UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 000-24249

Interpace Biosciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**22-2919486**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

Waterview Plaza, Suite 310, 2001 Route 46, Parsippany, NJ 07054

(Address of principal executive offices and zip code)

(855) 776-6419

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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, 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	**Shares Outstanding August 4, 2023**
Common Stock, par value $0.01 per share	4,314,216

INTERPACE BIOSICENCES, INC.
FORM 10-Q FOR PERIOD ENDED JUNE 30, 2023
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PART I. FINANCIAL INFORMATION

INTERPACE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2023 (unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,079	$ 4,828
Accounts receivable	5,529	5,032
Other current assets	2,367	2,294
Total current assets	12,975	12,154
Property and equipment, net	606	480
Intangible assets, net	226	861
Operating lease right of use assets	2,090	2,439
Other long-term assets	45	45
Total assets	$ 15,942	$ 15,979
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 1,689	$ 1,050
Accrued salary and bonus	1,127	1,456
Other accrued expenses	8,391	8,419
Line of credit - current	1,500	2,500
Current liabilities of discontinued operations	858	858
Total current liabilities	13,565	14,283
Contingent consideration	231	518
Operating lease liabilities, net of current portion	1,646	1,848
Note payable at fair value	11,307	11,165
Other long-term liabilities	4,863	4,701
Total liabilities	31,612	32,515
Commitments and contingencies (Note 9)		
Redeemable preferred stock, $.01 par value; 5,000,000 shares authorized, 47,000 shares Series B issued and outstanding	46,536	46,536
Stockholders' deficit:		
Common stock, $.01 par value; 100,000,000 shares authorized; 4,390,826 and 4,367,830 shares issued, respectively; 4,311,414 and 4,296,710 shares outstanding, respectively	405	405
Additional paid-in capital	187,865	187,516
Accumulated deficit	(248,491)	(249,017)
Treasury stock, at cost (79,412 and 71,120 shares, respectively)	(1,985)	(1,976)
Total stockholders' deficit	(62,206)	(63,072)
Total liabilities and stockholders' deficit	(30,594)	(30,557)
Total liabilities, preferred stock and stockholders' deficit	$ 15,942	$ 15,979

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

INTERPACE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except for per share data)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenue, net	$ 11,026	$ 7,395	$ 20,853	$ 15,318
Cost of revenue	4,191	3,565	8,039	6,830
Gross profit	6,835	3,830	12,814	8,488
Operating expenses:				
Sales and marketing	2,605	2,551	4,947	4,751
Research and development	186	204	335	435
General and administrative	2,894	2,983	5,389	5,869
Acquisition related amortization expense	318	317	635	635
Change in fair value of contingent consideration	-	(311)	-	(311)
Total operating expenses	6,003	5,744	11,306	11,379
Operating income (loss) from continuing operations	832	(1,914)	1,508	(2,891)
Interest accretion expense	(31)	36	(66)	(85)
Note payable interest	(228)	(210)	(453)	(390)
Other (expense) income, net	(174)	37	(156)	198
Income (loss) from continuing operations before tax	399	(2,051)	833	(3,168)
Provision for income taxes	4	16	8	34
Income (loss) from continuing operations	395	(2,067)	825	(3,202)
Loss from discontinued operations, net of tax	(220)	(1,872)	(299)	(2,984)
Net income (loss)	$ 175	$ (3,939)	$ 526	$ (6,186)
Basic income (loss) per share of common stock:				
From continuing operations	$ 0.09	$ (0.49)	$ 0.19	$ (0.76)
From discontinued operations	(0.05)	(0.44)	(0.07)	(0.71)
Net income (loss) per basic and diluted share of common stock	$ 0.04	$ (0.93)	$ 0.12	$ (1.47)
Diluted income (loss) per share of common stock:				
From continuing operations	$ 0.09	$ (0.49)	$ 0.19	$ (0.76)
From discontinued operations	(0.05)	(0.44)	(0.07)	(0.71)
Net income (loss) per basic and diluted share of common stock	$ 0.04	$ (0.93)	$ 0.12	$ (1.47)
Weighted average number of common shares and common share equivalents outstanding:				
Basic	4,311	4,229	4,309	4,219
Diluted	4,316	4,229	4,313	4,219

