000 in additional borrowings on our lines of credit and $730,000 in additional net proceeds from notes payable, partially offset by $367,000 in note and finance lease payments.

Liquidity

We achieved profitability in the year ended December 31, 2019; however, we incurred net losses from operations for the years ended December 31, 2018 and 2017, and we maintain lines of credit from a lending institution. Due to the impending maturity of such lines at the time of our previous quarterly filing on Form 10Q, we reported at that time that substantial doubt remained about our ability to continue as a going concern. In April 2020, we resolved the conditions that raised such substantial doubt by extending the maturity date of these lines of credit and another substantial debt to April 30, 2021. Our ability to sustain profitability is dependent on many factors, primarily being the sufficient and timely generation of cash and recognition of revenue in our professional sales services segment, attaining profitability in our IT segment, the success of our marketing, sales and cost reduction efforts in the equipment segment, as well as the success of our other strategic initiatives.

Off-Balance Sheet Arrangements

We do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPES), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 31, 2019, we are not involved in any unconsolidated SPES or other off-balance sheet arrangements.

Effects of Inflation

We believe that inflation and changing prices over the past two years have not had a significant impact on our revenue or on our results of operations.

Critical Accounting Policies and Estimates

Note B of the Notes to Consolidated Financial Statements includes a summary of our significant accounting policies and methods used in the preparation of our financial statements. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our critical accounting policies and estimates are as follows:

Revenue Recognition

In the first quarter of 2018, we adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09, as amended, replaced most existing revenue recognition guidance in U.S. GAAP.

This new guidance requires certain judgments and estimates in implementing its five-step process to be followed in determining the amount and timing of revenue recognition and related disclosures. Refer to Note B of the notes to consolidated financial statements for further discussion regarding significant judgments involved in our application of ASC 606.

Inventories

We value inventories in the equipment segment at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis. The Company occasionally places EECP® systems and other medical device products at various field locations for demonstration, training, evaluation, and other similar purposes at no charge. The cost of these EECP® systems and other products is transferred to property and equipment and is amortized over the next two to five years. The Company records the cost of refurbished components of EECP® systems and critical components at cost plus the cost of refurbishment. The Company regularly reviews inventory quantities on hand, particularly raw materials and components, and records a provision for excess and slow moving inventory based primarily on existing and anticipated design and engineering changes to its products as well as forecasts of future product demand.

In our IT Segment, we purchase computer hardware and software for specific customer requirements and value such inventories at the lower of cost or estimated market, with cost being determined on the specific identification method.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. The Company accounts for goodwill under the guidance of the ASC Topic 350, “Intangibles: Goodwill and Other”. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment, at least annually, in accordance with this guidance. The recoverability of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The impairment test is based on the estimated fair value of the underlying businesses and performed in the fourth quarter of each year. Intangible assets consist of the value of customer contracts and relationships, patent and technology costs, and software. The cost of significant customer-related intangibles is amortized in proportion to estimated total related revenue; cost of other intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life, which range from five to ten years. The Company capitalizes internal use software costs incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred.

Deferred Revenues

For the professional sales service segment, amounts billable under the agreement with GE Healthcare in advance of customer acceptance of the equipment are recorded initially as deferred revenue, and commission revenue is subsequently recognized as customer acceptance of such equipment is reported to us by GEHC.

For the equipment segment, we record revenue on extended service contracts ratably over the term of the related contract period. In accordance with the provisions of ASC Topic 606, we defer revenue related to EECP® system sales for the fair value of installation and in-service training to the period when the services are rendered and for warranty obligations ratably over the service period, which is generally one year.

Income Taxes

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carry forwards for which income tax benefits are expected to be realized in future years. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized. In estimating future tax consequences, we generally consider all expected future events other than an enactment of changes in the tax laws or rates. Deferred tax assets are continually evaluated for realizability. To the extent our judgment regarding the realization of the deferred tax assets changes, an adjustment to the allowance is recorded, with an offsetting increase or decrease, as appropriate, in income tax expense. Such adjustments are recorded in the period in which our estimate as to the realizability of the assets changed that it is “more likely than not” that all of the deferred tax assets will be realized. The “more likely than not” standard is subjective and is based upon our estimate of a greater than 50% probability that the deferred tax asset will be realized.

We also comply with the provisions of the ASC Topic 740, “Income Taxes”, which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2019 and December 31, 2018. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at December 31, 2019 and December 31, 2018. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Recently Issued Accounting Pronouncements

Note B of the Notes to Consolidated Financial Statements includes a description of the Company’s evaluation of recently issued accounting pronouncements.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements are filed as part of this report.

ITEM 9A - CONTROLS AND PROCEDURES

Report on Disclosure Controls and Procedures

Disclosure controls and procedures reporting as promulgated under the Exchange Act is defined as controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our CEO and our CFO have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019 and have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control involves maintaining records that accurately represent our business transactions, providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization, and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be detected or prevented on a timely basis.

Because of its innate limitations, internal control over our financial statements is not intended to provide absolute guarantee that a misstatement can be detected or prevented on the statements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO framework). A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Based on this evaluation and those criteria, the Company's CEO and CFO concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

This report does not include an attestation report of the Company's Independent Registered Public Accounting Firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's Independent Registered Public Accounting Firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only Management's report in this Annual Report.

Changes in Internal Control over Financial Reporting

For the quarter ended December 31, 2019 there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B – OTHER INFORMATION

The Company held its annual meeting of stockholders on December 10, 2019. At the meeting, the Company's shareholders voted to approve the following proposals:

(1) The election of one director in Class II – Behnam Movaseghi - to hold office until the 2022 Annual Meeting of Stockholders; and,
(2) The appointment of Malone Bailey LLP as our independent registered public accountants for the year ending December 31, 2019.

The following table presents the voting results on these proposals:

Approved Proposals	Shareholder votes cast			
	For	Withheld	Against	Abstain
Election of Director				
Behnam Movaseghi	95,050,741	6,584,813	-	-
Appointment of public accountants	127,764,510	-	11,026,834	254,888

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

As of April 13, 2020, the members of our Board of Directors are:

Name of Director	Age	Principal Occupation	Director Since
Joshua Markowitz (2)	64	Chairman of the Board and Director	June, 2015
David Lieberman	75	Vice Chairman of the Board and Director	February, 2011
Jun Ma	56	President, Chief Executive Officer and Director	June, 2007
Jane Moen	40	Director	March, 2020
Behnam Movaseghi (1) (2)	66	Director	July, 2007
Edgar Rios (1)	67	Director	February, 2011

(1) Member of the Audit Committee
(2) Member of the Compensation Committee

The following is a brief account of the business experience for at least the past five years of our directors:

Joshua Markowitz has been a director since June 2015, and was appointed Chairman of the Board of the Company in August 2016. Mr. Markowitz has been a practicing attorney in the State of New Jersey for in excess of 30 years. He is currently a senior partner in the New Jersey law firm of Markowitz O'Donnell, LLP. Mr. Markowitz was the brother-in-law of Mr. Simon Srybnik (deceased), the former Chairman and director of the Company.

David Lieberman has been a director of the Company and the Vice Chairman of the Board, since February 2011. Mr. Lieberman has been a practicing attorney in the State of New York for more than 45 years, specializing in corporation and securities law. He is currently a senior partner at the law firm of Beckman Lieberman and Associates, LLP, which performs certain legal services for the Company and its subsidiaries. Mr. Lieberman is a former Chairman of the Board of Herley Industries, Inc., which was sold in March, 2011.

Jun Ma, PhD, has been a director since June 2007 and was appointed President and Chief Executive Officer of the Company on October 16, 2008. Dr. Ma has held various positions in academia and business, and prior to becoming President and CEO of the Company, had provided technology and business consulting services to several domestic and international companies in aerospace, automotive, biomedical, medical device, and other industries, including Kerns Manufacturing Corp. and Living Data Technology Corp., both of which are stockholders of our Company. Dr. Ma received his PhD degree in mechanical engineering from Columbia University, MS degree in biomedical engineering from Shanghai University, and BS degree in precision machinery and instrumentation from University of Science and Technology of China.

Jane Moen has been a director since March 2020. Ms. Moen has been President of the Company's wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare since June 2018 following a remarkable career track record at VasoHealthcare, starting as an Account Manager at the inception of VasoHealthcare in April 2010 and being promoted to Regional Manager in January 2012, Director of Product Business Lines in July 2012 and Vice President of Sales in April 2016. Jane Moen has been in the medical sales industry for over 17 years, having had prior experience with Ledford Medical Sales, Vital Signs, Inc., Pfizer Inc. and Ecolab, Inc.

Behnam Movaseghi, CPA, has been a director since July 2007. Mr. Movaseghi has been treasurer of Kerns Manufacturing Corporation since 2000, and controller from 1990 to 2000. For approximately ten years prior thereto Mr. Movaseghi was a tax and financial consultant. Mr. Movaseghi is a Certified Public Accountant.

Edgar G. Rios has been a director of the Company since February 2011. Mr. Rios currently is President of Edgary Consultants, LLC. and was appointed a director in conjunction with the Company's prior consulting agreement with Edgary Consultants, LLC. Most recently from 2008 thru the end of 2016, Mr. Rios was the Co-founder, CEO and Managing Member of SHD Oil & Gas LLC, an oil and gas exploration and development firm operating on the reservation of the Three Affiliate Tribes in North Dakota. Previously, Mr. Rios was a co-founder, Executive Vice President, General Counsel and Director of AmeriChoice Corporation from its inception in 1989 through its acquisition by UnitedHealthcare in 2002 and continued as a senior executive with United Healthcare through 2007. Prior to co-founding AmeriChoice, Mr. Rios was a senior executive with a number of businesses that provided technology services and non-technology products to government purchasers. Over the years, Mr. Rios also has been an investor, providing seed capital to various technology and nontechnology start-ups. Mr. Rios serves on the Board of Advisors of Columbia Law School. Mr. Rios also serves as a member of the Board of Trustees of Meharry Medical School and the Brookings Institution in Washington; and as a director of the An-Bryce Foundation and Los Padres Foundation in Virginia. Mr. Rios holds a J.D. from Columbia University Law School and an A.B. from Princeton University.

Committees of the Board of Directors

Audit Committee and Audit Committee Financial Expert

The Board has a standing Audit Committee. The Board has affirmatively determined that each director who serves on the Audit Committee is independent, as the term is defined by applicable Securities and Exchange Commission ("SEC") rules. During the year ended December 31, 2019, the Audit Committee consisted of Edgar Rios, committee chair, and Behnam Movaseghi. The members of the Audit Committee have substantial experience in assessing the performance of companies, gained as members of the Company's Board of Directors and Audit Committee, as well as by serving in various capacities in other companies or governmental agencies. As a result, they each have an understanding of financial statements. The Board believes that Behnam Movaseghi fulfills the role of the financial expert on this committee.

The Audit Committee regularly meets with our independent registered public accounting firm without the presence of management.

The Audit Committee operates under a charter approved by the Board of Directors. The Audit Committee charter is available on our website.

Compensation Committee

Our Compensation Committee annually establishes, subject to the approval of the Board of Directors and any applicable employment agreements, the compensation that will be paid to our executive officers during the coming year, as well as administers our stock-based benefit plans. During the year ended December 31, 2019, the Compensation Committee consisted of Joshua Markowitz, committee chair, and Behnam Movaseghi. Neither of these persons has been officers or employees of the Company at the time of his position on the committee, or, except as otherwise disclosed, had any relationship requiring disclosure herein.

The Compensation Committee operates under a charter approved by the Board of Directors. The Compensation Committee charter is available on our website.

MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

During the year ended December 31, 2019 there were:

- 4 meetings of the Board of Directors
- 5 meetings of the Audit Committee
- 3 meetings of the Compensation Committee

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors, executive officers and persons who beneficially own more than 10% of our common stock (collectively, "Reporting Persons") to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC. Reporting Persons are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on our review of the copies of such reports received or written representations from certain Reporting Persons that no other reports were required, we believe that during the year ended December 31, 2019 all Reporting Persons timely complied with all applicable filing requirements.

Corporate Governance - Code of Ethics

We have adopted a Corporate Code of Business Ethics (the "Code") that applies to all employees, including our principal executive officer, principal financial officer, and directors of the Company. A copy of the Code can be found on our website, www.vasocorporation.com. The Code is broad in scope and is intended to foster honest and ethical conduct, including accurate financial reporting, compliance with laws and the like. If any substantive amendments are made to the Code or if there is any grant of waiver, including any implicit waiver, from a provision of the Code to our Chief Executive Officer or Chief Financial Officer, we will disclose the nature of such amendment or waiver in a Current Report on Form 8-K.

Executive Officers of the Registrant

As of April 13, 2020 our executive officers are:

Name of Officer	Age	Position held with the Company
Jun Ma, PhD	56	President, Chief Executive Officer
Peter C. Castle	51	Chief Operating Officer
Michael J. Beecher	75	Co-Chief Financial Officer and Secretary
Jonathan P. Newton	59	Co-Chief Financial Officer and Treasurer

Peter Castle was a director from August 2010 to December 2019 and was appointed the Chief Operating Officer of the Company after the NetWolves acquisition in June 2015. Prior to the acquisition, Mr. Castle was the President and Chief Executive Officer of NetWolves Network Services, LLC, where he has been employed since 1998. At NetWolves, Mr. Castle also held the position of Chief Financial Officer from 2001 until October 2009, Vice President of Finance since January 2000, Controller from August 1998 until December 1999 and Treasurer and Secretary from August 1999.

