UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2024

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______________ *to* ______________

Commission File Number: 0-18105

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 Number)

137 Commercial St., Suite 200, Plainview, New York 11803

(Address of principal executive offices)

Registrant's Telephone Number (516) 997-4600

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

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

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

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

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

Number of Shares Outstanding of Common Stock, $.001 Par Value, at May 10, 2024– 175,319,296

Vaso Corporation and Subsidiaries

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PART I – FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Vaso Corporation and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 19,536	$ 11,342
Short-term investments	4,235	13,979
Accounts and other receivables, net of an allowance for credit losses and commission adjustments of $9,508 at March 31, 2024 and $9,708 at December 31, 2023	7,465	12,377
Receivables due from related parties	1,053	929
Inventories, net	1,566	1,470
Deferred commission expense	3,367	3,285
Prepaid expenses and other current assets	1,776	1,717
Total current assets	38,998	45,099
Property and equipment, net of accumulated depreciation of $10,456 at March 31, 2024 and $10,538 at December 31, 2023	1,302	1,174
Operating lease right of use assets	1,826	1,949
Goodwill	15,562	15,588
Intangibles, net	1,424	1,406
Other assets, net	4,724	4,902
Investment in EECP Global	652	683
Deferred tax assets, net	4,956	4,956
Total assets	$ 69,444	$ 75,757
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 2,976	$ 2,670
Accrued commissions	326	2,411
Accrued expenses and other liabilities	4,904	7,365
Finance lease liabilities - current	75	72
Operating lease liabilities - current	887	928
Sales tax payable	685	699
Deferred revenue - current portion	17,272	15,883
Notes payable - current portion	147	9
Due to related party	3	3
Total current liabilities	27,275	30,040
LONG-TERM LIABILITIES		
Notes payable, net of current portion	4	6
Finance lease liabilities, net of current portion	5	25
Operating lease liabilities, net of current portion	938	1,020
Deferred revenue, net of current portion	14,157	16,317
Other long-term liabilities	1,487	1,506
Total long-term liabilities	16,591	18,874
COMMITMENTS AND CONTINGENCIES (NOTE N)		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 1,000,000 shares authorized; nil shares issued and outstanding at March 31, 2024 and December 31, 2023	-	-
Common stock, $.001 par value; 250,000,000 shares authorized; 185,627,383 shares issued at March 31, 2024 and December 31, 2023; 175,319,296 shares outstanding at March 31, 2024 and December 31, 2023	186	186
Additional paid-in capital	64,002	63,993
Accumulated deficit	(36,205)	(35,032)
Accumulated other comprehensive loss	(405)	(304)
Treasury stock, at cost, 10,308,087 shares at March 31, 2024 and December 31, 2023	(2,000)	(2,000)
Total stockholders' equity	25,578	26,843
	$ 69,444	$ 75,757

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

Vaso Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(unaudited)
(in thousands, except per share data)

	Three Months ended March 31,	
	2024	2023
Revenues		
Managed IT systems and services	$ 10,153	$ 10,274
Professional sales services	8,127	8,125
Equipment sales and services	458	637
Total revenues	18,738	19,036
Cost of revenues		
Cost of managed IT systems and services	5,958	5,834
Cost of professional sales services	1,749	1,482
Cost of equipment sales and services	113	158
Total cost of revenues	7,820	7,474
Gross profit	10,918	11,562
Operating expenses		
Selling, general and administrative	12,195	11,143
Research and development	191	157
Total operating expenses	12,386	11,300
Operating (loss) income	(1,468)	262
Other (expense) income		
Interest and financing costs	(3)	(28)
Interest and other income, net	311	83
Loss on disposal of fixed assets	(1)	(1)
Total other income, net	307	54
(Loss) income before income taxes	(1,161)	316
Income tax expense	(12)	(10)
Net (loss) income	(1,173)	306
Other comprehensive income		
Foreign currency translation (loss) income	(101)	15
Comprehensive (loss) income	$ (1,274)	$ 321
(Loss) income per common share		
- basic and diluted	$ (0.01)	$ 0.00
Weighted average common shares outstanding		
- basic	175,119	173,628
- diluted	175,119	175,201

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

Vaso Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(unaudited)
(in thousands)

	Common Stock		Treasury Stock		Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 1, 2023	185,436	$ 185	(10,308)	(2,000)	$ 63,952	$ (39,837)	$ (233)	$ 22,067
Share-based compensation	-	-	-	-	13	-	-	13
Foreign currency translation gain	-	-	-	-	-	-	15	15
Net income	-	-	-	-	-	306	-	306
Balance at March 31, 2023	185,436	$ 185	(10,308)	$ (2,000)	$ 63,965	$ (39,531)	$ (218)	$ 22,401
Balance at January 1, 2024	**185,627**	**$ 186**	**(10,308)**	**(2,000)**	**$ 63,993**	**$ (35,032)**	**$ (304)**	**$ 26,843**
Share-based compensation	-	-	-	-	9	-	-	9
Foreign currency translation loss	-	-	-	-	-	-	(101)	(101)
Net loss	-	-	-	-	-	(1,173)	-	(1,173)
Balance at March 31, 2024	185,627	$ 186	(10,308)	$ (2,000)	$ 64,002	$ (36,205)	$ (405)	$ 25,578

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

Vaso Corporation and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)
(in thousands)