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

INTERPACE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(unaudited, in thousands)

	Common Stock		Treasury Stock		Additional Paid in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance -December 31, 2021	4,228,169	$ 403	32,757	$ (1,868)	$ 186,106	$ (227,059)	$ (42,418)
Issuance of common stock	44,139	1	-	-	58	-	59
Treasury stock purchased		-	13,129	(60)	-	-	(60)
Stock-based compensation expense	-	-	-	-	325	-	325
Net loss	-	-	-	-	-	(2,247)	(2,247)
Balance -March 31, 2022	4,272,308	404	45,886	$ (1,928)	$ 186,489	$ (229,306)	$ (44,341)
Issuance of common stock	5,009	-	-	-	-	-	-
Treasury stock purchased		-	1,483	(6)	-	-	(6)
Stock-based compensation expense	-	-	-	-	334	-	334
Net loss	-	-	-	-	-	(3,939)	(3,939)
Balance -June 30, 2022	4,277,317	$ 404	47,369	$ (1,934)	$ 186,823	$ (233,245)	$ (47,952)
Balance -December 31, 2022	4,367,830	$ 405	71,120	$ (1,976)	$ 187,516	$ (249,017)	$ (63,072)
Issuance of common stock	22,996	-	-	-	-	-	-
Treasury stock purchased		-	8,292	(9)	-	-	(9)
Stock-based compensation expense	-	-	-	-	192	-	192
Net income	-	-	-	-	-	351	351
Balance -March 31, 2023	4,390,826	$ 405	79,412	$ (1,985)	$ 187,708	$ (248,666)	$ (62,538)
Stock-based compensation expense	-	-	-	-	157	-	157
Net income	-	-	-	-	-	175	175
Balance -June 30, 2023	4,390,826	$ 405	79,412	$ (1,985)	$ 187,865	$ (248,491)	$ (62,206)

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

INTERPACE BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

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	For The Six Months Ended June 30,	
	2023	**2022**
Cash Flows From Operating Activities		
Net income (loss)	$ 526	$ (6,186)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	714	1,571
Interest accretion expense	66	85
Amortization of deferred financing fees	28	31
Stock-based compensation	349	613
ESPP expense	-	46
Change in fair value of note payable	142	(160)
Mark to market on warrants	-	(68)
Change in fair value of contingent consideration	-	(311)
Other changes in operating assets and liabilities:		
Accounts receivable	(497)	(288)
Other current assets	(101)	(3)
Operating lease right of use assets	349	549
Accounts payable	610	794
Accrued salaries and bonus	(329)	278
Other accrued expenses	(138)	(654)
Operating lease liabilities	(337)	(541)
Other long-term liabilities	162	72
Net cash provided by (used in) operating activities	1,544	(4,172)
Cash Flows From Investing Activity		
Working capital adjustment on sale of Interpace Pharma Solutions	(117)	-
Purchase of property and equipment	(176)	(86)
Net cash used in investing activities	(293)	(86)
Cash Flows From Financing Activities		
Issuance of common stock, net of expenses	-	59
Proceeds from convertible debt	-	2,000
(Payments) borrowings on line of credit	(1,000)	1,000
Net cash (used in) provided by financing activities	(1,000)	3,059
Net increase (decrease) in cash, cash equivalents and restricted cash	251	(1,199)
Cash, cash equivalents and restricted cash from continuing operations– beginning	4,828	2,922
Cash, cash equivalents and restricted cash from discontinued operations– beginning	-	392
Cash, cash equivalents and restricted cash – beginning	$ 4,828	$ 3,314
Cash, cash equivalents and restricted cash from continuing operations– ending	$ 5,079	$ 1,943
Cash, cash equivalents and restricted cash from discontinued operations– ending	-	172
Cash, cash equivalents and restricted cash – ending	$ 5,079	$ 2,115

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

1. OVERVIEW

Nature of Business

Interpace Biosciences, Inc. ("Interpace" or the "Company") is a company that provides molecular diagnostics, bioinformatics and pathology services for evaluation of risk of cancer by leveraging the latest technology in personalized medicine for improved patient diagnosis and management. The Company develops and commercializes genomic tests and related first line assays principally focused on early detection of patients with indeterminate biopsies and at high risk of cancer using the latest technology.

2. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements and related notes (the "Interim Financial Statements") should be read in conjunction with the consolidated financial statements of the Company and its wholly-owned subsidiaries (Interpace Diagnostics Lab Inc., Interpace Diagnostics Corporation, and Interpace Diagnostics, LLC), and related notes as included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities & Exchange Commission ("SEC") on March 27, 2023 and as amended on April 28, 2023.

The Interim Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The Interim Financial Statements include all normal recurring adjustments that, in the judgment of management, are necessary for a fair presentation of such interim financial statements. Discontinued operations include the Company's wholly owned subsidiaries: Group DCA, LLC, InServe Support Solutions; and TVG, Inc., its commercial services business unit which was sold on December 22, 2015 and its Interpace Pharma Solutions, Inc. business ("Pharma Solutions") which was sold on August 31, 2022. All significant intercompany balances and transactions have been eliminated in consolidation. Operating results for the six-month period ended June 30, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023.

3. LIQUIDITY

In October 2021, the Company entered into a $7.5 million revolving credit facility with Comerica Incorporated ("Comerica") (the "Comerica Loan Agreement"). See Note 17, *Revolving Line of Credit*, for more details. Also in October 2021, the Company entered into an $8.0 million term loan with BroadOak Fund V, L.P. ("BroadOak") (the "BroadOak Term Loan"), the proceeds of which were used to repay in full at their maturity the existing secured promissory note with Ampersand Capital Partners ("Ampersand") (the "Ampersand Note") and 1315 Capital II, L.P ("1315 Capital") (the "1315 Capital Note"). In May 2022, the Company entered into a Subordinated Convertible Promissory Note agreement with BroadOak for an additional $2.0 million (the "Convertible Note"), which was converted into a subordinated term loan and was added to the outstanding BroadOak Term Loan balance. See Note 14, *Notes Payable*, for more details.

In January 2022, the Company's registration statement for a rights offering filed with the Securities and Exchange Commission (SEC) became effective; however, the rights offering was subsequently terminated later in January 2022 when the Company announced that the Centers for Medicare & Medicaid Services, or CMS, issued a new billing policy whereby CMS will no longer reimburse for the use of the Company's ThyGeNEXT® and ThyraMIR® tests when billed together by the same provider/supplier for the same beneficiary on the same date of service. However, on February 28, 2022, the Company announced that the National Correct Coding Initiative (NCCI) program issued a response on behalf of CMS stating that the January 2022 billing policy reimbursement change for ThyGeNEXT® (0245U) and ThyraMIR® (0018U) tests has been retroactively reversed to January 1, 2022. In May 2022, the Company was notified by CMS/NCCI that processing of claims for dates of service after January 1, 2022 would be completed beginning July 1, 2022. However, on June 9, 2022, the Company was notified that our local Medicare Administrator Contractor, Novitas re-priced ThyGeNEXT® (0245U) from $2,919 to $806.59 retroactively effective to January 1, 2022. On July 20, 2022 the Clinical Diagnostic Laboratory Tests (CDLT) Advisory Panel affirmed a gapfill price for ThyGeNEXT® of $806.59. As a result of the ThyGeNEXT® pricing change, the Company reduced its net realizable value, or NRV rates, for ThyGeNEXT® Medicare billing to reflect the $806.59 pricing for tests performed during the second quarter of 2022. In addition, in order to reflect the retroactive pricing change to January 1, 2022, the Company recorded an NRV adjustment of $0.7 million during the second quarter of 2022 to reduce revenue recorded during the first quarter of 2022. Effective January 1, 2023, the gapfill price for ThyGeNEXT® was set at $1,266.07.