Michael J. Beecher, CPA, was Chief Financial Officer of the Company from September 2011 and Co-Chief Financial Officer since December 10, 2019. Prior to joining Vasomedical in 2011, Mr. Beecher was Chief Financial Officer of Direct Insite Corp., a publicly held company, from December 2003 to September 2011. Prior to his position at Direct Insite, Mr. Beecher was Chief Financial Officer and Treasurer of FiberCore, Inc., a publicly held company in the fiber-optics industry. From 1989 to 1995 he was Vice-President Administration and Finance at the University of Bridgeport. Mr. Beecher began his career in public accounting with Haskins & Sells, an international public accounting firm. He is a graduate of the University of Connecticut, a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Jonathan P. Newton served as Chief Financial Officer of the Company from September 1, 2010 to September 8, 2011, Vice President of Finance and Treasurer until December 10, 2019, and is currently Co-Chief Financial Officer and Treasurer. From June 2006 to August 2010, Mr. Newton was Director of Budgets and Financial Analysis for Curtiss-Wright Flow Control. Prior to his position at Curtiss-Wright Flow Control, Mr. Newton was Vasomedical's Director of Budgets and Analysis from August 2001 to June 2006. Prior positions included Controller of North American Telecommunications Corp., Accounting Manager for Luitpold Pharmaceuticals, positions of increasing responsibility within the internal audit function of the Northrop Grumman Corporation and approximately three and one half years as an accountant for Deloitte Haskins & Sells, during which time Mr. Newton became a Certified Public Accountant. Mr. Newton holds a B.S. in Accounting from SUNY at Albany, and a B.S. in Mechanical Engineering from Hofstra University.

ITEM 11 - EXECUTIVE COMPENSATION

The following table sets forth the annual and long-term compensation of our Chief Executive Officer and each of our most highly compensated officers and employees who were serving as executive officers or employees at the end of the last completed fiscal year for services rendered for the years ended December 31, 2019 and 2018.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (2)	Total ($)
Jun Ma, PhD	2019	447,917	-	100,000	-	-	-	33,767	581,684
Chief Executive Officer	2018	375,000						32,476	407,476
Peter C. Castle	2019	350,000						15,308	365,308
Chief Operating Officer	2018	350,000						24,472	374,472
Jane Moen	2019	275,000	165,000					7,114	447,114
President of VasoHealthcare	2018	254,167	13,500	25,000				7,891	300,558
Michael J. Beecher	2019	167,500						5,218	172,718
Co-Chief Financial Officer and Secretary	2018	215,000						10,288	225,288
Jonathan P. Newton	2019	175,000		15,000				7,084	197,084
Co-Chief Financal Officer and Treasurer	2018	175,000						11,585	186,585

(1) Represents fair value on the date of grant. See Note B to the Consolidated Financial Statements included in our Form 10–K for the year ended December 31, 2019 for a discussion of the relevant assumptions used in calculating grant date fair value.

(2) Represents tax gross-ups, lodging and vehicle allowances, Company-paid life insurance, and amounts matched in the Company's 401(k) Plan.

Outstanding Equity Awards at Last Fiscal Year End

The following table provides information concerning outstanding options, unvested stock and equity incentive plan awards for our named executive officers at December 31, 2019:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options - Unexercisable	Equity Incentive Plan Awards: Number of Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Jun Ma, PhD						4,000,000	120,000	-	-
Jonathan P. Newton						500,000	15,000	-	-

The future vesting dates of the above stock awards are:

Name	Number of Shares or Units of Stock That Have Not Vested	Vesting Date
Jun Ma, PhD	1,000,000	6/1/2020
	1,000,000	6/1/2021
	1,000,000	6/1/2022
	1,000,000	6/1/2023
Jonathan P. Newton	100,000	1/1/2020
	100,000	1/1/2021
	100,000	1/1/2022
	100,000	1/1/2023
	100,000	1/1/2024

Employment Agreements

On May 10, 2019, the Company modified its Employment Agreement with its President and Chief Executive Officer, Dr. Jun Ma, to provide for a five-year term with extensions, unless earlier terminated by the Company, but in no event can it extend beyond May 31, 2026. The Employment Agreement provides for annual compensation of $500,000. Dr. Ma shall be eligible to receive a bonus for each fiscal year during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Dr. Ma shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

On June 1, 2015, the Company entered into an Employment Agreement with Mr. Peter Castle to be its Chief Operating Officer. The agreement provides for a three-year term ending on June 1, 2018 and shall extend for additional one-year periods annually commencing June 1, 2018, unless earlier terminated by the Company, but in no event can extend beyond June 1, 2021. The Employment Agreement currently provides for annual compensation of $350,000. Mr. Castle shall be eligible to receive a bonus for each fiscal year thereafter during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Mr. Castle shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company’s stock, as determined at the Board of Directors’ discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

401(k) Plan

The Company maintains a defined contribution plan to provide retirement benefits for its employees - the Vaso Corporation 401(k) Plan adopted in April 1997. As allowed under Section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary deductions for eligible employees. Employees are eligible to participate in the next quarter enrollment period after employment under the Vasomedical Plan. Participants may make voluntary contributions to the plan up to 80% of their compensation under the Vasomedical Plan. In the years ended December 31, 2019 and 2018 the Company made discretionary contributions of approximately $118,000 and $96,000, respectively, to match a percentage of employee contributions.

Director's Compensation

Non-employee directors receive a fee of $2,500 for each Board of Directors and Committee meeting attended. Committee chairs receive an annual fee of $5,000. Non-employee directors also receive an annual fee of $30,000. These fees have been paid in cash.

Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation (1) ($)	Total ($)
David Lieberman	40,000	-	-	-	-	21,486	61,486
Joshua Markowitz	50,000	-	-	-	-	-	50,000
Behnam Movaseghi	57,500	-	-	-	-	-	57,500
Edgar Rios	57,500	-	-	-	-	-	57,500

(1) Represents health benefit premiums.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2019, the Compensation Committee consisted of Joshua Markowitz, committee chair, and Behnam Movaseghi. Neither of these persons were officers or employees of the Company during the time they held positions on the committee, or, except as otherwise disclosed, had any relationship requiring disclosure herein.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the beneficial ownership of shares of our common stock as of April 13, 2020 of (i) each person known by us to beneficially own 5% or more of the shares of outstanding common stock, based solely on filings with the SEC, (ii) each of our executive officers and directors, and (iii) all of our executive officers and directors as a group. Except as otherwise indicated, all shares are beneficially owned, and investment and voting power is held by the persons named as owners. To our knowledge, except under community property laws or as otherwise noted, the persons and entities named in the table have sole voting and sole investment power over their shares of our common stock. Unless otherwise indicated, each beneficial owner listed below maintains a mailing address of c/o Vaso Corporation, 137 Commercial Street, Plainview, New York 11803.

Name of Beneficial Owner	Common Stock Beneficially Owned (1)	% of Common Stock (2)
Joshua Markowitz ** (3)	56,088,318	32.15%
Jun Ma, PhD **	10,298,146	5.90%
Peter Castle **	3,125,000	1.79%
Edgar Rios **	1,625,000	*
David Lieberman **	1,599,200	*
Jonathan Newton **	1,275,000	*
Jane Moen**	1,271,754	*
Michael J. Beecher **	1,240,400	*
Behnam Movaseghi **	1,189,404	*
** Directors and executive officers as a group (9 persons)	77,712,222	44.55%

*Less than 1% of the Company's common stock

(1) No officer or director owns more than one percent of the issued and outstanding common stock of the Company unless otherwise indicated.

(2) Applicable percentage are based on 174,436,289 shares of common stock outstanding as of April 13, 2020, adjusted as required by rules promulgated by the SEC.

(3) Joshua Markowitz is the record holder of 350,000 shares of our common stock. Additionally, he has voting power and dispositive power over 55,738,318 shares of our common stock in his capacity as executor of the estate of Simon Srybnik (the “Estate”), comprised of the following: 25,714,286 shares of common stock owned by Kerns Manufacturing, of which the Estate is the majority shareholder;17,815,007 shares of common stock owned by Living Data Technology Corp, of which the Estate is the majority shareholder; and 12,209,025 shares of common stock owned by the Estate.

Equity Compensation Plan Information

We maintain various stock plans under which stock options and stock grants are awarded at the discretion of our Board of Directors or its Compensation Committee. The purchase price of the shares under the plans and the shares subject to each option granted is not less than the fair market value on the date of the grant. The term of each option is generally five years and is determined at the time of the grant by our board of directors or the compensation committee. The participants in these plans are officers, directors, employees, and consultants of the Company and its subsidiaries and affiliates.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation plans approved by security holders	-	$ 0.00	-
Equity Compensation plans not approved by security holders (1)	1,020,208	$ 0.00	11,692,020
Total	1,020,208		11,692,020

(1) Includes 686,875 and 333,333 shares of restricted common stock granted, but unissued, under the 2013 Plan and 2016 Plan, respectively. The exercise price for the stock grants is zero. 15,059 shares, 476,961 shares, 1,700,000 shares, and 9,500,000 shares remain available for future grants under the 2010 Plan, 2013 Plan, 2016 Plan, and 2019 Plan, respectively.

See Note O to the Consolidated Financial Statements for description of the material features of our current stock plans not approved by stockholders.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

One of the Company's officers, Peter Castle, was the Chief Executive Officer and President of NetWolves Network Services, LLC, which we acquired in May 2015. One of the Company's directors, David Lieberman, was a director of NetWolves Network Services, LLC. Of the $18,000,000 purchase price paid for the acquisition, $14,200,000 was from the Company's cash on hand and the remaining $3,800,000 was raised from the sale of a Subordinated Secured Note to MedTechnology Investments, LLC ("MedTech").

On May 29, 2015, the Company entered into a Note Purchase Agreement with MedTech pursuant to which it issued MedTech a secured subordinated promissory note ("Note") for $3,800,000 for the purchase of NetWolves. MedTech was formed to acquire the Note, and $1,950,000 of the aggregate funds used to acquire the Note was provided by six of our directors. An additional $100,000 was provided by Joshua Markowitz prior to his joining the board of directors. In June 2015, a second Note for $750,000 was issued to MedTech for working capital purposes, $250,000 of which was provided by a director and a director's relative. In July 2015, an additional $250,000 was borrowed under the Note Purchase Agreement.

The Notes bear interest at an annual rate of 10%, mature on May 29, 2020, may be prepaid without penalty, and are subordinated to any current or future Senior Debt as defined in the Subordinated Security Agreement. The Subordinated Security Agreement secures payment and performance of the Company's obligations under the Notes and as a result, MedTech was granted a subordinated security interest in the Company's assets. As set forth in the following table, three directors and an officer of the Company provided funds in excess of $120,000 through Medtech during 2015. No principal payments have been made for the year ended December 31, 2019 and interest payments made during the year ended December 31, 2019, and payable at December 31, 2019, to these four parties are as indicated in the table below:

	Principal Outstanding	Interest Paid	Interest Payable
Peter C. Castle	$ 750,000	$ 53,771	$ 19,167
David Lieberman	$ 700,000	$ 50,186	$ 17,889
Jun Ma, PhD	$ 300,000	$ 21,508	$ 7,667
Edgar Rios	$ 250,000	$ 17,924	$ 6,389

In 2019, the Company issued notes to a director and an officer in excess of $120,000. No principal payments have been made for the year ended December 31, 2019 and interest payments made during the year ended December 31, 2019, and payable at December 31, 2019, to these two parties are as indicated in the table below:

	Principal Outstanding	Interest Paid	Interest Payable
Edgar Rios	$ 300,000	$ 18,767	$ 7,562
Peter C. Castle	$ 250,000	$ 11,301	$ 6,301

David Lieberman, a practicing attorney in the State of New York, serves as Vice Chairman of the Board of Directors. He is currently a senior partner at the law firm of Beckman Lieberman and Associates, LLP, which performs certain legal services for the Company. Fees of approximately $280,000 were billed by the firm for the year ended December 31, 2019 at which date no amount was outstanding.

Director Independence

We have adopted the NASDAQ Stock Market's standards for determining the independence of directors. Under these standards, an independent director means a person other than an executive officer or one of our employees or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the following persons shall not be considered independent:

- a director who is, or at any time during the past three years was, employed by us;
- a director who accepted or who has a family member who accepted any compensation from us in excess of $100,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
  - ❑ compensation for service on the Board of Directors or any committee thereof;
  - ❑ compensation paid to a family member who is one of our employees (other than an executive officer); or

- ❑ under a tax-qualified retirement plan, or non-discretionary compensation;
- a director who is a family member of an individual who is, or at any time during the past three years was, employed by us as an executive officer;
- a director who is, or has a family member who is, a partner in, or a controlling stockholder or an executive officer of, any organization to which we made, or from which we received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or $200,000, whichever is more, other than the following:
  - ❑ payments arising solely from investments in our securities; or
  - ❑ payments under non-discretionary charitable contribution matching programs;
- a director who is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of our executive officers served on the compensation committee of such other entity; or
- a director who is, or has a family member who is, a current partner of our outside auditor, or was a partner or employee of our outside auditor who worked on our audit at any time during any of the past three years.

For purposes of the NASDAQ independence standards, the term “family member” means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

The Board of Directors has assessed the independence of each non-employee director under the independence standards of the NASDAQ Stock Market set forth above, and has affirmatively determined that three of our non-employee directors (Mr. Rios, Mr. Markowitz and Mr. Movaseghi) are independent.

We expect each director to attend every meeting of the Board and the committees on which he serves as well as the annual meeting. In the year ended December 31, 2019, all directors attended both the annual meeting and at least 75% of the meetings of the Board and the committees on which they served.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

MaloneBailey, LLP and Marcum, LLP, as our respective current and prior independent registered public accounting firm, performed the audits of our consolidated financial statements for the years ended December 31, 2019 and 2018, respectively. The following table sets forth all fees for such periods:

	2019	2018
Audit fees	$ 202,472	$ 255,440
Tax fees	-	-
All other fees	-	-
Total	$ 202,472	$ 255,440

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the Company’s independent auditor. Accordingly, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. In accordance with such policies, the Audit Committee approved 100% of the services relative to the above fees.

PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements and Financial Statement Schedules

(1) See Index to Consolidated Financial Statements on page F-1 at beginning of attached financial statements.

(a) Exhibits

(3)(i) (a) Restated Certificate of Incorporation (2)
(b) Certificate of Designations of Preferences and Rights of Series E Convertible Preferred Stock (3)
(c) Certificate of Amendment to Certificate of Incorporation (11)
(3)(ii) By-Laws (1)
(4) (a) Specimen Certificate for Common Stock (1)
(b) Specimen Certificate for Series E Convertible Preferred Stock (5)
(c) Secured Subordinated Note, dated as of May 29, 2015, between Vasomedical, Inc. and MedTechnology Investments LLC(9)
(10) (a) Form of Stock Purchase Agreement (3)
(b) Redacted Sales Representative Agreement between GE Healthcare Division of General Electric Company and Vaso Diagnostics, Inc. d/b/a VasoHealthcare, a subsidiary of Vasomedical, Inc. dated as of May 19, 2010 (4).
(c) 2010 Stock Plan (5).
(d) Employment Agreement entered into as of March 21, 2011 between Vasomedical, Inc. and Jun Ma, as amended. (8)
(e) Stock Purchase Agreement dated as of August 19, 2011 among Vasomedical, Inc., Fast Growth Enterprises Limited (FGE) and the FGE Shareholders (6)
(f) Amendment to Sales Representative Agreement between GE Healthcare Division of General Electric Company and Vaso Diagnostics, Inc. d/b/a VasoHealthcare, a subsidiary of Vasomedical, Inc. dated as of June 20, 2012 (7)
(g) 2013 Stock Plan (12)
(h) Asset Purchase and Sale Agreement, dated as of May 29, 2015, by and among Vasomedical, Inc., VasoTechnology, Inc., NetWolves, LLC and NetWolves Corporation (9)
(i) Subordinated Security Agreement dated as of May 29, 2015 by and between Vasomedical, Inc. and MedTechnology Investments LLC (9)
(j) Employment Agreement dated as of June 1, 2015 between Vasomedical, Inc. and Peter C. Castle (10)
(k) 2016 Stock Plan (13)
(l) 2019 Stock Plan

(21) Subsidiaries of the Registrant

Name	State of Incorporation	Percentage Owned by Company
Vaso Diagnostics, Inc.	New York	100%
VasoMedical, Inc.	Delaware	100%
Vasomedical Global Corp.	New York	100%
Vasomedical Solutions, Inc.	New York	100%
VasoHealthcare IT Corp.	Delaware	100%
VasoTechnology, Inc.	Delaware	100%
NetWolves Network Services LLC	Florida	100%
Fast Growth Enterprises Limited	British Virgin Islands	100%
EECP Global Corporation	New York	100%

(31) Certification Reports pursuant to Securities Exchange Act Rule 13a - 14
(32) Certification Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to Registration Statement on Form S-18, No. 33-24095.
(2) Incorporated by reference to Registration Statement on Form S-1, No. 33-46377 (effective 7/12/94).
(3) Incorporated by reference to Report on Form 8-K dated June 21, 2010.
(4) Incorporated by reference to Report on Form 8-K/A dated May 19, 2010 and filed November 9, 2010.
(5) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 2010.
(6) Incorporated by reference to Report on Form 10-K for the fiscal year ended May 31, 2011.
(7) Incorporated by reference to Report on Form 8-K dated June 20, 2012.
(8) Incorporated by reference to Report on Form 8-K dated March 21, 2011.
(9) Incorporated by reference to Report on Form 8-K dated May 29, 2015.
(10) Incorporated by reference to Report on Form 8-K dated October 8, 2015.
(11) Incorporated by reference to Report on Form 10-Q for the quarter ended September 30, 2016.
(12) Incorporated by reference to Report on Form 10-Q for the quarter ended September 30, 2013.
(13) Incorporated by reference to Report on Form 10-Q for the quarter ended June 30, 2016.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 13th day of April 2020.

VASO CORPORATION

By: /s/ Jun Ma

Jun Ma
President, Chief Executive Officer, and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on April 13, 2020, by the following persons in the capacities indicated:

/s/ Jun Ma Jun Ma	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Michael Beecher Michael Beecher	Chief Financial Officer (Principal Financial Officer)
/s/ Joshua Markowitz Joshua Markowitz	Chairman of the Board
/s/ David Lieberman David Lieberman	Vice Chairman of the Board
/s/ Edgar Rios Edgar Rios	Director
/s/ Behnam Movaseghi Behnam Movaseghi	Director

Vaso Corporation and Subsidiaries

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
Vaso Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vaso Corporation and Subsidiaries (the “Company”) as of December 31, 2019, the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity and cash flows for the year ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Malone Bailey LLP

Malone Bailey LLP

We have served as the Company’s auditor since June 2019.

Houston, TX
April 13, 2020

To the Shareholders and Board of Directors of
Vaso Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vaso Corporation and Subsidiaries (the “Company”) as of December 31, 2018, the related consolidated statements of operations and comprehensive loss, stockholders’ equity and cash flows for the year ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note A, the Company has incurred significant losses and needs to extend the maturity dates of its lines of credit and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note A. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor from 2014 to 2019.

Melville, NY
April 15, 2019

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,124	$ 2,668
Accounts and other receivables, net of an allowance for doubtful accounts and commission adjustments of $4,285 at December 31, 2019 and $3,994 at December 31, 2018	15,852	11,028
Receivables due from related parties	18	20
Inventories	1,941	1,983
Deferred commission expense	2,785	2,585
Prepaid expenses and other current assets	1,339	890
Total current assets	24,059	19,174
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $7,560 at December 31, 2019 and $6,370 at December 31, 2018	4,954	5,809
OPERATING LEASE RIGHT OF USE ASSETS	870	-
GOODWILL	17,271	17,309
INTANGIBLES, net	4,301	4,740
OTHER ASSETS, net	2,586	3,067
DEFERRED TAX ASSETS, net	323	375
	$ 54,364	$ 50,474
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 6,179	$ 6,284
Accrued commissions	2,102	2,116
Accrued expenses and other liabilities	5,344	5,655
Finance lease liabilities - current	170	188
Operating lease liabilities - current	549	-
Sales tax payable	887	1,020
Deferred revenue - current portion	12,345	10,382
Notes payable - current portion	2,700	9,116
Notes payable - related parties - current portion	1,233	582
Due to related party	19	10
Total current liabilities	31,528	35,353
LONG-TERM LIABILITIES		
Notes payable, net of current portion	8,121	-
Notes payable - related parties, net of current portion	20	245
Finance lease liabilities, net of current portion	437	400
Operating lease liabilities, net of current portion	321	-
Deferred revenue, net of current portion	6,998	7,704
Deferred tax liability	124	124
Other long-term liabilities	1,026	1,037
Total long-term liabilities	17,047	9,510
COMMITMENTS AND CONTINGENCIES (NOTE Q)		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 1,000,000 shares authorized; nil shares issued and outstanding at December 31, 2019 and December 31, 2018	-	-
Common stock, $.001 par value; 250,000,000 shares authorized; 183,744,376 and 177,417,287 shares issued at December 31, 2019 and December 31 2018, respectively; 173,436,289 and 167,109,200 shares outstanding at December 31, 2019 and December 31, 2018, respectively	184	178
Additional paid-in capital	63,803	63,672
Accumulated deficit	(55,885)	(55,924)
Accumulated other comprehensive loss	(313)	(315)
Treasury stock, at cost, 10,308,087 shares at December 31, 2019 and December 31, 2018	(2,000)	(2,000)
Total stockholders' equity	5,789	5,611
	$ 54,364	$ 50,474

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share data)

	Year ended December 31,	
	2019	2018
Revenues		
Managed IT systems and services	$ 45,736	$ 44,228
Professional sales services	26,208	25,511
Equipment sales and services	3,802	4,241
Total revenues	75,746	73,980
Cost of revenues		
Cost of managed IT systems and services	26,715	25,849
Cost of professional sales services	4,921	5,346
Cost of equipment sales and services	1,447	1,661
Total cost of revenues	33,083	32,856
Gross profit	42,663	41,124
Operating expenses		
Selling, general and administrative	40,838	43,962
Research and development	813	886
Total operating expenses	41,651	44,848
Operating income (loss)	1,012	(3,724)
Other (expense) income		
Interest and financing costs	(993)	(750)
Interest and other income, net	131	143
Gain on sale of investment in VSK	-	212
Total other (expense) income, net	(862)	(395)
Income (loss) before income taxes	150	(4,119)
Income tax (expense) benefit	(111)	385
Net income (loss)	39	(3,734)
Other comprehensive income (loss)		
Foreign currency translation (loss) gain	2	(257)
Comprehensive income (loss)	$ 41	$ (3,991)
Earnings (loss) per common share		
- basic	$ 0.00	$ (0.02)
- diluted	$ 0.00	$ (0.02)
Weighted average common shares outstanding		
- basic	167,843	165,420
- diluted	168,090	165,420

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock		Treasury Stock		Additional Paid-in-	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity
Balance at January 1, 2018	**175,742**	**$ 176**	**(10,308)**	**$ (2,000)**	**$ 63,363**	**$ (52,329)**	**$ (58)**	**$ 9,152**
Share-based compensation	1,675	2	-	-	311	-	-	313
Adoption of new accounting standard (*)	-	-	-	-	-	139	-	139
Shares not issued for employee tax liability	-	-	-	-	(2)	-	-	(2)
Foreign currency translation gain (loss)	-	-	-	-	-	-	(257)	(257)
Net loss	-	-	-	-	-	(3,734)	-	(3,734)
Balance at December 31, 2018	**177,417**	**$ 178**	**(10,308)**	**$ (2,000)**	**$ 63,672**	**$ (55,924)**	**$ (315)**	**$ 5,611**
Balance at January 1, 2019	**177,417**	**$ 178**	**(10,308)**	**(2,000)**	**$ 63,672**	**$ (55,924)**	**$ (315)**	**$ 5,611**
Share-based compensation	6,327	6	-	-	135	-	-	141
Shares not issued for employee tax liability	-	-	-	-	(4)	-	-	(4)
Foreign currency translation gain (loss)	-	-	-	-	-	-	2	2
Net income	-	-	-	-	-	39	-	39
Balance at December 31, 2019	**183,744**	**$ 184**	**(10,308)**	**$ (2,000)**	**$ 63,803**	**$ (55,885)**	**$ (313)**	**$ 5,789**

(*) Accounting Standards Codification Topic 606, Revenue from Contracts with Customers.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year ended December 31,	
	2019	2018
Cash flows from operating activities		
Net income (loss)	$ 39	$ (3,734)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	2,681	2,522
Deferred income taxes	52	(374)
Loss from interest in joint venture	-	9
Gain on sale of investment in VSK	-	(212)
Provision for doubtful accounts and commission adjustments	507	460
Amortization of debt issue costs	14	32
Share-based compensation	141	313
Changes in operating assets and liabilities:		
Accounts and other receivables	(5,301)	1,725
Due to related parties	10	-
Inventories	31	329
Deferred commission expense	(200)	1,174
Prepaid expenses and other current assets	(450)	98
Other assets, net	449	223
Accounts payable	(105)	864
Accrued commissions	(56)	(599)
Accrued expenses and other liabilities	(261)	602
Sales tax payable	(131)	239
Deferred revenue	1,258	(4,981)
Deferred tax liability	-	(97)
Other long-term liabilities	(11)	(46)
Net cash used in operating activities	(1,333)	(1,453)
Cash flows from investing activities		
Purchases of equipment and software	(1,205)	(2,586)
Sale of fixed assets	22	-
Proceeds from sale of investment in VSK	-	311
Net cash used in investing activities	(1,183)	(2,275)
Cash flows from financing activities		
Net borrowings on revolving lines of credit	1,550	778
Payroll taxes paid by withholding shares	(4)	(2)
Repayment of capital lease obligations	-	(156)
Repayment of notes payable and finance lease obligations	(367)	-
Proceeds from notes payable	300	21
Proceeds from notes payable - related parties	930	500
Repayment of notes payable - related parties	(500)	-
Net cash provided by financing activities	1,909	1,141
Effect of exchange rate differences on cash and cash equivalents	63	10
NET DECREASE IN CASH AND CASH EQUIVALENTS	(544)	(2,577)
Cash and cash equivalents - beginning of year	2,668	5,245
Cash and cash equivalents - end of year	$ 2,124	$ 2,668
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Interest paid	$ 784	$ 701
Income taxes paid	$ 62	$ 79
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Initial recognition of operating lease right of use asset and liability	$ 1,107	$ -
Sale of investment in VSK	$ -	$ 676
Equipment acquired through finance lease	$ 229	$ 529

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

NOTE A – DESCRIPTION OF BUSINESS AND GOING CONCERN ASSESSMENT

Vaso Corporation was incorporated in Delaware in July 1987. For most of its history, the Company was a single-product company designing, manufacturing, marketing and servicing its proprietary Enhanced External Counterpulsation, or EECP®, therapy systems, mainly for the treatment of angina. In 2010 it began to diversify its business operations. The Company changed its name to Vaso Corporation in 2016 to more accurately reflect the diversified nature of its business mixture, and continues to use the original name VasoMedical for its proprietary medical device subsidiary. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Vaso" or "management" refer to Vaso Corporation and its subsidiaries.