	Three months ended March 31,	
	2024	2023
Cash flows from operating activities		
Net (loss) income	$ (1,173)	$ 306
Adjustments to reconcile net (loss) income to net cash used by operating activities		
Depreciation and amortization	185	273
Loss from investment in EECP Global	31	78
Provision for credit losses and commission adjustments	25	21
Share-based compensation	9	13
Changes in operating assets and liabilities:		
Accounts and other receivables	4,876	2,420
Inventories	(111)	(22)
Deferred commission expense	(82)	237
Prepaid expenses and other current assets	59	(794)
Other assets, net	265	(596)
Accounts payable	307	(34)
Accrued commissions	(1,933)	(1,964)
Accrued expenses and other liabilities	(2,601)	(2,455)
Sales tax payable	(12)	(180)
Deferred revenue	(772)	750
Due to related party	(124)	(196)
Other long-term liabilities	(19)	202
Net cash used by operating activities	(1,070)	(1,941)
Cash flows from investing activities		
Purchases of equipment and software	(472)	(148)
Purchases of short-term investments	-	(5,070)
Redemption of short-term investments	9,616	5,070
Net cash provided by (used in) investing activities	9,144	(148)
Cash flows from financing activities		
Proceeds from note payable	140	-
Repayment of notes payable and finance lease obligations	(19)	(48)
Net cash provided by (used in) financing activities	121	(48)
Effect of exchange rate differences on cash and cash equivalents	(1)	(19)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,194	(2,156)
Cash and cash equivalents - beginning of period	11,342	11,821
Cash and cash equivalents - end of period	$ 19,536	$ 9,665
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION		
Interest paid	$ 2	$ 6
Income taxes paid	$ -	$ 23
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Initial recognition of operating lease right of use asset and liability	$ 115	$ 222

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

NOTE A – ORGANIZATION AND PLAN OF OPERATIONS

Vaso Corporation was incorporated in Delaware in July 1987. 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 and information technology ("IT") 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 GE HealthCare ("GEHC") into the healthcare provider middle market; and
- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices and software, 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. Its current offerings include:

- Managed radiology and imaging applications (channel partner of select vendors of healthcare IT products).
- Managed network infrastructure (routers, switches and other core equipment).
- Managed network transport (FCC licensed carrier reselling over 175 facility partners).
- Managed security services.

VasoTechnology uses a combination of proprietary technology, methodology and 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 ("GEHC Agreement") with GEHC to further the sale of certain healthcare capital equipment in the healthcare provider middle market. Sales of GEHC equipment by the Company have grown significantly since then.

VasoHealthcare's current offerings consist of:

- GEHC diagnostic imaging capital equipment and ultrasound systems.
- GEHC service agreements for the above equipment.
- GEHC training services for use of the above equipment.
- GEHC and third-party financial services.

VasoMedical

VasoMedical is the Company's business division for its proprietary medical device operations, including the design, development, manufacturing, sales and service of various medical devices in the domestic and international markets and includes the Vasomedical Global and Vasomedical Solutions business units. These devices are primarily for cardiovascular monitoring and diagnostic systems. Its current offerings consist of:

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

This segment uses its extensive cardiovascular device knowledge coupled with its significant engineering resources to cost-effectively create and market its proprietary technology. It works with a global distribution network of channel partners to sell its products. It also provides engineering and OEM services to other medical device companies.

Achari Business Combination Agreement

As previously announced, the Company entered into a business combination agreement (the "Business Combination Agreement"), dated as of December 6, 2023, with Achari Ventures Holdings Corp. I, a Delaware corporation ("Achari") (NASDAQ: AVHI), and Achari Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Achari ("Merger Sub"). The Business Combination Agreement provides, among other things, that on the terms and subject to the conditions set forth therein, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving as a wholly owned subsidiary of Achari. Upon the closing of the Business Combination Agreement (the "Closing"), we anticipate that Achari will change its name to "Vaso Holdings Corp." or an alternative name chosen by the Company and reasonably acceptable to Achari ("New Vaso"). The Merger and the other transactions contemplated by the Business Combination Agreement are hereinafter referred to collectively as the "Business Combination".

Upon the Closing, New Vaso would have authorized shares of Class A common stock and Class B common stock. The Business Combination Agreement establishes a pro forma equity value of the Company at approximately $176 million, at $10.00 per share of Class A common stock. As such, we believe that the current Vaso stockholders would receive approximately 17.6 million shares of Class A common stock and the current Achari shareholders would maintain between 500 thousand and 750 thousand shares of Class A common stock depending on Achari's unpaid expenses at the Closing and presuming the redemption of all outstanding public shares of Achari on or prior to the Closing. In addition, current Achari warrant holders would have outstanding warrants to purchase a minimum of 8.25 million shares of Class A common stock at an exercise price of $11.50 per share. No shares of Class B common stock are expected to be outstanding immediately after the Business Combination.

The Boards of Directors of Vaso and Achari have each approved the Business Combination, the consummation of which is subject to various customary closing conditions, including the filing and effectiveness of a Registration Statement on Form S-4 (as amended or supplemented, the "Registration Statement") by Achari with the United States Securities and Exchange Commission ("SEC"), the filing of a proxy statement by Vaso with the SEC and clearance by the SEC, and the approval of a majority of shareholders of both Achari and Vaso of the proposed business combination (Vaso shareholders representing approximately 44% of Vaso's outstanding shares have entered into support agreements committing them to vote in favor of the Business Combination). The Business Combination is expected to close in the second quarter of 2024.