Further, along with many laboratories, the Company may be affected by the Proposed Local Coverage Determination ("LCD") DL39365, which was posted on June 9, 2022 and is currently under consideration by Novitas. If finalized, this Proposed LCD, which governs "Genetic Testing for Oncology," could impact the existing LCD for one of our molecular tests, PancraGEN®. On June 5, 2023 the Company announced that CMS issued the final LCD of Genetic Testing for Oncology (L39365) which establishes non-coverage for the Company's widely used PancraGEN® test effective July 17, 2023. On July 6, 2023, Novitas announced that it was rescinding implementation of the Genetic Testing for Oncology LCD (L39365) so that it will not become effective on July 17, 2023. Novitas issued a new proposed LCD affecting the same companies and tests and reaching the same conclusions as noted in the previously rescinded LCD on July 27, 2023. The Company has been invited to participate in a public meeting presentation regarding the tests in question. The timing and content of any final LCD is uncertain at this time; the process could potentially take a year or longer to reach a conclusion. As a result, the Company is able to continue offering PancraGEN® and the related Point2® fluid chemistry tests for amylase, CEA, and glucose. In the event Novitas ultimately restricts coverage for the PancraGEN® test, the Company's liquidity could be negatively impacted.

For the six months ended June 30, 2023, the Company had operating income from continuing operations of $1.5 million. As of June 30, 2023, the Company had cash and cash equivalents of $5.1 million, total current assets of $13.0 million and current liabilities of $13.6 million. As of August 4, 2023, the Company had approximately $4.6 million of cash on hand.

The Company may not generate positive cash flows from operations for the year ending December 31, 2023. The Company intends to meet its ongoing capital needs by using its available cash, as well as through targeted margin improvement; collection of accounts receivable; containment of costs; and the potential use of other financing options and other strategic alternatives. However, if the Company is unable to meet the financial covenants under the Comerica Loan Agreement, the revolving line of credit and notes payable will become due and payable immediately. As of August 1, 2023, the Company had $3.4 million available under the Loan Agreement.

The Company continues to explore various strategic alternatives, dilutive and non-dilutive sources of funding, including equity and debt financings, strategic alliances, business development and other sources in order to provide additional liquidity. With the delisting of its common stock from Nasdaq in February 2021, and the possible removal of its common stock from trading on the OTCQX® if it failed to meet minimum market capitalization of $5 million by July 3, 2023, the Company's ability to raise additional capital on terms acceptable to it has been adversely impacted. There can be no assurance that the Company will be successful in obtaining such funding on terms acceptable to it. The Company was notified in May 2023 that it had met the market capitalization requirements and was cleared to remain on OTCQX®.

With the proceeds received from the sale of the Pharma Solutions business, as well as the improvement in operating cash flows associated with the disposition, and the Company's improved operating performance, as of the date of this filing, the Company anticipates that current cash and cash equivalents and forecasted cash receipts will be sufficient to meet its anticipated cash requirements through the next twelve months.

4. DISCONTINUED OPERATIONS

Liabilities classified as discontinued operations as of both June 30, 2023 and December 31, 2022 consists of accrued expenses of which $766 of liabilities related to the former commercial services business unit.

The table below presents the significant components of its former Pharma Solutions business unit's results included within loss from discontinued operations, net of tax in the condensed consolidated statements of operations for the three- and six months ended June 30, 2023 and 2022.

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue, net	$ -	$ 1,956	$ -	$ 4,410
Loss from discontinued operations	(137)	(1,820)	(137)	(2,878)
Income tax expense	83	52	162	106
Loss from discontinued operations, net of tax	$ (220)	$ (1,872)	$ (299)	$ (2,984)

Cash used from discontinued operations, operating activities, for the six months ended June 30, 2022 was approximately $2.5 million. Cash used from discontinued operations, operating activities, was $20,000, and investing activities was $0.1 million for the six months ended June 30, 2023. Depreciation and amortization expense within discontinued operations for the three and six-months ended June 30, 2022 was $0.4 million and $0.8 million, respectively. There was no depreciation and amortization expense for the three or six months ended June 30, 2023 in discontinued operations.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experience, facts and circumstances available at the time, and various other assumptions that are believed to be reasonable under the circumstances. Significant estimates include accounting for valuation allowances related to deferred income taxes, contingent consideration, allowances for doubtful accounts, revenue recognition, unrecognized tax benefits, and asset impairments involving intangible assets. The Company periodically reviews these matters and reflects changes in estimates in earnings as appropriate. Actual results could materially differ from those estimates.