Overview

Vaso Corporation principally operates in three distinct business segments in the healthcare equipment and information technology industries. We manage and evaluate our operations, and report our financial results, through these three business segments.

- IT segment, operating through a wholly-owned subsidiary VasoTechnology, Inc., primarily focuses on healthcare IT and managed network technology services;

- Professional sales service segment, operating through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, primarily focuses on the sale of healthcare capital equipment for General Electric Healthcare ("GEHC") into the health provider middle market; and

- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices, operating through a wholly-owned subsidiary VasoMedical, Inc., which in turn operates through Vasomedical Solutions, Inc. for domestic business and Vasomedical Global Corp. for international business, respectively.

VasoTechnology

VasoTechnology, Inc. was formed in May 2015, at the time the Company acquired all of the assets of NetWolves, LLC and its affiliates, including the membership interests in NetWolves Network Services, LLC (collectively, "NetWolves"). It currently consists of a managed network and security service division, NetWolves, and a healthcare IT application VAR (value added reseller) division, VasoHealthcare IT.

In June 2014, the Company began its IT segment business by executing the Value Added Reseller Agreement ("VAR Agreement") with GEHC to become a national value added reseller of GEHC Digital's software solutions such as Picture Archiving and Communication System ("PACS"), Radiology Information System ("RIS"), and related services, including implementation, training, management and support. This business focuses primarily on customer segments currently served by VasoHealthcare on behalf of GEHC. A new wholly owned subsidiary, VasoHealthcare IT Corp. ("VHC IT"), was formed to conduct the healthcare IT business.

In May 2015, the Company further expanded its IT segment business by acquiring NetWolves. NetWolves designs and delivers multi-network and multi-technology solutions as a managed network provider, and provides a complete single-source solution that includes design, network redundancy, application device management, real-time network monitoring, reporting and support systems as a comprehensive solution.

VasoHealthcare

In May 2010, the Company launched its Professional Sales Service business through a wholly-owned subsidiary Vaso Diagnostics, Inc. d/b/a VasoHealthcare, which was appointed the exclusive representative for the sale of select GEHC diagnostic imaging equipment to specific market segments in the 48 contiguous states of the United States and the District of Columbia. The original agreement ("GEHC Agreement") has been extended several times and currently expires December 31, 2022, subject to earlier termination.

VasoMedical

The proprietary medical equipment business now all under VasoMedical traces back to 1995 when the Company began the external counterpulsation technology in the United States. Vasomedical Global was formed in 2011 to combine and coordinate the various international operations including design, development, manufacturing, and sales of medical devices, while domestic activities are under Vasomedical Solutions.

The Company's Equipment business also has been significantly expanded from the original EECP ®-only operations. In September 2011, the Company acquired FGE, a British Virgin Islands company, which owns or controls two Chinese operating companies - Life Enhancement Technology Ltd. ("LET") based in Foshan, China, and Biox Instruments Co. Ltd. ("Biox") based in Wuxi, China, respectively - to expand its technical and manufacturing capabilities and to enhance its distribution network, technology, and product portfolio. Biox was a variable interest entity ("VIE") controlled by FGE through certain contracts and an option to acquire all the shares of Biox by FGE's wholly owned subsidiary Gentone, and in March 2019 Gentone exercised its option to acquire all of the shares of Biox. In August 2014, the Company through Gentone acquired all of the outstanding shares of Genwell Instruments Co. Ltd. ("Genwell"), located in Wuxi, China. Genwell was formed in China in 2010 with the assistance of a government grant to develop the MobiCare™ wireless multi-parameter patient monitoring system and holds intellectual property rights for this system. As a result, the Company has now expanded its equipment products portfolio to include Biox™ series ambulatory patient monitoring systems, ARCS™ series software for ECG and blood pressure analysis, and the MobiCare™ patient monitoring device. In 2017, as an effort to further reduce engineering and production cost of its EECP® products, the Company moved the operations of LET from Foshan, China to Biox in Wuxi, China, and closed LET in 2018.

In April 2014, the Company entered into a cooperation agreement with Chongqing PSK-Health Sci-Tech Development Co., Ltd. ("PSK") of Chongqing, China, the leading manufacturer of external counter pulsation, or ECP, therapy systems in China, to form a joint venture company, VSK Medical Limited ("VSK"), a Cayman Islands company, for the global marketing, sale and advancement of ECP therapy technology. The Company owned 49.9% of VSK, which commenced operations in January 2015. In March 2018, the Company terminated the cooperation agreement with PSK and sold its shares in VSK to PSK (see Note K).

Going concern assessment

We achieved profitability in the year ended December 31, 2019; however, we incurred net losses from operations for the years ended December 31, 2018 and 2017, and we maintain lines of credit from a lending institution. Due to the impending maturity of such lines at the time of our previous quarterly filing on Form 10Q, we reported at that time that substantial doubt remained about our ability to continue as a going concern. In April 2020, we resolved the conditions that raised such substantial doubt by extending the maturity date of these lines of credit and another substantial debt to April 30, 2021. Our ability to sustain profitability is dependent on many factors, primarily being the sufficient and timely generation of cash and recognition of revenue in our professional sales services segment, attaining profitability in our IT segment, the success of our marketing, sales and cost reduction efforts in the equipment segment, as well as the success of our other strategic initiatives.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the consolidated financial statements are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of Vaso Corporation, its wholly-owned subsidiaries, and the accounts of the companies over which we exercise control. Significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates and assumptions relate to estimates of collectibility of accounts receivable, the realizability of deferred tax assets, stock-based compensation, values and lives assigned to acquired intangible assets, fair value of reporting units in connection with goodwill impairment test, the adequacy of inventory reserves, variable consideration, and allocation of contract transaction price to performance obligations. Actual results could differ from those estimates.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. ASU 2014-09 replaced most existing revenue recognition guidance in U.S. GAAP. The new standard introduces a five-step process to be followed in determining the amount and timing of revenue recognition. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers, and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. Generally, we recognize revenue under Topic 606 for each of our performance obligations either over time (generally, the transfer of a service) or at a point in time (generally, the transfer of a good) as follows:

- Vaso Technology

  Revenue relating to recurring managed network and voice services provided by NetWolves are recognized as provided on a monthly basis ("over time"). Non-recurring charges related to the provision of such services are recognized in the period provided ("point in time"). In the IT VAR business, software system installations are recognized upon verification of installation and expiration of an acceptance period ("point in time"). Monthly post-implementation customer support provided under such installations as well as software solutions offered under a monthly Software as a Service ("SaaS") fee basis are recognized monthly over the contract term ("over time").

- VasoHealthcare

  Commission revenue is recognized when the underlying equipment has been delivered by GEHC and accepted at the customer site in accordance with the terms of the specific sales agreement ("point in time").

- VasoMedical

  In the United States, we recognized revenue from the sale of our medical equipment in the period in which we deliver the product to the customer ("point in time"). Revenue from the sale of our medical equipment to international markets is recognized upon shipment of the product to a common carrier, as are supplies, accessories and spare parts delivered in both domestic and international markets ("point in time"). The Company also recognizes revenue from the maintenance of EECP® systems either on a time and material as-billed basis ("point in time") or through the sale of a service contract, where revenue is recognized ratably over the contract term ("over time").

Impact of Adoption

Effective January 1, 2018, the Company adopted the requirements of Topic 606 using the modified retrospective method, which provided that the cumulative effect from prior periods upon applying the new guidance was recognized in our consolidated balance sheets as of the date of adoption, including an adjustment to retained earnings, and that prior periods are not retrospectively adjusted. The Company elected to apply the modified retrospective method only to contracts that were not completed at January 1, 2018. A summary and discussion of such cumulative effect adjustment and the impact on the financial statements of adopting Topic 606 is as follows:

	(in thousands) Year ended December 31, 2018		
	prior U.S. GAAP	**Topic 606 impact**	**as reported**
STATEMENT OF OPERATIONS			
Revenues			
Professional sales services	$ 25,511	$ -	$ 25,511
Total revenues	73,980	-	73,980
Gross Profit	41,124	-	41,124
Operating expenses			
Selling, general and administrative	44,083	(121)	43,962
Operating loss	$ (3,845)	$ 121	$ (3,724)

	(in thousands) As of December 31, 2018		
	prior U.S. GAAP	**Topic 606 impact**	**as reported**
ASSETS			
Accounts and other receivables, net	$ 11,028	$ -	$ 11,028
Deferred commission expense	$ 2,577	$ 8	$ 2,585
Other assets, net	$ 2,877	$ 190	$ 3,067
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deferred revenue - current portion	$ 10,382	$ -	$ 10,382
Deferred revenue - long term	$ 7,704	$ -	$ 7,704
Accumulated deficit	$ (56,185)	$ 261	$ (55,924)

Disaggregation of Revenue

The following tables present revenues disaggregated by our business operations and timing of revenue recognition:

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	IT segment	Professional sales service segment	Equipment segment	Total	IT segment	Professional sales service segment	Equipment segment	Total
Network services	$ 40,193			$ 40,193	$ 40,254			$ 40,254
Software sales and support	5,543			5,543	3,974			3,974
Commissions		26,208		26,208		25,511		25,511
Medical equipment sales			2,778	2,778			3,151	3,151
Medical equipment service			1,024	1,024			1,090	1,090
	$ 45,736	$ 26,208	$ 3,802	$ 75,746	$ 44,228	$ 25,511	$ 4,241	$ 73,980

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	IT segment	Professional sales service segment	Equipment segment	Total	IT segment	Professional sales service segment	Equipment segment	Total
Revenue recognized over time	$ 40,859	$ -	$ 595	$ 41,454	$ 39,340	$ -	$ 658	$ 39,998
Revenue recognized at a point in time	4,877	26,208	3,207	34,292	4,888	25,511	3,583	33,982
	$ 45,736	$ 26,208	$ 3,802	$ 75,746	$ 44,228	$ 25,511	$ 4,241	$ 73,980

Transaction Price Allocated to Remaining Performance Obligations

As of December 31, 2019, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts approximates $82 million, of which we expect to recognize revenue as follows:

	Fiscal years of revenue recognition			
	2020	2021	2022	Thereafter
Unfulfilled performance obligations	$ 45,599	$ 18,259	$ 8,448	$ 9,254

Contract Liabilities

Contract liabilities arise in our IT VAR, VasoHealthcare, and VasoMedical businesses. In our IT VAR business, payment arrangements with clients typically include an initial payment due upon contract signing and milestone-based payments based upon product delivery and go-live, as well as post go-live monthly payments for subscription and support fees. Customer payments received, or receivables recorded, in advance of go-live and customer acceptance, where applicable, are deferred as contract liabilities. Such amounts aggregated approximately $568,000 and $344,000 at December 31, 2019 and 2018, respectively, and are included in accrued expenses and other liabilities in our consolidated balance sheets.

In our VasoHealthcare business, we bill a portion of commissions on the orders we booked in advance of delivery of the underlying equipment. Such amounts aggregated approximately $18,565,000 and $17,098,000 at December 31, 2019 and 2018, respectively, and are classified in our consolidated balance sheets into current or long-term deferred revenue. In addition, we record a contract liability for amounts expected to be credited back to GEHC due to customer order reductions. Such amounts aggregated approximately $1,270,000 and $2,315,000 at December 31, 2019 and 2018, respectively, and are included in accrued expenses and other liabilities in our consolidated balance sheets.

In our VasoMedical business, we bill amounts for post-delivery services and varying duration service contracts in advance of performance. Such amounts aggregated approximately $778,000 and $988,000 at December 31, 2019 and 2018, respectively, and are classified in our consolidated balance sheets as either current or long-term deferred revenue.

During the year ended December 31, 2019, we recognized approximately $6.0 million of revenues that were included in our contract liability balance at the beginning of such period.

Costs to Obtain or Fulfill a Contract

Topic 606 requires that incremental costs of obtaining a contract are recognized as an asset and amortized to expense in a pattern that matches the timing of the revenue recognition of the related contract. We have determined the only significant incremental costs incurred to obtain contracts with customers within the scope of Topic 606 are certain sales commissions paid to associates. In addition, the Company elected the practical expedient to recognize the incremental costs of obtaining a contract when incurred for contracts where the amortization period for the asset the Company would otherwise have recognized is one year or less.

Under prior U.S. GAAP, we recognized sales commissions in our equipment segment as incurred. Under Topic 606, sales commissions applicable to service contracts exceeding one year have been capitalized and amortized ratably over the term of the contract. In our IT VAR business, all commissions paid in advance of go-live were, under prior U.S. GAAP, capitalized as deferred commission expense and charged to expense at go-live or customer acceptance, as applicable. Under Topic 606, IT VAR commissions allocable to multi-year subscription contracts or multi-year post-contract support performance obligations are amortized to expense ratably over the terms of the multi-year periods. IT VAR commissions allocable to other elements continue to be charged to expense at go-live or customer acceptance, as was previously done. At the date of adoption of Topic 606, we recorded an asset, and related adjustment to retained earnings, of approximately $139,000 in our consolidated balance sheets for the amount of unamortized sales commissions for prior periods, as calculated under the new guidance. The impact to our financial statements of adopting Topic 606, as it relates to costs to obtain contracts, was a reduction in commission expense of approximately $121,000 for the year ended December 31, 2018, an increase in deferred commission expense of approximately $8,000, and an increase in long term deferred commission expense (recorded in other assets) of approximately $190,000 (inclusive of the beginning balance adjustment of $139,000).

In our professional sales services segment, under both prior U.S. GAAP and Topic 606, commissions paid to our sales force are deferred until the underlying equipment is accepted by the customer.

At December 31, 2019, our consolidated balance sheet includes approximately $4,555,000 in capitalized sales commissions to be expensed in future periods, of which $2,785,000 is recorded in deferred commission expense and $1,770,000, representing the long-term portion, is included in other assets.