NOTE B – INTERIM STATEMENT PRESENTATION

Basis of Presentation and Use of Estimates

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the accounting and disclosure rules and regulations of the SEC for interim financial information. Certain information and disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on April 1, 2024.

These unaudited condensed consolidated financial statements include the accounts of the companies over which we exercise control. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of interim results for the Company. The results of operations for any interim period are not necessarily indicative of results to be expected for any other interim period or the full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, the disclosure of contingent assets and liabilities in the unaudited condensed consolidated financial statements and the accompanying notes, and the reported amounts of revenues, expenses and cash flows during the periods presented. Actual amounts and results could differ from those estimates. The estimates and assumptions the Company makes are based on historical factors, current circumstances and the experience and judgment of the Company's management. The Company evaluates its estimates and assumptions on an ongoing basis.

Correction of Prior Period Financial Statements

We record commission revenue for certain products in our professional sales service segment based on GEHC's reporting and payment of such commissions to us. In late August 2023, GEHC informed the Company that its calculations for such products were partially inaccurate and had remitted excess commissions. The Company has taken immediate steps to implement additional internal control procedures whereby GEHC will provide additional information sufficient to assess the accuracy of such commission payments going forward. We assessed the materiality of this misstatement on prior periods' financial statements in accordance with SEC Staff Accounting Bulletin ("SAB") Topic 1.M, Materiality, codified in Accounting Standards Codification ("ASC") Topic 250, Accounting Changes and Error Corrections, ("ASC 250") and concluded that the misstatements were not material to the prior annual or interim periods.

Accordingly, in accordance with ASC 250 (SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), we have increased the accumulated deficit at January 1, 2023 by $808,000 to reflect $1,010,000 lower commission revenue and $202,000 lower commission expense, and corrected the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income, Cash Flows, and Changes in Stockholders' Equity for the three months ended March 31, 2023, and the related notes to revise for those misstatements that impacted such periods.

The following are selected line items from the Company's Condensed Consolidated Financial Statements illustrating the effect of these corrections:

	Consolidated Statement of Operations and Comprehensive Income		
	Three months ended March 31, 2023		
(in thousands, except per share data)	As Reported	Adjustment	As Revised
Revenues			
Professional sales services	$ 8,310	$ (185)	$ 8,125
Cost of revenues			
Cost of professional sales services	$ 1,519	$ (37)	$ 1,482
Gross Profit - professional sales services segment	$ 6,791	$ (148)	$ 6,643
Operating income	$ 410	$ (148)	$ 262
Net income	$ 454	$ (148)	$ 306
Comprehensive income	$ 469	$ (148)	$ 321
Income per common share			
- basic	$ 0.00	$ (0.00)	$ 0.00
- diluted	$ 0.00	$ (0.00)	$ 0.00

	Consolidated Statement of Changes in Stockholders' Equity					
	Accumulated Deficit			Total Stockholders' Equity		
(in thousands)	As Reported	Adjustment	As Revised	As Reported	Adjustment	As Revised
Balance at January 1, 2023	$ (39,029)	$ (808)	$ (39,837)	$ 22,875	$ (808)	$ 22,067
Net income	$ 454	$ (148)	$ 306	$ 454	$ (148)	$ 306
Balance at March 31, 2023	$ (38,575)	$ (956)	$ (39,531)	$ 23,357	$ (956)	$ 22,401

	Consolidated Statement of Cash Flows		
	Three months ended March 31, 2023		
(in thousands)	As Reported	Adjustment	As Revised
Net income	$ 454	$ (148)	$ 306
Accounts and other receivables	$ 2,235	$ 185	$ 2,420
Accrued commissions	$ (1,927)	$ (37)	$ (1,964)

Recently Issued Accounting Standards To Be Adopted

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740), Improvement to Income Tax Disclosures, which requires enhanced income tax disclosures, including disaggregation of information in the rate reconciliation table and disaggregated information related to income taxes paid. The ASU is effective for annual reporting periods beginning with the year ending December 31, 2025. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its Consolidated Financial Statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280), Improvement to Reportable Segment Disclosures. This ASU enhances disclosures required for reportable segments in both annual and interim consolidated financial statements. The ASU, which requires retrospective application, is effective for annual reporting periods beginning with the year ending December 31, 2024, and interim periods beginning with the three months ending March 31, 2025. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its Consolidated Financial Statements.

NOTE C – REVENUE RECOGNITION

Disaggregation of Revenue

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

(in thousands)

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	IT segment	Professional sales service segment	Equipment segment	Total	IT segment	Professional sales service segment	Equipment segment	Total
Network services	$ 8,944	$ -	$ -	$ 8,944	$ 9,038	$ -	$ -	$ 9,038
Software sales and support	1,209	-	-	1,209	1,236	-	-	1,236
Commissions	-	8,127	-	8,127	-	8,125	-	8,125
Medical equipment sales	-	-	427	427	-	-	606	606
Medical equipment service	-	-	31	31	-	-	31	31
	$ 10,153	$ 8,127	$ 458	$ 18,738	$ 10,274	$ 8,125	$ 637	$ 19,036

	Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
	IT segment	Professional sales service segment	Equipment segment	Total	IT segment	Professional sales service segment	Equipment segment	Total
Revenue recognized over time	$ 9,301	$ -	$ 81	$ 9,382	$ 9,520	$ -	$ 110	$ 9,630
Revenue recognized at a point in time	852	8,127	377	9,356	754	8,125	527	9,406
	$ 10,153	$ 8,127	$ 458	$ 18,738	$ 10,274	$ 8,125	$ 637	$ 19,036

Transaction Price Allocated to Remaining Performance Obligations

As of March 31, 2024, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for executed contracts approximates $94 million, of which we expect to recognize revenue as follows:

(in thousands)

	Fiscal years of revenue recognition			
	2024	2025	2026	Thereafter
Unfulfilled performance obligations	$ 36,974	$ 26,240	$ 8,744	$ 22,376

Contract Balances

Contract receivables include trade receivables, net and long-term receivables (recorded in Other assets in the condensed consolidated balance sheets). 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 $202,000 and $419,000 at March 31, 2024 and December 31, 2023, respectively, and are included in accrued expenses and other liabilities in our condensed consolidated balance sheets.

In our VasoHealthcare business, we bill amounts for certain milestones in advance of customer acceptance of the underlying equipment. Such amounts aggregated approximately $31,424,000,000 and $32,194,000 at March 31, 2024 and December 31, 2023, respectively, and are classified in our condensed consolidated balance sheets as either current or long-term deferred revenue. In addition, we record a contract liability for amounts expected to be repaid to GEHC due to customer order reductions. Such amounts aggregated approximately $923,000 and $971,000 at March 31, 2024 and December 31, 2023, respectively, and are included in accrued expenses and other liabilities in our condensed 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 $5,000 and $6,000 at March 31, 2024 and December 31, 2023, respectively, and are classified in our condensed consolidated balance sheets as either current or long-term deferred revenue.

The following table summarizes the Company's contract receivable and contract liability balances:

	(in thousands)	
	2024	2023
Contract receivables - January 1	13,398	15,306
Contract receivables - March 31	8,644	12,338
Increase (decrease)	(4,754)	(2,968)
Contract liabilities - January 1	33,589	33,861
Contract liabilities - March 31	32,554	34,046
Increase (decrease)	(1,035)	185

The decrease in contract receivables in the first quarters of 2024 and 2023 was due primarily to collections exceeding billings. During the three months ended March 31, 2024, we recognized approximately $2.5 million of revenues that were included in our contract liability balance at January 1, 2024.

Costs to Obtain or Fulfill a Contract

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which 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 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 VHC IT business, 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. VHC IT commissions allocable to other elements are charged to expense at go-live or customer acceptance. In our professional sales services segment, commissions paid to our sales force are deferred until the underlying equipment is accepted by the customer. We recognized approximately $579,000 and $605,000 of amortization related to these sales commission assets in "Cost of professional sales services" in the three months ended March 31, 2024 and 2023, respectively, and approximately $21,000 and $26,000 of amortization in "Selling, general and administrative" expense in the three months ended March 31, 2024 and 2023, respectively, in our condensed consolidated statements of operations and comprehensive income (loss).

At March 31, 2024 and December 31, 2023, our consolidated balance sheets include approximately $6,853,000 and $7,106,000, respectively, in capitalized sales commissions - primarily in our professional sales services segment - to be expensed in future periods, of which $3,367,000 and $3,285,000, respectively, is recorded in deferred commission expense and $3,486,000 and $3,821,000, respectively, 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. We base our estimate of variable consideration on historical results of previous years' achievement under the GEHC agreement. Such estimate is reviewed each quarter and adjusted as necessary. In addition, the Company records commissions for arranging financing at an estimated rate which is subject to later revision based on certain factors.

The Company also records commission adjustments to contract liabilities in its professional sales service segment based on estimates of future order cancellations.

NOTE D – SEGMENT REPORTING AND CONCENTRATIONS

Vaso Corporation principally operates in three distinct business segments in the healthcare and information technology industries. We manage and evaluate our operations, and report our financial results, through these three reportable 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 GEHC into the healthcare provider middle market; and
- Equipment segment, operating through a wholly-owned subsidiary VasoMedical, Inc., primarily focuses on the design, manufacture, sale and service of proprietary 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 (net income (loss), plus interest expense (income), net; tax expense; depreciation and amortization; and non-cash stock-based compensation). Administrative functions such as finance, human resources, and information technology 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) Three months ended March 31, 2024	2023
Revenues from external customers		
IT	$ 10,153	$ 10,274
Professional sales service	8,127	8,125
Equipment	458	637
Total revenues	$ 18,738	$ 19,036
Gross Profit		
IT	$ 4,195	$ 4,440
Professional sales service	6,378	6,643
Equipment	345	479
Total gross profit	$ 10,918	$ 11,562
Operating income (loss)		
IT	$ (420)	$ (109)
Professional sales service	(7)	839
Equipment	(294)	(25)
Corporate	(747)	(443)
Total operating income (loss)	$ (1,468)	$ 262
Depreciation and amortization		
IT	$ 155	$ 246
Professional sales service	22	20
Equipment	8	7
Corporate	-	-
Total depreciation and amortization	$ 185	$ 273
Capital expenditures		
IT	$ 246	$ 85
Professional sales service	2	50
Equipment	224	13
Corporate	-	-
Total cash capital expenditures	$ 472	$ 148

	(in thousands) March 31, 2024	December 31, 2023
Identifiable Assets		
IT	$ 21,776	$ 22,425
Professional sales service	13,988	18,955
Equipment	7,005	7,114
Corporate	26,675	27,263
Total assets	$ 69,444	$ 75,757

GEHC accounted for 43% of revenue for both of the three-month periods ended March 31, 2024 and 2023. GEHC also accounted for $4.5 million or 60%, and $9.3 million or 75%, of accounts and other receivables at March 31, 2024 and December 31, 2023, respectively. No other customer accounted for 10% or more of revenue.