Revenue Recognition

Our clinical services derive its revenues from the performance of its proprietary assays or tests. The Company's performance obligation is fulfilled upon the completion, review and release of test results to the customer. The Company subsequently bills third-party payers or direct-bill payers for the tests performed. Under Accounting Standards Codification 606, revenue is recognized based on the estimated transaction price or net realizable value, which is determined based on historical collection rates by each payer category for each proprietary test offered by the Company. To the extent the transaction price includes variable consideration, for all third party and direct-bill payers and proprietary tests, the Company estimates the amount of variable consideration that should be included in the transaction price using the expected value method based on historical experience.

For our clinical services, we regularly review the ultimate amounts received from the third-party and direct-bill payers and related estimated reimbursement rates and adjust the NRV's and related contractual allowances accordingly. If actual collections and related NRV's vary significantly from our estimates, we will adjust the estimates of contractual allowances, which affects net revenue in the period such variances become known. The Company recorded an NRV adjustment of $0.7 million as a reduction of revenue during the second quarter of 2022 to record the impact on revenue recorded during the first quarter of 2022. See Note 3, *Liquidity,* for more details.

For our discontinued pharma services, project level activities, including study setup and project management, were satisfied over the life of the contract while performance-related obligations were satisfied at a point in time as the Company processes samples delivered by the customer. Revenues were recognized at a point in time when the test results or other deliverables are reported to the customer.

Financing and Payment

For non-Medicare claims, our payment terms vary by payer category. Payment terms for direct-payers in our clinical services are typically thirty days and in our pharma services, were up to sixty days. Commercial third-party-payers are required to respond to a claim within a time period established by their respective state regulations, generally between thirty to sixty days. However, payment for commercial third-party claims may be subject to a denial and appeal process, which could take up to two years in some instances where multiple appeals are submitted. The Company generally appeals all denials from commercial third-party payers. We bill Medicare directly for tests performed for Medicare patients and must accept Medicare's fee schedule for the covered tests as payment in full.

Costs to Obtain or Fulfill a Customer Contract

Sales commissions are expensed in the period in which they have been earned. These costs are recorded in sales and marketing expense in the condensed consolidated statements of operations.

Accounts Receivable

The Company's accounts receivable represent unconditional rights to consideration and are generated using its clinical services and pharma services. The Company's clinical services are fulfilled upon completion of the test, review and release of the test results. In conjunction with fulfilling these services, the Company bills the third-party payer or direct-bill payer. Contractual adjustments represent the difference between the list prices and the reimbursement rates set by third-party payers, including Medicare, commercial payers, and amounts billed to direct-bill payers. Specific accounts may be written off after several appeals, which in some cases may take longer than twelve months. Pharma services represented, primarily, the performance of laboratory tests in support of clinical trials for pharma services customers. The Company billed these services directly to the customer.

Leases

The Company determines if an arrangement contains a lease in whole or in part at the inception of the contract. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term while lease liabilities represent our obligation to make lease payments arising from the lease. All leases with terms greater than twelve months result in the recognition of a ROU asset and a liability at the lease commencement date based on the present value of the lease payments over the lease term. Unless a lease provides all of the information required to determine the implicit interest rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. We use the implicit interest rate in the lease when readily determinable.

Our lease terms include all non-cancelable periods and may include options to extend (or to not terminate) the lease when it is reasonably certain that we will exercise that option. Leases with terms of twelve months or less at the commencement date are expensed on a straight-line basis over the lease term and do not result in the recognition of an asset or liability. See Note 7, *Leases*.

Other Current Assets

Other current assets consisted of the following as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Lab supplies	$ 1,177	$ 1,224
Prepaid expenses	642	390
Funds in escrow	500	500
Other	48	180
Total other current assets	$ 2,367	$ 2,294

Long-Lived Assets, including Finite-Lived Intangible Assets

Finite-lived intangible assets are stated at cost less accumulated amortization. Amortization of finite-lived acquired intangible assets is recognized on a straight-line basis, using the estimated useful lives of the assets of approximately two years to ten years in acquisition-related amortization expense in the condensed consolidated statements of operations.

The Company reviews the recoverability of long-lived assets and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value of the asset to its fair value measured by future discounted cash flows. This analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary.