Significant Judgments when Applying Topic 606

Contract transaction price is allocated to performance obligations using estimated stand-alone selling price. Judgment is required in estimating stand-alone selling price for each distinct performance obligation. We determine stand-alone selling price maximizing observable inputs such as stand-alone sales when they exist or substantive renewal price charged to clients. In instances where stand-alone selling price is not observable, we utilize an estimate of stand-alone selling price based on historical pricing and industry practices.

Certain revenue we record in our professional sales service segment contains an estimate for variable consideration. Due to the tiered structure of our commission rate, which increases as annual targets are achieved, under Topic 606 we record revenue and deferred revenue at the rate we expect to be achieved by year end. Under prior U.S. GAAP, we recognized revenue at the rate achieved at the applicable reporting date. We base our estimate of variable consideration on historical results of previous years' achievement under the GEHC agreement. Such estimate will be reviewed each quarter and adjusted as necessary. The Company recognized reductions in revenue associated with revisions to variable consideration for previously completed performance obligations of $8,000 for the year ended December 31, 2019.

Shipping and Handling Costs

All shipping and handling expenses are charged to cost of sales. Amounts billed to customers related to shipping and handling costs are included as a component of sales.

Research and Development

Research and development costs attributable to development are expensed as incurred.

Share-Based Compensation

The Company complies with ASC Topic 718, "Compensation – Stock Compensation" ("ASC 718"), which requires all companies to recognize the cost of services received in exchange for equity instruments to be recognized in the financial statements based on their grant date fair values. The Company applies an estimated forfeiture rate to the grant date fair value to determine the annual compensation cost of share-based payment arrangements with employees. The forfeiture rate is estimated based primarily on job title and prior forfeiture experience. The Company did not grant any awards to non-employees during the years ended December 31, 2019 and 2018.

During the year ended December 31, 2019, the Company granted 5,500,000 restricted shares of common stock valued at $115,000 to officers. The shares vest over four year from the grant date. The total fair value of shares vested during the year ended December 31, 2019 was $65,000 for officers and $113,000 for employees. The weighted average grant date fair value of shares granted during the year ended December 31, 2019 was $0.02 per share.

During the year ended December 31, 2018, the Company granted 975,000 restricted shares of common stock valued at $63,000 to non-officer employees, and 725,000 restricted shares of common stock valued at $44,000 to officers. The 975,000 shares granted to non-officer employees vest at various times over three to five years from the grant date and the 725,000 shares granted to officers vested in April 2018. The total fair value of shares vested during the year ended December 31, 2018 was $385,000 for employees. The weighted average grant date fair value of shares granted during the year ended December 31, 2018 was $0.06 per share.

The Company did not grant any stock options during the years ended December 31, 2019 or 2018, nor were any options exercised during such periods. No options were outstanding at December 31, 2019 or 2018.

Share-based compensation expense recognized for the years ended December 31, 2019 and 2018 was $141,000 and $313,000, respectively, and is recorded in selling, general, and administrative expense in the consolidated statements of operations and comprehensive loss. Unrecognized expense related to existing share-based compensation and arrangements is approximately $158,000 at December 31, 2019 and will be recognized over a weighted-average period of approximately 16 months.

Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term, highly liquid investments either in certificates of deposit, treasury bills, money market funds, or investment grade commercial paper issued by major corporations and financial institutions that generally have maturities of three months or less from the date of acquisition.

Accounts Receivable, net

The Company's accounts receivable are due from customers to whom we sell our products and services, distributors engaged in the distribution of our products and from GEHC. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due 30 to 90 days from shipment and services provided and are stated at amounts due from customers net of allowances for doubtful accounts, returns, term discounts and other allowances. Accounts that are outstanding longer than the contractual payment terms are considered past due. Estimates are used in determining the allowance for doubtful accounts based on the Company's historical collections experience, current trends, credit policy and a percentage of its accounts receivable by aging category. In determining these percentages, the Company reviews historical write-offs of their receivables. The Company also looks at the credit quality of their customer base as well as changes in their credit policies. The Company continuously monitors collections and payments from our customers, and writes off receivables when all efforts at collection have been exhausted. While credit losses have historically been within expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that they have in the past.

The changes in the Company's allowance for doubtful accounts and commission adjustments are as follows:

	(in thousands)	
	Year ended December 31,	
	2019	**2018**
Beginning Balance	$ 3,994	$ 4,872
Provision for losses on accounts receivable	507	460
Direct write-offs, net of recoveries	(528)	(268)
Commission adjustments	312	(1,070)
Ending Balance	$ 4,285	$ 3,994

Concentrations of Credit Risk

We market our equipment and IT software solutions principally to hospitals, diagnostic imaging centers and physician private practices. We perform credit evaluations of our customers' financial condition and, as a result, believe that our receivable credit risk exposure is limited. For the years ended December 31, 2019 and 2018, no customer in our equipment or IT segment accounted for 10% or more of revenues or accounts receivable. In our professional sales service segment, 100% of our revenues and accounts receivable are with GEHC; however, we believe this risk is acceptable based on GEHC's financial position and our long history of doing business with GEHC.

The Company maintains cash balances in certain U.S. financial institutions, which, at times, may exceed the Federal Depository Insurance Corporation ("FDIC") coverage of $250,000. The Company has not experienced any losses on these accounts and believes it is not subject to any significant credit risk on these accounts. In addition, the FDIC does not insure the Company's foreign bank balances, which aggregated approximately $352,000 and $519,000 at December 31, 2019 and 2018, respectively.

Inventories

The Company values inventories in the equipment segment at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis. The Company occasionally places EECP® systems and other medical device products at various field locations for demonstration, training, evaluation, and other similar purposes at no charge. The cost of these products is transferred to property and equipment and is amortized over two to five years. The Company records the cost of refurbished components of EECP® systems and critical components at cost plus the cost of refurbishment. The Company regularly reviews inventory quantities on hand, particularly raw materials and components, and records a provision for excess and slow moving inventory based primarily on existing and anticipated design and engineering changes to its products as well as forecasts of future product demand.

In our IT Segment, we purchase computer hardware and software for specific customer requirements and value such inventories using the specific identification method.

Property and Equipment

Property and equipment, including assets under finance leases, are stated at cost less accumulated depreciation and amortization. Major improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the consolidated balance sheets. Depreciation is expensed over the estimated useful lives of the assets, which range from two to eight years, on a straight-line basis. Accelerated methods of depreciation are used for tax purposes. We amortize leasehold improvements over the useful life of the related leasehold improvement or the life of the related lease, whichever is less.

Goodwill and Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets of businesses acquired. The Company accounts for goodwill under the guidance of the ASC Topic 350, "Intangibles: Goodwill and Other". Goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment, at least annually, in accordance with this guidance. The recoverability of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The Company tests goodwill for impairment at the reporting unit level on an annual basis as of December 31 and between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired. In any year, the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If the Company cannot determine qualitatively that the fair value is in excess of the carrying value, or the Company decides to bypass the qualitative assessment, the Company proceeds to the quantitative goodwill impairment test, which compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. No impairment loss was recorded as of December 31, 2019 and 2018.

Intangible assets consist of the value of customer contracts and relationships, patent and technology costs, and software. The cost of significant customer-related intangibles is amortized in proportion to estimated total related revenue; cost of other intangible assets is generally amortized on a straight-line basis over the asset's estimated economic life, which range from five to ten years. The Company capitalizes internal use software development costs incurred during the application development stage. Costs related to preliminary project activities, training, data conversion, and post implementation activities are expensed as incurred. The Company capitalized $494,000 and $527,000 in software development costs for the years ended December 31, 2019 and 2018, respectively.

Impairment of Long-lived Assets

The Company reviews the recoverability of all long-lived assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. If required, the Company compares the estimated fair value determined by either the undiscounted future net cash flows or appraised value to the related asset's carrying value to determine whether there has been an impairment. If an asset is considered impaired, the asset is written down to fair value, which is based either on discounted cash flows or appraised values in the period the impairment becomes known. No assets were determined to be impaired as of December 31, 2019 and 2018.

Deferred Revenue

Amounts billable under the agreement with GEHC in advance of delivery of the underlying equipment are recorded initially as deferred revenue, and commission revenue is subsequently recognized as customer acceptance of such equipment is reported to us by GEHC. Similarly, commissions payable to our sales force related to such billings are recorded as deferred commission expense when the associated deferred revenue is recorded. Commission expense is recognized when the corresponding commission revenue is recognized.

We record revenue on extended service contracts ratably over the term of the related service contracts. Under the provisions of ASC 606, we defer revenue related to EECP® system sales for the fair value of installation and in-service training to the period when the services are rendered and for service obligations ratably over the service period, which is generally one year. (See Note I)

Income Taxes

Deferred income taxes are recognized for temporary differences between financial statement and income tax bases of assets and liabilities and loss carry-forwards for which income tax benefits are expected to be realized in future years. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized. In estimating future tax consequences, we generally consider all expected future events other than an enactment of changes in the tax laws or rates. Deferred tax assets are continually evaluated for the expected realization. To the extent our judgment regarding the realization of the deferred tax assets changes, an adjustment to the allowance is recorded, with an offsetting increase or decrease, as appropriate, in income tax expense. Such adjustments are recorded in the period in which our estimate as to the realization of the assets changed that it is "more likely than not" that all of the deferred tax assets will be realized. The "realization" standard is subjective and is based upon our estimate of a greater than 50% probability that the deferred tax asset can be realized.

The Company also complies with the provisions of ASC Topic 740, "Income Taxes", which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by the relevant taxing authority based on the technical merits. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. Derecognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces ending retained earnings. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2019 and 2018. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at December 31, 2019 and 2018. Generally, the Company is no longer subject to income tax examinations by major domestic taxing authorities for years before 2016. According to the China tax regulatory framework, there is no statute of limitations on examination of tax filings by tax authorities. However, the general practice is going back five years. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Foreign Currency Translation Gain (Loss) and Comprehensive Income (Loss)

In countries in which the Company operates, and the functional currency is other than the U.S. dollar, assets and liabilities are translated using published exchange rates in effect at the consolidated balance sheet date. Equity accounts are translated at historical rates except for the changes in accumulated deficit during the year as the result of the income statement translation process. Revenues and expenses and cash flows are translated using a weighted average exchange rate for the period. Resulting translation adjustments are recorded as a component of accumulated other comprehensive loss on the accompanying consolidated balance sheets. For the years ended December 31, 2019 and 2018, other comprehensive income (loss) includes gains (losses) of $2,000 and $(257,000), respectively, which were entirely from foreign currency translation.

Net Income (Loss) Per Common Share

Basic income (loss) per common share is based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per common share is based on the weighted average number of common and potential dilutive common shares outstanding.

Diluted earnings per share were computed based on the weighted average number of shares outstanding plus all potentially dilutive common shares. A reconciliation of basic to diluted shares used in the earnings per share calculation is as follows:

	(in thousands)	
	Year ended December 31,	
	2019	**2018**
Basic weighted average shares outstanding	167,843	165,420
Dilutive effect of unvested restricted shares	247	-
Diluted weighted average shares outstanding	168,090	165,420

The following table represents common stock equivalents that were excluded from the computation of diluted earnings per share for the years ended December 31, 2019 and 2018, because the effect of their inclusion would be anti-dilutive.

	(in thousands)	
	Year ended December 31,	
	2019	**2018**
Restricted common stock grants	1,020	2,388

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the current year presentation.

Recently Adopted Accounting Pronouncements

Effective January 1, 2019, the Company adopted Accounting Standards Codification (“ASC”) Topic 842, "Leases." See Note M for further details.

Recently Issued Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. Where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company's consolidated financial statements properly reflect the change. New pronouncements assessed by the Company recently are discussed below:

Credit Losses on Financial instruments

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which provides new guidance regarding the measurement and recognition of credit impairment for certain financial assets. Such guidance will impact how we determine our allowance for estimated uncollectible receivables. ASU 2016-13 is effective for the Company in the first quarter of 2020, with early adoption permitted in the first quarter of 2019. We are currently evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures, and we did not early adopt.

NOTE C – SEGMENT REPORTING

The Company views its business in three segments – the IT segment, the professional sales service segment, and the equipment segment. The IT segment includes the operations of NetWolves and VasoHealthcare IT Corp. The professional sales service segment operates through the Vaso Diagnostics subsidiary and is currently engaged solely in the fulfillment of the Company's responsibilities under our agreement with GEHC. The equipment segment is engaged in designing, manufacturing, marketing and supporting EECP® enhanced external counterpulsation systems both domestically and internationally, as well as the development, production, marketing and supporting of other medical devices.

The chief operating decision maker is the Company's Chief Executive Officer, who, in conjunction with upper management, evaluates segment performance based on operating income and Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization – defined as net (loss) income, plus net interest expense (income), tax expense, depreciation and amortization, and non-cash expenses for share-based compensation). Administrative functions such as finance and human resources are centralized and related expenses allocated to each segment. Other costs not directly attributable to operating segments, such as audit, legal, director fees, investor relations, and others, as well as certain assets – primarily cash balances – are reported in the Corporate entity below. There are no intersegment revenues. Summary financial information for the segments is set forth below:

	(in thousands) Year ended December 31,	
	2019	2018
Revenues from external customers		
IT	$ 45,736	$ 44,228
Professional sales service	26,208	25,511
Equipment	3,802	4,241
Total revenues	$ 75,746	$ 73,980
Gross Profit		
IT	$ 19,021	$ 18,379
Professional sales service	21,287	20,165
Equipment	2,355	2,580
Total gross profit	$ 42,663	$ 41,124
Operating income (loss)		
IT	$ (749)	$ (3,748)
Professional sales service	3,626	1,958
Equipment	(855)	(812)
Corporate	(1,010)	(1,122)
Total operating income (loss)	$ 1,012	$ (3,724)
Depreciation and amortization		
IT	$ 2,213	$ 1,968
Professional sales service	170	187
Equipment	298	367
Corporate	-	-
Total depreciation and amortization	$ 2,681	$ 2,522
Capital expenditures		
IT	$ 1,149	$ 2,496
Professional sales service	-	4
Equipment	54	82
Corporate	2	4
Total cash capital expenditures	$ 1,205	$ 2,586

	December 31, 2019	December 31, 2018
Identifiable Assets		
IT	$ 30,079	$ 28,785
Professional sales service	16,257	12,193
Equipment	6,370	6,992
Corporate	1,658	2,504
Total assets	$ 54,364	$ 50,474

For the years ended December 31, 2019 and 2018, GEHC accounted for 35% and 34% of revenue, respectively. Also, GEHC accounted for $10.9 million, or 69%, and $7.2 million, or 66%, of accounts and other receivables at December 31, 2019 and 2018, respectively.