NOTE E – EARNINGS (LOSS) PER COMMON SHARE

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

Diluted earnings (loss) 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) Three months ended March 31,	
	2024	2023
Basic weighted average shares outstanding	175,119	173,628
Dilutive effect of unvested restricted shares	-	1,573
Diluted weighted average shares outstanding	175,119	175,201

The following table represents common stock equivalents that were excluded from the computation of diluted earnings (loss) per share for the three months ended March 31, 2024 and 2023, because the effect of their inclusion would be anti-dilutive.

	(in thousands) Three months ended March 31,	
	2024	2023
Restricted common stock grants	894	-

NOTE F – SHORT-TERM INVESTMENTS AND FINANCIAL INSTRUMENTS

The Company's short-term investments consist of bank deposits with yields based on underlying debt and equity securities and six-month US Treasury bills. The bank deposits are carried at fair value of approximately $0 and $424,000 at March 31, 2024 and December 31, 2023, respectively, and are classified as available-for-sale. Realized gains or losses on the bank deposits are included in net income. The US Treasury bills are classified as held-to-maturity and are carried at amortized cost of approximately $4,235,000 and $13,555,000 at March 31, 2024 and December 31, 2023, respectively. Their fair value at March 31, 2024 and December 31, 2023 is approximately $4,234,000 and $13,559,000, respectively, and the unrecognized holding (loss) gain is ($1,000) and $4,000 for the three months ended March 31, 2024 and 2023, respectively. The Company does not expect a credit loss for its short-term investments.

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.

The Company complies with the provisions of ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820"). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The carrying amount of assets and liabilities including cash and cash equivalents, short-term investments, accounts receivable, prepaids, accounts payable, accrued expenses and other current liabilities approximated their fair value as of March 31, 2024 and December 31, 2023, due to the relative short maturity of these instruments. Property and equipment, intangible assets, capital lease obligations, and goodwill are not required to be re-measured to fair value on a recurring basis. These assets are evaluated for impairment if certain triggering events occur. If such evaluation indicates that impairment exists, the respective asset is written down to its fair value.

The following table presents information about the Company's assets measured at fair value as of March 31, 2024 and December 31, 2023:

(in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2024
Assets				
Cash equivalents invested in money market funds and treasury bills	$ 18,416	$ -	$ -	$ 18,416

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2023
Assets				
Cash equivalents invested in money market funds and treasury bills	$ 10,522	$ -	$ -	$ 10,522
Bank deposits (included in short term investments)	424			424
	$ 10,946	$ -	$ -	$ 10,946

NOTE G – ACCOUNTS AND OTHER RECEIVABLES, NET

The following table presents information regarding the Company's accounts and other receivables as of March 31, 2024 and December 31, 2023:

	(in thousands)	
	March 31, 2024	December 31, 2023
Trade receivables	$ 16,254	$ 22,085
Unbilled receivables	719	-
Allowance for credit losses and commission adjustments	(9,508)	(9,708)
Accounts and other receivables, net	$ 7,465	$ 12,377

Contract receivables under Topic 606 consist of trade receivables and unbilled receivables. Trade receivables include amounts due for shipped products and services rendered. Unbilled receivables represent variable consideration recognized in accordance with Topic 606 but not yet billable. Amounts recorded – billed and unbilled - 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 credit losses and commission adjustments include estimated losses resulting from the inability of our customers to make required payments, and adjustments arising from subsequent changes in sales order amounts that may reduce the amount the Company will ultimately receive under the GEHC Agreement.

NOTE H – INVENTORIES, NET

Inventories, net of reserves, consist of the following:

	(in thousands)	
	March 31, 2024	December 31, 2023
Raw materials	$ 761	$ 832
Work in process	92	11
Finished goods	713	627
	$ 1,566	$ 1,470

The Company maintained reserves for slow moving inventories of $164,000 at both March 31, 2024 and December 31, 2023.

NOTE I – GOODWILL AND OTHER INTANGIBLES

Goodwill of $14,375,000 is allocated to the IT segment. The remaining $1,187,000 of goodwill is attributable to the FGE reporting unit within the Equipment segment. The components of the change in goodwill are as follows:

	(in thousands) Three months ended March 31, 2024	Year ended December 31, 2023
Beginning of period	$ 15,588	$ 15,614
Foreign currency translation adjustment	(26)	(26)
End of period	$ 15,562	$ 15,588

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:

	(in thousands) March 31, 2024	December 31, 2023
Customer-related		
Costs	$ 5,831	$ 5,831
Accumulated amortization	(4,839)	(4,790)
	992	1,041
Patents and Technology		
Costs	1,894	1,894
Accumulated amortization	(1,894)	(1,894)
	-	-
Software		
Costs	2,710	2,618
Accumulated amortization	(2,278)	(2,253)
	432	365
	$ 1,424	$ 1,406

Patents and technology are amortized on a straight-line basis over their estimated useful lives of ten and eight years, respectively. 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 $74,000 and $90,000 for the three months ended March 31, 2024 and 2023, respectively.