Our revenues were derived from the following geographic areas:

	(in thousands) Year ended December 31,	
	2019	2018
Domestic (United States)	$ 73,250	$ 71,279
Non-domestic (foreign)	2,496	2,701
	$ 75,746	$ 73,980

NOTE D – ACCOUNTS AND OTHER RECEIVABLES

The following table presents information regarding the Company's accounts and other receivables as of December 31, 2019 and 2018:

	(in thousands)	
	December 31, 2019	**December 31, 2018**
Trade receivables	$ 20,110	$ 15,016
Due from employees	27	6
Allowance for doubtful accounts and commission adjustments	(4,285)	(3,994)
Accounts and other receivables, net	$ 15,852	$ 11,028

Trade receivables include amounts due for shipped products and services rendered. Amounts currently due under the GEHC Agreement are subject to adjustment in subsequent periods should the underlying sales order amount, upon which the receivable is based, change.

Allowance for doubtful accounts and commission adjustments include estimated losses resulting from the inability of our customers to make required payments, and adjustments arising from estimated future changes in sales order amounts that may reduce the amount the Company will ultimately receive under the GEHC Agreement. Due from employees primarily reflects commission advances made to sales personnel.

NOTE E – INVENTORIES

Inventories, net of reserves, consisted of the following:

	(in thousands)	
	December 31, 2019	**December 31, 2018**
Raw materials	$ 650	$ 577
Work in process	181	388
Finished goods	1,110	1,018
	$ 1,941	$ 1,983

At December 31, 2019 and 2018, the Company maintained reserves for slow moving inventories of $390,000 and $636,000, respectively.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	(in thousands)	
	December 31, 2019	**December 31, 2018**
Office, laboratory and other equipment	$ 2,476	$ 3,885
Equipment furnished for customer or clinical uses	8,796	8,167
Right of use assets - finance leases	1,115	-
Furniture and fixtures	127	127
	12,514	12,179
Less: accumulated depreciation and amortization	(7,560)	(6,370)
Property and equipment, net	$ 4,954	$ 5,809

Right of use ("ROU") assets under finance leases comprised approximately $855,000 of the office, laboratory and other equipment asset class at December 31, 2018 and approximately $60,000 of the equipment furnished for customer or clinical use asset class at December 31, 2018. Accumulated amortization of ROU assets under finance leases aggregated approximately $438,000 and $250,000 at December 31, 2019 and 2018, respectively. Depreciation expense amounted to approximately $1,738,000 and $1,489,000 for the years ended December 31, 2019 and 2018, respectively. Amortization of ROU assets under finance leases is included in depreciation expense.

NOTE G – GOODWILL AND OTHER INTANGIBLES

Goodwill of $14,375,000 is attributable to the NetWolves reporting unit within the IT segment. The remaining $2,896,000 of goodwill is attributable to the FGE reporting unit within the Equipment segment. The NetWolves and FGE reporting units had negative net asset carrying amounts at December 31, 2019 and 2018. The changes in the carrying amount of goodwill are as follows:

	(in thousands)	
	Year ended December 31, 2019	**Year ended December 31, 2018**
Beginning of period	$ 17,309	$ 17,471
Foreign currency translation adjustment	(38)	(162)
End of period	$ 17,271	$ 17,309

The Company's other intangible assets consist of capitalized customer-related intangibles, patent and technology costs, and software costs, as set forth in the following table:

	(in thousands)	
	December 31, 2019	**December 31, 2018**
Customer-related		
Costs	$ 5,831	$ 5,831
Accumulated amortization	(3,553)	(3,083)
	2,278	2,748
Patents and Technology		
Costs	2,363	2,363
Accumulated amortization	(1,752)	(1,532)
	611	831
Software		
Costs	2,840	2,346
Accumulated amortization	(1,428)	(1,185)
	1,412	1,161
	$ 4,301	$ 4,740

The Company owns four US utility patents that expire at various times through 2023, and, through our Chinese subsidiaries, we own twenty-eight invention and utility patents that expire at various times through 2032, as well as fifteen software copyright certificates in China related to proprietary technologies in physiological data acquisition, analysis and reporting. The Company also holds one patent for secure and remote monitoring management through its NetWolves subsidiary. Costs incurred for submitting the applications to the United States Patent and Trademark Office and other foreign authorities for these patents have been capitalized. Patent and technology costs are being amortized using the straight-line method over 10-year and 8-year lives, respectively. The Company begins amortizing patent costs once a filing receipt is received stating the patent serial number and filing date from the Patent Office or other foreign authority. The cost of significant customer-related intangibles is amortized in proportion to estimated total related revenue; cost of other customer-related intangible assets is amortized on a straight-line basis over the asset's estimated economic life of seven years. Software costs are amortized on a straight-line basis over its expected useful life of five years.

Amortization expense amounted to approximately $943,000 and $1,033,000 for the years ended December 31, 2019 and 2018, respectively. Amortization of intangibles for the next five years is:

	(in thousands)
Years ending December 31,	
2020	880
2021	962
2022	663
2023	438
2024	369
	$ 3,312

NOTE H – OTHER ASSETS

Other assets consist of the following:

	(in thousands)	
	December 31, 2019	**December 31, 2018**
Deferred commission expense - noncurrent	$ 1,770	$ 1,978
Trade receivables - noncurrent	631	630
Other, net of allowance for loss on loan receivable of $412 at December 31, 2019 and 2018	185	459
	$ 2,586	$ 3,067

NOTE I – DEFERRED REVENUE

The changes in the Company's deferred revenues are as follows:

	(in thousands) Year ended December 31,	
	2019	2018
Deferred revenue at beginning of period	$ 18,086	$ 23,066
Net additions:		
Deferred extended service contracts	363	687
Deferred in-service and training	13	8
Deferred service arrangements	25	15
Deferred commission revenues	11,366	4,960
Recognized as revenue:		
Deferred extended service contracts	(566)	(628)
Deferred in-service and training	(15)	(5)
Deferred service arrangements	(30)	(31)
Deferred commission revenues	(9,899)	(9,986)
Deferred revenue at end of period	19,343	18,086
Less: current portion	12,345	10,382
Long-term deferred revenue at end of period	$ 6,998	$ 7,704

NOTE J – ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	(in thousands)	
	December 31, 2019	December 31, 2018
Accrued compensation	$ 1,509	$ 648
Accrued expenses - other	1,818	2,092
Other liabilities	2,017	2,915
	$ 5,344	$ 5,655

NOTE K – RELATED-PARTY TRANSACTIONS

The Company recorded interest charges aggregating approximately $467,000 and $438,000 for the years ended December 31, 2019 and 2018, respectively, payable to MedTechnology Investments, LLC (“MedTech”) pursuant to its $4,800,000 promissory notes (“Notes”). The MedTech Notes were used in 2015 to partially fund the purchase of NetWolves. $2,300,000 of the $4,800,000 provided by MedTech was provided by directors of the Company, or by family members. The Notes bore interest, payable quarterly, at an annual rate of 9% through their original maturity date of May 29, 2019. In August 2018, MedTech agreed to extend, if necessary, the maturity date of $3,600,000 of the Notes an additional year from May 29, 2019 to May 29, 2020, provided that a minimum of $1,200,000 of the principal is paid on or before December 31, 2019 and the annual interest rate for the balance increases to 10% during the extension. The $1,200,000 principal payment was waived pursuant to Medtech’s consent to the bank line of credit maturity extension to September 30, 2020. The Notes may be prepaid without penalty, and are subordinated to any current or future Senior Debt as defined in the Subordinated Security Agreement. The Subordinated Security Agreement secures payment and performance of the Company’s obligations under the Notes. Interest charges aggregating approximately $123,000 were outstanding at December 31, 2019 and paid on January 2, 2020. In April 2020, $1.2 million in principal was repaid and the maturity date of $3.6 million of the Notes were extended through April 30, 2021 at a new interest rate of 6% per annum. $1.2 million of the Medtech Notes is included in current liabilities in the Company’s consolidated balance sheet as of December 31, 2019.

In March 2018, the Company sold its interest in the VSK joint venture to PSK for a sales price of $676,000 and executed a distributorship agreement, expiring December 31, 2020, with VSK for the sale of the Company’s EECP® products in certain international markets. The sale resulted in a gain of approximately $212,000 and net cash proceeds of approximately $311,000 after satisfaction of deposits and other payables due to VSK aggregating approximately $365,000 at time of sale. Prior to the sale, the Company’s pro-rata share in VSK’s loss from operations approximated $9,000 for the three months ended March 31, 2018, and is included in interest and other income, net in the accompanying consolidated statements of operations and comprehensive income (loss).

David Lieberman, a practicing attorney in the State of New York, serves as Vice Chairman of the Board of Directors. He is currently a senior partner at the law firm of Beckman Lieberman and Associates, LLP, which performs certain legal services for the Company. Fees of approximately $280,000 and $340,000 were billed by the firm for the years ended December 31, 2019 and 2018, respectively, at which dates $0 and $28,000 were outstanding, respectively.

On August 6, 2014 the Company acquired all of the outstanding shares of Genwell Instruments Co. Ltd. (“Genwell”), located in Wuxi, China for cash and notes of Chinese Yuan RMB13,250,000 (approximately $2,151,000 at the acquisition date). In August 2019, the Company modified the note, which had a remaining principal balance of RMB2,250,000, to change the interest rate from 9% to 10% per annum, effective August 27, 2019, and to extend the maturity date from August 26, 2019 to February 26, 2020. Unsecured notes and accrued interest aggregating approximately $339,000, and $335,000 was payable to officers of Biox at December 31, 2019 and 2018, respectively. The notes and accrued interest were paid in March 2020.

In November and December 2018, the Company issued unsecured notes aggregating $500,000 to certain directors. The notes bore interest at 10% per annum and matured on March 25, 2019. Principal and interest on these notes were paid off upon maturity.

In the year ended December 31, 2019, the Company issued notes aggregating $930,000 to directors, employees, and a shareholder. The notes mature at various periods through July 19, 2020 and bear interest at 10% per annum payable quarterly. These notes have been extended in March 2020 to mature at various periods through January 19, 2021 with a new interest rate of 8%, and may be prepaid without penalty.

NOTE L – NOTES PAYABLE

Notes payable consist of the following:

	(*in thousands*) December 31, 2019	December 31, 2018
Line of credit	$ 5,721	$ 4,171
Unsecured term loan	-	145
Notes payable	300	14
Notes payable - MedTech (net of $0 and $14 in debt issue costs at December 31, 2019 and 2018, respectively)	4,800	4,786
Notes payable - related parties	1,253	827
Total debt	12,074	9,943
Less: current portion (including related parties)	(3,933)	(9,698)
	$ 8,141	$ 245

Line of Credit

NetWolves maintains a $4.0 million line of credit with a lending institution. In June 2019, the line's expiration date was extended from June 28, 2019 to December 18, 2019, and the interest rate was increased 25 basis points to LIBOR plus 3.25%. In December 2019, the line's expiration date was extended from December 18, 2019 to September 30, 2020, and the interest rate was increased 25 basis points to LIBOR plus 3.50%. Advances under the line are secured by substantially all of the assets of NetWolves Network Services, LLC and guaranteed by Vaso Corporation. At December 31, 2019, the Company had drawn approximately $3.8 million against the line. In April 2020, the lending institution extended the maturity date to April 30, 2021.

The Company maintains an additional $2.0 million line of credit with a lending institution. In June 2019, the line's expiration date was extended from June 28, 2019 to December 18, 2019, and the interest rate was increased 25 basis points to LIBOR plus 3.25%. In December 2019, the line's expiration date was extended from December 18, 2019 to September 30, 2020, and the interest rate was increased 25 basis points to LIBOR plus 3.50%. Advances under the line are secured by substantially all of the assets of the Company. At December 31, 2019, the Company had drawn approximately $1.95 million against the line. The line of credit agreement includes certain financial covenants that become effective beginning in the quarter ended September 30, 2019. The Company was in compliance with such covenants at December 31, 2019. In April 2020, the lending institution extended the maturity date to April 30, 2021 and $1.2 million in draw was repaid. The $1.2 million repaid is included in notes payable – current portion in the Company's consolidated balance sheet at December 31, 2019.

Unsecured Term Loan

In December 2018, Biox extended its one-year unsecured term loan of RMB1,000,000 (approximately $145,000) with a Chinese bank for an additional year maturing on December 6, 2019. The loan was repaid upon maturity

Notes Payable

In 2018, the Company financed certain FGE equipment purchases through an interest-free note payable to a Chinese bank. The note was repaid upon maturity in December 2019.