Amortization of intangibles for the next five years is:

Years ending December 31,	*(in thousands)*
Remainder of 2024	253
2025	272
2026	217
2027	188
2028	165
2029	20
	$ 1,115

NOTE J – OTHER ASSETS, NET

Other assets, net consist of the following at March 31, 2024 and December 31, 2023:

	(in thousands)	
	March 31, 2024	December 31, 2023
Deferred commission expense - noncurrent	$ 3,485	$ 3,821
Trade receivables - noncurrent	1,179	1,021
Other, net of allowance for loss on loan receivable of $412 at March 31, 2024 and December 31, 2023	60	60
	$ 4,724	$ 4,902

NOTE K – ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following at March 31, 2024 and December 31, 2023:

	(in thousands)	
	March 31, 2024	December 31, 2023
Accrued compensation	$ 862	$ 2,482
Accrued expenses - other	1,934	2,142
Order reduction liability	923	971
Other liabilities	1,185	1,770
	$ 4,904	$ 7,365

NOTE L – DEFERRED REVENUE

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

	(in thousands)	
	Three months ended March 31,	
	2024	2023
Deferred revenue at beginning of period	$ 32,200	$ 30,803
Net additions:		
Deferred extended service contracts	2	2
Deferred commission revenues	1,950	4,016
Recognized as revenue:		
Deferred extended service contracts	(4)	(1)
Deferred commission revenues	(2,719)	(3,267)
Deferred revenue at end of period	31,429	31,553
Less: current portion	17,272	14,234
Long-term deferred revenue at end of period	$ 14,157	$ 17,319

NOTE M – RELATED-PARTY TRANSACTIONS

The Company uses the equity method to account for its interest in EECP Global as it has the ability to exercise significant influence over the entity and reports its share of EECP Global operations in Other (Expense) Income on its condensed consolidated statements of operations. For the three months ended March 31, 2024 and 2023, the Company's share of EECP Global's loss was approximately $31,000 and $78,000, respectively, and included in Other (Expense) Income in its condensed consolidated statements of operations. At March 31, 2024 and December 31, 2023, the Company recorded a net receivable from related parties of approximately $1,029,000 and $901,000, respectively, on its condensed consolidated balance sheet for amounts due from EECP Global for fees and cost reimbursements net of amounts due to EECP Global for receivables collected on its behalf.

NOTE N – COMMITMENTS AND CONTINGENCIES

Litigation

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

Sales representation agreement

In October 2021, the Company concluded an amendment of the GEHC Agreement with GEHC, originally signed on May 19, 2010 and previously extended in 2012, 2015 and 2017. The amendment extended the term of the original agreement, which began on July 1, 2010, through December 31, 2026, subject to early termination by GEHC without cause with certain conditions. Under the agreement, VasoHealthcare is the exclusive representative for the sale of select GEHC diagnostic imaging products to specific market 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.

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 December 31, 2022, the Company executed an Employment Agreement with the President of its VasoHealthcare subsidiary, Ms. Jane Moen, to provide for a twenty-seven month initial term with extensions, unless earlier terminated by the Company, but in no event can it extend beyond December 31, 2026 or the earlier termination of the GEHC Agreement. The Employment Agreement provides for annual base compensation of $350,000. Ms. Moen shall be eligible to receive bonuses for each fiscal year during the employment term. The amount and the occasion for payment of such bonuses, if any, shall be based on employment status as well as achieving certain operating targets. Ms. Moen 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.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 COVID-19 pandemic; the effect of the dramatic changes taking place in IT and healthcare; continuation of the GEHC agreement; 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.

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

COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on economies of the United States and China, and it is possible that some negative impact to the Company's financial condition and results of operations may continue. At this time, we cannot reasonably estimate what the total impact may be. The pandemic has resulted in workforce and travel restrictions and created business disruptions in supply chain, production and demand across many business sectors. We have experienced negative impact in the recurring revenue business in our IT segment as some of our customers have been adversely affected by the shutdown, and new business in this segment appears to be slower as well. In addition, revenues in our China operations have been adversely affected by its government's lockdown policies, which have only recently been reversed.

Our Business Segments

Vaso Corporation ("Vaso") was incorporated in Delaware in July 1987. We principally operate in three distinct business segments in the healthcare 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 GEHC into the healthcare provider middle market; and

- Equipment segment, primarily focuses on the design, manufacture, sale and service of proprietary medical devices and software, 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.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Although these estimates are based on our knowledge of current events, our actual amounts and results could differ from those estimates. The estimates made are based on historical factors, current circumstances, and the experience and judgment of our management, who continually evaluate the judgments, estimates and assumptions and may employ outside experts to assist in the evaluations.

Certain of our accounting policies are deemed "critical", as they are both most important to the financial statement presentation and require management's most difficult, subjective or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a discussion of our critical accounting policies, see Note B to the condensed consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on April 1, 2024.

Results of Operations – For the Three Months Ended March 31, 2024 and 2023

Revenues

Total revenue for the three months ended March 31, 2024 and 2023 was $18,738,000 and $19,036,000, respectively, representing a decrease of $298,000, or 2% year-over-year. On a segment basis, revenue in the professional sales service segment increased $2,000, while revenue in the IT and equipment segments decreased $121,000 and $179,000, respectively.

Revenue in the IT segment for the three months ended March 31, 2024 was $10,153,000 compared to $10,274,000 for the three months ended March 31, 2023, a decrease of $121,000, or 1%, of which $94,000 resulted from lower NetWolves revenue, due primarily to decreased managed service sales, and $27,000 from lower healthcare IT revenue, due primarily to lower software support sales. Monthly recurring revenue in the IT segment accounted for $9,301,000 or 92% of the segment revenue in the first quarter of 2024, and $9,520,000 or 93% of the segment revenue for the same quarter last year (see Note C).

Commission revenues in the professional sales service segment were $8,127,000 in the first quarter of 2024, an increase of $2,000, or less than 1%, as compared to $8,125,000 in the same quarter of 2023. The increase in commission revenues was due primarily to new revenues from the ultrasound product offering beginning in 2nd quarter of 2023, largely offset by lower revenues from the diagnostic imaging products. Diagnostic imaging revenues decreased due to lower volume of underlying equipment delivered by GEHC during the period as well as a lower blended commission rate applicable to such deliveries. The Company only recognizes commission revenue when the underlying equipment has been accepted at the customer site in accordance with the specific terms of the sales agreement. Consequently, amounts billable, or billed and received, under the agreement with GEHC prior to customer acceptance of the equipment are recorded as deferred revenue in the condensed consolidated balance sheet. As of March 31, 2024, $31,424,000 in deferred commission revenue was recorded in the Company's condensed consolidated balance sheet, of which $14,154,000 was long-term. At March 31, 2023, $31,543,000 in deferred commission revenue was recorded in the Company's condensed consolidated balance sheet, of which $17,314,000 was long-term. The decrease in deferred revenue is principally due to lower value of new orders booked than orders delivered during the quarter.

Revenue in the equipment segment decreased by $179,000, or 28%, to $458,000 for the three-month period ended March 31, 2024 from $637,000 for the same period of the prior year, principally due to lower deliveries in our China operations resulting from impact of increased government scrutiny of healthcare purchasing practices.

Gross Profit

Gross profit for the three months ended March 31, 2024 and 2023 was $10,918,000, or 58% of revenue, and $11,562,000, or 61% of revenue, respectively, representing a decrease of $644,000, or 6% year-over-year. On a segment basis, gross profit in the IT, professional sales service, and equipment segments decreased $245,000, or 6%; $265,000, or 4%; and $134,000, or 28%, respectively.

IT segment gross profit for the three months ended March 31, 2024 was $4,195,000, or 41% of the segment revenue, compared to $4,440,000, or 43% of the segment revenue for the three months ended March 31, 2023. The year-over-year decrease of $245,000, or 6%, was primarily a result of both lower sales volume and lower margin product sales mix in the healthcare IT business.

Professional sales service segment gross profit was $6,378,000, or 79% of segment revenue, for the three months ended March 31, 2024 as compared to $6,643,000, or 82% of the segment revenue, for the three months ended March 31, 2023, reflecting a decrease of $265,000, or 4%. The decrease in absolute dollars was primarily due to higher cost of commissions combined with essentially flat revenues. Cost of commissions in the professional sales service segment of $1,749,000 and $1,482,000, for the three months ended March 31, 2024 and 2023, respectively, reflected commission expense associated with recognized commission revenues. Cost of commissions increased primarily due to a higher commission cost structure associated with ultrasound product revenues.

Commission expense associated with short-term deferred revenue is recorded as short-term deferred commission expense, or with long-term deferred revenue as part of other assets, on the balance sheet until the related commission revenue is recognized.

Equipment segment gross profit was $345,000, or 75% of segment revenues, for the first quarter of 2024 compared to $479,000, or 75% of segment revenues, for the same quarter of 2023. The $134,000, or 28%, decrease in gross profit was mainly the result of lower revenue in our China operations due to decreased delivery volume for the first quarter of 2024.

Operating (Loss) Income

Operating (loss) income for the three months ended March 31, 2024 and 2023 was ($1,468,000) and $262,000, respectively, representing a decrease of $1,730,000, due primarily to lower gross profit and higher selling, general, and administrative (“SG&A”) expenses. On a segment basis, the professional sales service segment recorded an operating loss of $7,000 in the first quarter of 2024, as compared to operating income of $839,000 for the same period of 2023; the IT segment recorded an operating loss of $420,000 in the first quarter of 2024 as compared to an operating loss of $109,000 in the same period of 2023; and the equipment segment recorded an operating loss of $294,000 in the first quarter of 2024 as compared to an operating loss of $25,000 in the same period of 2023.

Operating loss in the IT segment was $420,000 for the three-month period ended March 31, 2024, an increase in loss of $311,000 from an operating loss of $109,000 in the same period of 2023, due mainly to lower gross profit and higher SG&A costs. The professional sales service segment reported an operating loss of $7,000 in the three-month period ended March 31, 2024 as compared to operating income of $839,000 in the same period of 2023, a decrease in operating income of $846,000, due to lower gross profit and higher SG&A costs. The equipment segment reported an operating loss of $294,000 in the first quarter of 2024, compared to an operating loss of $25,000 in the first quarter 2023, an increase in loss of $269,000, due to lower gross profit and higher SG&A and research and development (“R&D”) costs.