In August 2019, the Company issued to a private party a $300,000 note bearing interest at 10% and maturing November 15, 2019. In November, 2019, the note's maturity date was extended to January 15, 2020, and repaid upon maturity.

NOTE M – LEASES

ASC 842, "Leases", requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at either the effective date (the "effective date method") or the beginning of the earliest period presented (the "comparative method") using a modified retrospective approach. Under the effective date method, the Company's comparative period reporting is unchanged. In contrast, under the comparative method, the Company's date of initial application is the beginning of the earliest comparative period presented, and the Topic 842 transition guidance is then applied to all comparative periods presented. Further, under either transition method, the standard includes certain practical expedients intended to ease the burden of adoption. The Company adopted ASC 842 January 1, 2019 using the effective date method and elected certain practical expedients allowing the Company not to reassess:

- whether expired or existing contracts contain leases under the new definition of a lease;
- lease classification for expired or existing leases; and
- whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.

The Company also made the accounting policy decision not to recognize lease assets and liabilities for leases with a term of 12 months or less.

The Company enters into finance leases, typically with terms of 3 to 5 years, to acquire equipment for its data center. The Company enters into operating leases for its facilities in New York, Florida, and China, as well as for vehicles provided to certain employees in the professional sales services segment. The operating lease terms range from 2 to 7 years. The Company excluded the renewal option on its applicable facility leases from the calculation of its right-of-use assets and lease liabilities.

Finance and operating lease liabilities consist of the following:

	(in thousands) December 31, 2019	December 31, 2018
Lease liabilities - current		
Finance leases	$ 170	$ 188
Operating leases	549	-
	$ 719	$ 188
Lease liabilities - net of current portion		
Finance leases	$ 437	$ 400
Operating leases	321	-
	$ 758	$ 400

A reconciliation of undiscounted cash flows to finance and operating lease liabilities recognized in the consolidated balance sheet at December 31, 2019 is set forth below:

	(in thousands)		
Years ending December 31,	Finance leases	Operating leases	Total
2020	227	569	796
2021	227	265	492
2022	200	111	311
2023	62	-	62
Undiscounted lease payments	716	945	1,661
Amount representing interest	(109)	(75)	(184)
Discounted lease liabilities	607	870	1,477

Additional disclosures of lease data are set forth below:

	(in thousands) Year ended December 31, 2019
Lease costs:	
Finance lease costs:	
Amortization of right-of-use assets	$ 218
Interest on lease liabilities	52
	270
Operating lease costs:	723
Short-term lease costs:	94
Total lease cost	$ 1,087
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 52
Operating cash flows from operating leases	734
Financing cash flows from finance leases	209
	$ 995

	December 31, 2019
Weighted-average remaining lease term - finance leases (months)	40
Weighted-average remaining lease term - operating leases (months)	22
Weighted-average discount rate - finance leases	10.9%
Weighted-average discount rate - operating leases	9.4%

The Company used the rate implicit in the lease, where known, or its incremental borrowing rate as the rate used to discount the future lease payments.

NOTE N – STOCKHOLDERS' EQUITY

Chinese subsidiaries dividends and statutory reserves

The payment of dividends by entities organized in China is subject to limitations. In particular, regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Based on People's Republic of China (PRC) accounting standards, our Chinese subsidiaries are also required to set aside at least 10% of after-tax profit each year to their general reserves until the accumulative amount of such reserves reaches 50% of the registered capital. As of December 31, 2019 and 2018, statutory reserves aggregating approximately $35,000 were recorded in the Company's consolidated balance sheets. These reserves are not distributable as cash dividends. In addition, they are required to allocate a portion of their after-tax profit to their staff welfare and bonus fund at the discretion of their respective boards of directors. Moreover, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Distribution of dividends from the Chinese operating companies to foreign shareholders is subject to a 10% withholding tax.

NOTE O - OPTION PLANS

2010 Stock Option and Stock Issuance Plan

On June 17, 2010 the Board of Directors approved the 2010 Stock Plan (the "2010 Plan") for officers, directors, employees and consultants of the Company. The stock issuable under the 2010 Plan shall be shares of the Company's authorized but unissued or reacquired common stock. The maximum number of shares of common stock which may be issued under the 2010 Plan is 5,000,000 shares.

The 2010 Plan is comprised of two separate equity programs, the Options Grant Program, under which eligible persons may be granted options to purchase shares of common stock, and the Stock Issuance Program, under which eligible persons may be issued shares of common stock directly, either through the immediate purchase of such shares or as a bonus for services rendered to the Company.

The 2010 Plan provides that the Board of Directors, or a committee of the Board of Directors, will administer it with full authority to determine the identity of the recipients of the options or shares and the number of options or shares. Options granted under the 2010 Plan may be either incentive stock options or non-qualified stock options. The option price shall be 100% of the fair market value of the common stock on the date of the grant (or in the case of incentive stock options granted to any individual stockholder possessing more than 10% of the total combined voting power of all voting stock of the Company, 110% of such fair market value). The term of any option may be fixed by the Board of Directors, or its authorized committee, but in no event shall it exceed five years from the date of grant. Options are exercisable upon payment in full of the exercise price, either in cash or in common stock valued at fair market value on the date of exercise of the option.

No shares or options were granted under the 2010 Plan during the year ended December 31, 2019.

2013 Stock Option and Stock Issuance Plan

On October 30, 2013, the Board of Directors approved the 2013 Stock Plan (the "2013 Plan") for officers, directors, employees and consultants of the Company. The stock issuable under the 2013 Plan shall be shares of the Company's authorized but unissued or reacquired common stock. The maximum number of shares of common stock which may be issued under the 2013 Plan is 7,500,000 shares.

The 2013 Plan is comprised of two separate equity programs, the Options Grant Program, under which eligible persons may be granted options to purchase shares of common stock, and the Stock Issuance Program, under which eligible persons may be issued shares of common stock directly, either through the immediate purchase of such shares or as a bonus for services rendered to the Company. The 2013 Plan provides that the Board of Directors, or a committee of the Board of Directors, will administer it with full authority to determine the identity of the recipients of the options or shares and the number of options or shares.

During the year ended December 31, 2019, no shares of common stock were granted under the 2013 Plan, 189,375 shares were forfeited, and 100,828 shares were withheld for withholding taxes.

No options were granted under the 2013 Plan during the year ended December 31, 2019.

2016 Stock Option and Stock Issuance Plan

On June 15, 2016, the Board of Directors ("Board") approved the 2016 Stock Plan (the "2016 Plan") for officers, directors, and senior employees of the Corporation or any subsidiary of the Corporation. The stock issuable under the 2016 Plan shall be shares of the Company's authorized but unissued or reacquired common stock. The maximum number of shares of common stock that may be issued under the 2016 Plan is 7,500,000 shares.

The 2016 Plan consists of a Stock Issuance Program, under which eligible persons may, at the discretion of the Board, be issued shares of common stock directly, as a bonus for services rendered or to be rendered to the Corporation or any subsidiary of the Corporation.

No shares of common stock or options were granted under the 2016 Plan during the year ended December 31, 2019.

2019 Stock Option and Stock Issuance Plan

In May 2019, the Board of Directors ("Board") approved the 2019 Stock Plan (the "2019 Plan") for officers, directors, and senior employees of the Corporation or any subsidiary of the Corporation. The stock issuable under the 2019 Plan shall be shares of the Company's authorized but unissued or reacquired common stock. The maximum number of shares of common stock that may be issued under the 2019 Plan is 15,000,000 shares.

The 2019 Plan consists of a Stock Issuance Program, under which eligible persons may, at the discretion of the Board, be issued shares of common stock directly, as a bonus for services rendered or to be rendered to the Corporation or any subsidiary of the Corporation.

During the year ended December 31, 2019, 5,500,000 shares were granted under the 2019 Plan.

The following table summarizes non-vested restricted shares under all plans for the year ended December 31, 2019:

	Shares Available for Future Issuance	Unvested shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2017	3,210,676	4,203,958	$ 0.16
Authorized	-	-	$ -
Granted	(1,700,000)	1,700,000	$ 0.06
Vested	-	(3,125,317)	$ 0.14
Forfeited	391,141	(391,141)	$ 0.16
Balance at December 31, 2018	1,901,817	2,387,500	$ 0.12
Authorized	15,000,000	-	$ -
Granted	(5,500,000)	5,500,000	$ 0.02
Vested	-	(2,077,089)	$ 0.08
Forfeited	290,203	(290,203)	$ 0.14
Balance at December 31, 2019	11,692,020	5,520,208	$ 0.03

There were 53,543,396 remaining authorized shares of common stock after reserves for all stock option plans.

NOTE P - INCOME TAXES

The following is a geographical breakdown of income (loss) before the provision for income taxes:

	(in thousands) Year ended December 31,	
	2019	2018
Domestic	$ 269	$ (3,967)
Foreign	(119)	(152)
Income (loss) before provision for income taxes	$ 150	$ (4,119)

The provision for income taxes consisted of the following:

	(in thousands) Year ended December 31,	
	2019	2018
Current provision (benefit)		
Federal	$ -	$ -
State	43	63
Foreign	16	35
Total current provision (benefit)	59	98
Deferred provision (benefit)		
Federal	41	(376)
State	11	(107)
Foreign	-	-
Total deferred provision (benefit)	52	(483)
Total income tax provision (benefit)	$ 111	$ (385)
Effective income tax rate	74.26%	9.35%

Income tax expense for the year ended December 31, 2019 was $111,000 due primarily to $43,000 in state income taxes and a $52,000 reduction in deferred tax assets. The income tax benefit of $385,000 for the year ended December 31, 2018 was due primarily to $483,000 in tax benefit related to deferred tax liabilities arising from goodwill generated by the NetWolves acquisition.

The following is a reconciliation of the effective income tax rate to the federal statutory rate:

	For the year ended	
	December 31, 2019	December 31, 2018
	%	%
Federal statutory rate	21.00	21.00
State income taxes	47.49	(0.87)
Change in valuation allowance relating to operations	(99.07)	(7.75)
Foreign tax rate differential	27.64	-
R&D credit	(10.21)	(0.22)
Nondeductible expenses	53.07	(3.09)
Other	34.34	0.28
	74.26	9.35

The effective tax rate increased mainly due to the impact of state and foreign taxes and non-deductible expenses and the change from pre-tax loss in 2018 to pre-tax income in 2019.

As of December 31, 2019, the recorded deferred tax assets were $14,947,000, reflecting a decrease of $37,000 during the year ended December 31, 2019, which was offset by a valuation allowance of $11,929,000, reflecting a decrease of $148,000.

The components of our deferred tax assets and liabilities are summarized as follows:

	(in thousands)	
	December 31, 2019	**December 31, 2018**
Deferred Tax Assets:		
Net operating loss carryforwards	$ 12,119	$ 12,402
Amortization	338	304
Stock-based compensation	6	16
Allowance for doubtful accounts	84	88
Reserve for obsolete inventory	169	239
Tax credits	444	429
Expense accruals	457	393
Excess interest carryforwards	171	171
Deferred revenue	1,159	942
Total gross deferred taxes	14,947	14,984
Valuation allowance	(11,929)	(12,077)
Net deferred tax assets	3,018	2,907
Deferred Tax Liabilities:		
Deferred commissions	(302)	(245)
Goodwill	(1,186)	(927)
Differences in timing of revenue recognition	(124)	(124)
Depreciation	(1,207)	(1,360)
Total deferred tax liabilities	(2,819)	(2,656)
Total deferred tax assets (liabilities)	199	251
Recorded as:		
Non-current deferred tax assets	323	375
Non-current deferred tax liabilities	(124)	(124)
Total deferred tax assets (liabilities)	$ 199	$ 251

The activity in the valuation allowance is set forth below:

	(in thousands)	
	2019	2018
Valuation allowance, January 1,	$ 12,077	$ 11,758
Change in valuation allowance	(148)	319
Valuation allowance, December 31,	$ 11,929	$ 12,077

At December 31, 2019, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately $39 million expiring at various dates from 2020 through 2037 and approximately $6 million with no expiration date.

Under current tax law, the utilization of tax attributes will be restricted if an ownership change, as defined, were to occur. Section 382 of the Internal Revenue Code provides, in general, that if an “ownership change” occurs with respect to a corporation with net operating and other loss carryforwards, such carryforwards will be available to offset taxable income in each taxable year after the ownership change only up to the “Section 382 Limitation” for each year (generally, the product of the fair market value of the corporation’s stock at the time of the ownership change, with certain adjustments, and a specified long-term tax-exempt bond rate at such time). The Company’s ability to use its loss carryforwards will be limited in the event of an ownership change.

NOTE Q - COMMITMENTS AND CONTINGENCIES

Sales representation agreement

In December 2017, the Company concluded an amendment of the GEHC Agreement with GEHC, originally signed on May 19, 2010. The amendment extends the term of the original agreement, which began on July 1, 2010 and was previously extended in 2012 and 2015, through December 31, 2022, subject to early termination by GEHC without cause with certain conditions, making it the longest extension thus far with a remaining term of five years from December 31, 2017. Under the agreement, VasoHealthcare is the exclusive representative for the sale of select GE Healthcare diagnostic imaging products to specific market segments/accounts in the 48 contiguous states of the United States and the District of Columbia. The circumstances under which early termination of the agreement may occur with cause include: not materially achieving certain sales goals, not maintaining a minimum number of sales representatives, and not meeting various legal and GEHC policy requirements. The Company met all the contractual conditions, including sales goals and staffing requirements, in 2019.

Employment Agreements

On May 10, 2019, the Company modified its Employment Agreement with its President and Chief Executive Officer, Dr. Jun Ma, to provide for a five-year term with extensions, unless earlier terminated by the Company, but in no event can it extend beyond May 31, 2026. The Employment Agreement provides for annual compensation of $500,000. Dr. Ma shall be eligible to receive a bonus for each fiscal year during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Dr. Ma shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

On June 1, 2015, the Company entered into an Employment Agreement with Mr. Peter Castle to be its Chief Operating Officer. The agreement provides for a three-year term ending on June 1, 2018 and shall extend for additional one-year periods annually commencing June 1, 2018, unless earlier terminated by the Company, but in no event can extend beyond June 1, 2021. The Employment Agreement currently provides for annual compensation of $350,000. Mr. Castle shall be eligible to receive a bonus for each fiscal year thereafter during the employment term. The amount and the occasion for payment of such bonus, if any, shall be at the discretion of the Board of Directors. Mr. Castle shall also be eligible for an award under any long-term incentive compensation plan and grants of options and awards of shares of the Company's stock, as determined at the Board of Directors' discretion. The Employment Agreement further provides for reimbursement of certain expenses, and certain severance benefits in the event of termination prior to the expiration date of the Employment Agreement.

Licensing and Support Service Agreement

In 2010, NetWolves executed a licensing and support service agreement for the upgrade of its billing system. The agreement initially was set to expire in December 2014; however, it was extended for a period of two years in June 2013 with an automatic one-year renewal thereafter. In December 2017, the agreement was renewed for an additional three years, expiring December 2020. The agreement provides for monthly recurring charges based on a percentage of billed revenues using these services, which charges aggregated approximately $331,000 for each of the years ended December 31, 2019 and 2018, respectively.

Letters of Credit

At December 31, 2019 we are contingently liable under two standby letters of credit approximating $270,500 in total. The letters of credit are being maintained as security for payments to two vendors.

Litigation

The Company is currently, and has been in the past, a party to various routine legal proceedings, primarily employee related matters, incident to the ordinary course of business. The Company believes that the outcome of all such pending legal proceedings in the aggregate is unlikely to have a material adverse effect on the business or consolidated financial condition of the Company.

Foreign operations

During the years ended December 31, 2019 and 2018, the Company had and continues to have operations in China. Operating transactions in China are denominated in the Chinese currency called RMB, which is not freely convertible into foreign currencies. Operating internationally involves additional risks relating to such things as currency exchange rates, different legal and regulatory environments, political, economic risks relating to the stability or predictability of foreign governments, differences in the manner in which different cultures do business, difficulties in staffing and managing foreign operations, differences in financial reporting, operating difficulties, and other factors.

Commercial law is still developing in China and there are limited legal precedents to follow in commercial transactions. There are many tax jurisdictions each of which may have changing tax laws. Applicable taxes include value added taxes ("VAT"), Enterprise Income Tax, and social (payroll) taxes. Regulations are often unclear. Tax declarations (reports) are subject to review and taxing authorities may impose fines, penalties and interest. These facts create risks in China.

NOTE R - 401(k) PLANS

The Company maintains a defined contribution plan to provide retirement benefits for its employees - the Vaso Corporation 401(k) Plan adopted in April 1997. As allowed under Section 401(k) of the Internal Revenue Code, the plan provides tax-deferred salary deductions for eligible employees. Employees are eligible to participate in the next quarter enrollment period after employment and participants may make voluntary contributions to the plan up to 80% of their compensation. In the years ended December 31, 2019 and 2018 the Company made discretionary contributions of approximately $118,000 and $96,000, respectively, to match a percentage of employee contributions.

NOTE S – SUBSEQUENT EVENTS

Equity Grant

In March 2020, the Company granted, under the 2019 Stock Plan, 1,000,000 shares of restricted common stock to an employee. The shares vest 20% each at April 1, 2020 through April 1, 2024.

Extension of debt maturity dates

In April 2020, the Company extended the maturity dates of its lines of credit and MedTech Notes to April 30, 2021 and made principal payments aggregating $1.2 million on its lines of credit and $1.2 million on its MedTech Notes. The interest rate on the MedTech Notes was also reduced from 10% to 6% per annum. In addition, in March 2020 and April 2020 the maturity dates of $930 thousand in other related party notes was extended six months and the interest rate was reduced from 10% to 8% per annum.

VASO CORPORATION

2019 STOCK PLAN

I. GENERAL PROVISIONS

A. PURPOSE OF THE PLAN

This 2019 Stock Plan (the "Plan") is intended to promote the interests of VASO CORPORATION, a Delaware corporation ("Corporation"), by providing eligible persons in the employ or service of the Corporation or its affiliates with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to continue in such employ or service.

Unless otherwise defined herein, all capitalized terms shall have the meaning assigned to them in the attached Appendix.

B. STRUCTURE OF THE PLAN

The Plan shall consist of a Stock Issuance Program under which eligible persons ("Participants") may, at the discretion of the Board, be issued shares of common stock directly, as a bonus for services rendered or to be rendered to the Corporation (or any Parent or Subsidiary).

C. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Corporation's Board of Directors ("Board"), or in the discretion of the Board, a committee consisting of no less than two Non-Employee Directors or persons meeting such other requirements as may be imposed by Rule 16(b) under the 1934 Act ("Committee").

The Board or Committee shall have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Plan and to make such determinations under, and issue such interpretations of, the Plan and any outstanding stock issuances thereunder as it may deem necessary or advisable. Decisions of the Board shall be final and binding on all parties who have an interest in the Plan or any stock issuance thereunder.

D. ELIGIBILITY

The persons eligible to participate in the Plan are officers, directors and senior employees of the Corporation or any subsidiary of the Corporation; and

The Board or Committee shall have absolute discretion with respect to stock issuances made under the Stock Issuance Program, described in Article III, including who shall be considered a senior employee, which eligible persons are to receive such stock issuances, the time or times when issuances are to be made, the number of shares to be issued to each Participant, and the vesting schedule (if any) applicable to the issued shares.

E. STOCK SUBJECT TO THE PLAN

The stock issuable under the Plan shall be shares of the Corporation's authorized but unissued or reacquired common stock. The maximum number of shares of common stock which may be issued under the Plan is **15,000,000** shares.

Any stock issued under the plan which is cancelled prior to vesting shall be added back to the number of shares of common stock reserved for issuance under the Plan.

If there is any change to the common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding common stock as a class without the Corporation's receipt of consideration, then appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, and (ii) the number and/or class of outstanding securities in effect under the Plan in order to prevent the dilution or enlargement of benefits thereunder.

II. STOCK ISSUANCE PROGRAM

A. STOCK ISSUANCE TERMS

Shares of common stock may be issued at the discretion of the Board or Committee under the Stock Issuance Program through direct and immediate issuances. Each such stock issuance shall comply with the terms specified below.

1. Issuances.

Shares of common stock may be issued under the Stock Issuance Program for past or future services rendered or to be rendered to the Corporation (or any Parent or Subsidiary) as the Board may deem appropriate in each individual instance.

2. Vesting Provisions.

a. Shares of common stock issued under the Stock Issuance Program shall vest at the discretion of the Board of Directors or Committee.

b. The Participant shall have full stockholder rights with respect to any Shares issued to the Participant under the Stock Issuance Program, subject to the vesting and transfer provisions of such issuance. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

c. Only Permitted Transfers shall be made by the Participant prior to vesting.

III. MISCELLANEOUS

A. ADJUSTMENTS DUE TO STOCK SPLITS, MERGERS, CONSOLIDATION, ETC.

If, at any time, the Corporation shall take any action, whether by stock dividend, stock split, combination of shares or otherwise, which results in a proportionate increase or decrease in the number of shares of common stock theretofore issued and outstanding, the number of shares which are reserved for issuance under the Plan shall, to the extent deemed appropriate by the committee, be increased or decreased in the same proportion, provided, however, that the Corporation shall not be obligated to issue fractional shares.

Likewise, in the event of any change in the outstanding shares of common stock by reason of any recapitalization, merger, consolidation, reorganization, combination or exchange of shares or other corporate change, the committee shall make such substitution or adjustments, if any, as it deems to be appropriate, as to the number or kind of shares of common stock or other securities which are reserved for issuance under the Plan.

In the event of a Change of Control or Corporate Transaction all shares of common stock outstanding on the date of such change of control shall become immediately and fully vested.

B. EFFECTIVE DATE AND TERM OF PLAN

1. The Plan shall become effective on **May 1, 2019**. The Board may issue shares under the Plan at any time after the effective date of the Plan and before the date fixed herein for termination of the Plan.

2. The Plan shall terminate upon the earliest of (i) the expiration of the ten (10) year period measured from **May 1, 2019**, (ii) the date on which all shares available for issuance under the Plan shall have been issued and are vested or (iii) the termination of all outstanding shares in connection with a Corporate Transaction. All unvested stock issuances outstanding at the time of a clause (i) termination event shall continue to have full force and effect in accordance with the provisions of the documents evidencing those issuances.

C. AMENDMENT OF THE PLAN

The Board or Committee shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects, except for those persons ineligible to participate. However, no such amendment or modification shall adversely affect the rights and obligations with respect to unvested stock issuances at the time outstanding under the Plan unless the Participant consents to such amendment or modification. In addition, certain amendments may require stockholder approval pursuant to applicable laws and regulations.

D. WITHHOLDING

The Corporation's obligation to deliver shares of common stock under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

E. REGULATORY APPROVALS

The implementation of the Plan and the issuance of any shares of common stock under the Stock Issuance Program shall be subject to the Corporation's obtaining all approvals and permits required by regulatory authorities having jurisdiction over the Plan, and the shares of common stock issued pursuant to it.

F. NO EMPLOYMENT OR SERVICE RIGHTS

Nothing in the Plan shall confer upon the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

APPENDIX

The following definitions shall be in effect under the Plan:

Board shall mean the Corporation's Board of Directors.

Change of Control shall mean:

(i) any person who is not currently such becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding voting securities; or

(ii) three or more directors, whose election or nomination for election is not approved by a majority of the Incumbent Board (as defined in the plan), are elected within any single 12-month period to serve on the board of directors; or

(iii) members of the Incumbent Board cease to constitute a majority of the Board of Directors without the approval of the remaining members of the Incumbent Board; or

(iv) any merger (other than a merger where the Corporation is the survivor and there is no accompanying change in control under subparagraphs (i), (ii) or (iii) of this paragraph (b), consolidation, liquidation or dissolution of the Corporation, or the sale of all or substantially all of the assets of the Corporation.

Code shall mean the Internal Revenue Code of 1986, as amended.

Common Stock shall mean the Corporation's common stock, $.001 par value.

Corporate Transaction shall mean either of the following stockholder-approved transactions to which the Corporation is a party:

(i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation.

Corporation shall mean Vaso Corporation, a Delaware corporation.

Disability shall mean the inability of Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment and shall be determined by the Plan Administrator on the basis of such medical evidence as the Plan Administrator deems warranted under the circumstances. Disability shall be deemed to constitute Permanent Disability in the event that such Disability is expected to result in death or has lasted or can be expected to last for a continuous period of twelve (12) months or more.

Fair Market Value per share of common stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the common stock is at the time traded on the NASDAQ National or SmallCap Market, then the Fair Market Value shall be the closing selling price per share of common stock on the date in question, as the price is reported by the National Association of Securities Dealers on the NASDAQ National or SmallCap Market. If there is no closing selling price for the common stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the common stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of common stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the common stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the common stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) If the common stock is at the time neither listed on any Stock Exchange nor traded on the NASDAQ National Market, then the Fair Market Value shall be determined by the Plan Administrator after taking into account such factors as the Plan Administrator shall deem appropriate.

Misconduct shall mean the commission of any act of fraud, embezzlement or dishonesty by the Participant or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Participant, Participant or other person in the Service of the Corporation (or any Parent or Subsidiary).

1934 Act shall mean the Securities Exchange Act of 1934, as amended.

Parent shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Permitted Transfer shall mean (i) a gratuitous transfer of the Purchased Shares, provided and only if Participant obtains the Corporation's prior written consent to such transfer, or (ii) a transfer of title to the shares effected pursuant to Participant's will or the laws of intestate succession following Participant's death.

Plan shall mean the Corporation's 2019 Stock Plan.

Plan Administrator shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

Purchase Agreement shall mean the stock purchase agreement pursuant to the issuance of the Shares.

Senior Employee shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), in a senior capacity as determined by the Board of Directors or Plan Administrator in its sole discretion.

Shares shall mean the number of shares of common stock subject to the stock issuance.

Stock Exchange shall mean the Nasdaq National Market System, American Stock Exchange or the New York Stock Exchange.

Subsidiary shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Vesting Commencement Date shall mean the date on which the Shares commence to vest as specified in the Grant Notice or agreement with Participant.

Vesting Schedule shall mean the vesting schedule specified in the Grant Notice or agreement with Participant pursuant to which the Participant is to be vested in the Shares in a series of installments over his or her period of Service.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a/15d OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jun Ma, certify that:

1. I have reviewed this report on Form 10-K of Vaso Corporation and subsidiaries (the "registrant");

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

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

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

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

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

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

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

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

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

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

/s/ Jun Ma
Jun Ma
President and Chief Executive Officer

Dated: April 13, 2020

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a/15d OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Beecher, certify that:

1. I have reviewed this report on Form 10-K of Vaso Corporation and subsidiaries (the "registrant");

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

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

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

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

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

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

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

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

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

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

/s/ Michael Beecher
Michael Beecher
Chief Financial Officer

Dated: April 13, 2020

Exhibit 32.1

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

I, Jun Ma, President and Chief Executive Officer of Vaso Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 13, 2020

/s/ Jun Ma
Jun Ma
President and Chief Executive Officer

Exhibit 32.2

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

I, Michael Beecher, Chief Financial Officer of Vaso Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2019 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 13, 2020

/s/ Michael Beecher
Michael Beecher
Chief Financial Officer