SG&A costs for the three months ended March 31, 2024 and 2023 were $12,195,000 and $11,143,000, respectively, representing an increase of $1,052,000, or 9% year-over-year. On a segment basis, SG&A costs in the IT segment increased by $75,000 in the first quarter of 2024 from the same quarter of the prior year due to higher personnel costs partially offset by reduced third-party commissions; SG&A costs in the professional sales service segment increased $582,000 due mainly to higher personnel cost associated with the new ultrasound program and higher national sales meeting costs; and SG&A costs in the equipment segment increased $92,000 due mainly to higher personnel costs. Corporate costs not allocated to segments increased $303,000 to $746,000 in the three months ended March 31, 2024 from $443,000 for the same period in 2023, due mainly to higher costs for investment banking activities.

Research and development (“R&D”) expenses were $191,000, or 1% of revenues, for the first quarter of 2024, an increase of $34,000, or 22%, from $157,000, or 1% of revenues, for the first quarter of 2023. The increase is primarily attributable to higher product development expenses in the equipment segment.

Adjusted EBITDA

We define Adjusted EBITDA (earnings (loss) before interest, taxes, depreciation and amortization), which is a non-GAAP financial measure, as net income (loss), plus interest expense (income), net; 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 U.S. GAAP and should not be considered a substitute for operating income, which we consider to be the most directly comparable U.S. 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 U.S. GAAP. Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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

	(in thousands) Three months ended March 31,	
	2024	2023
Net (loss) income	$ (1,173)	$ 306
Interest expense (income), net	(299)	(111)
Income tax expense (benefit)	12	10
Depreciation and amortization	185	273
Share-based compensation	9	13
Adjusted EBITDA	$ (1,266)	$ 491

Adjusted EBITDA decreased by $1,757,000, to ($1,266,000) in the quarter ended March 31, 2024 from $491,000 in the quarter ended March 31, 2023. The decrease was mainly attributable to the change from net income to net loss, as well as to higher interest income and lower depreciation and amortization.

Interest and Other Income (Expense)

Interest and other income (expense) for the three months ended March 31, 2024 was $307,000 as compared to $54,000 for the corresponding period of 2023. The increase in interest and other income (expense) was due primarily to higher interest income on money market balances and short-term investments, and by decreased loss on investment in EECP Global.

Income Tax Expense

For the three months ended March 31, 2024, we recorded income tax expense of $12,000 as compared to income tax expense of $10,000 for the corresponding period of 2023. The increase was due mainly to higher state income taxes.

Net (Loss) Income

Net (loss) income for the three months ended March 31, 2024 was ($1,173,000) as compared to $306,000 for the three months ended March 31, 2023, representing a decrease of $1,479,000. (Loss) income per share was ($0.00) and $0.00 in the three-month periods ended March 31, 2024 and 2023, respectively. The principal cause of the change from net income to net loss is the $846,000 decrease in operating income in the professional sales service segment, increased operating losses in the IT and equipment segments and increased investment banking expenditures, partially offset by the $228,000 increase in interest and other income, net.

Liquidity and Capital Resources

Cash and Cash Flow

We have financed our operations from working capital. At March 31, 2024, we had cash and cash equivalents of $19,536,000 and working capital of $11,673,000, compared to cash and cash equivalents of $11,342,000 and working capital of $15,059,000 at December 31, 2023.

Cash used by operating activities during the three months ended March 31, 2024 was $1,070,000, which consisted of net loss after adjustments to reconcile net loss to net cash of $923,000 and cash used by operating assets and liabilities of $147,000, compared to cash used by operating activities of $1,941,000 for the same period in 2023. The changes in the account balances primarily reflect decreases in accrued commissions and accrued expenses and other liabilities of $1,933,000 and $2,601,000, respectively, partially offset by a decrease in accounts and other receivables of $4,876,000.

Cash provided by investing activities during the three-month period ended March 31, 2024 was $9,144,000, consisting of $9,616,000 from redemption of short-term investments offset by $472,000 for the purchase of equipment and software.

Cash provided by financing activities during the three-month period ended March 31, 2024 was $121,000, consisting of $140,000 in proceeds from note payable offset by $19,000 in repayment of notes payable and finance lease obligations.

Liquidity

The Company expects to generate sufficient cash flow from operations to satisfy its obligations for at least the next twelve months.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of 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 March 31, 2024 and have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 6 – EXHIBITS

Exhibits

31	Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to Rules 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit)

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

VASO CORPORATION

By: /s/ Jun Ma

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

/s/ Michael J. Beecher

Michael J. Beecher
Chief Financial Officer and
Principal Accounting Officer

Date: May 15, 2024

**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 quarterly report on Form 10-Q 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 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 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

Date: May 15, 2024

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 J. Beecher, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 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 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 J. Beecher
Michael J. Beecher
Chief Financial Officer

Date: May 15, 2024

Exhibit 32

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

In connection with the quarterly report of Vaso Corporation and subsidiaries (the “Company”) on Form 10-Q for the period ending March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jun Ma, as President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

Dated: May 15, 2024

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

In connection with the quarterly report of Vaso Corporation and subsidiaries (the “Company”) on Form 10-Q for the period ending March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Beecher, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Michael J. Beecher
Michael J. Beecher
Chief Financial Officer

Dated: May 15, 2024