Basic and Diluted Net Loss per Share

A reconciliation of the number of shares of common stock, par value $0.01 per share, used in the calculation of basic and diluted loss per share for the three- and six-month periods ended June 30, 2023 and 2022 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Basic weighted average number of common shares	4,311	4,229	4,309	4,219
Potential dilutive effect of stock-based awards	5	-	4	-
Diluted weighted average number of common shares	4,316	4,229	4,313	4,219

The Company's Series B Redeemable Preferred Stock, on an as converted basis into common stock of 7,833,334 shares for the three- and six-months ended June 30, 2023, and the following outstanding stock-based awards and warrants, were excluded from the computation of the effect of dilutive securities on loss per share for the following periods as they would have been anti-dilutive (rounded to thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Options	475	641	475	641
Restricted stock units (RSUs)	215	351	217	351
Warrants	-	63		63
	690	1,055	692	1,055

6. INTANGIBLE ASSETS

The net carrying value of the identifiable intangible assets from all acquisitions as of June 30, 2023 and December 31, 2022 are as follows:

	Life (Years)	As of June 30, 2023 Carrying Amount	As of December 31, 2022 Carrying Amount
Asuragen acquisition:			
Thyroid	9	$ 8,519	$ 8,519
RedPath acquisition:			
Pancreas test	7	16,141	16,141
Barrett's test	9	6,682	6,682
CLIA Lab	2.3	609	609
Total		$ 31,951	$ 31,951
Accumulated Amortization		(31,725)	(31,090)
Net Carrying Value		$ 226	$ 861

Amortization expense was approximately $0.3 million for both the three-month periods ended June 30, 2023 and 2022, and $0.6 million for the six-month periods ended June 30, 2023 and 2022, respectively. The remaining amortization expense of $0.2 million will be amortized in 2023.

7. FAIR VALUE MEASUREMENTS

Cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their relative short-term nature. The Company's financial liabilities reflected at fair value in the condensed consolidated financial statements include contingent consideration, warrant liability and note payable. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observable inputs used in the valuation techniques, the Company is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values into three broad levels as follows:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The valuation methodologies used for the Company's financial instruments measured on a recurring basis at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, is set forth in the tables below:

	As of June 30, 2023		Fair Value Measurements As of June 30, 2023		
	Amount	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Contingent consideration:					
Asuragen [(1)]	$ 774	$ 774	$ -	$ -	$ 774
Note payable:					
BroadOak loan	10,000	11,307	-	-	11,307
	$ 10,774	$ 12,081	$ -	$ -	$ 12,081

(1) See Note 10, *Other Accrued Expenses*

	As of December 31, 2022		Fair Value Measurements As of December 31, 2022		
	Amount	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Contingent consideration:					
Asuragen [(1)]	$ 1,088	$ 1,088	$ -	$ -	$ 1,088
Note payable:					
BroadOak loan	10,000	11,165	-	-	11,165
	$ 11,088	$ 12,253	$ -	$ -	$ 12,253

(1) See Note 10, *Other Accrued Expenses*

In connection with the acquisition of certain assets from Asuragen, Inc., the Company recorded contingent consideration related to contingent payments and other revenue-based payments. The Company determined the fair value of the contingent consideration based on a probability-weighted income approach derived from revenue estimates. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement.

In connection with the BroadOak loan, the Company records the loan at fair value. The fair value of the loan is determined by a probability-weighted approach regarding the loan's change in control feature. See Note 14, *Notes Payable*, for more details. The fair value measurement is based on the estimated probability of a change in control and thus represents a Level 3 measurement.

A roll forward of the carrying value of the Contingent Consideration Liability and BroadOak Loan to June 30, 2023 is as follows:

	December 31, 2022	Issued	Transferred to Accrued Expenses	Accretion/ Interest Accrued	Adjustment to Fair Value/ Mark to Market	June 30, 2023
Asuragen	$ 1,088	$ -	$ (380)	$ 66	$ -	$ 774
BroadOak loans	11,165	-	-	-	142	11,307
	$ 12,253	$ -	$ (380)	$ 66	$ 142	$ 12,081

Certain of the Company's non-financial assets, such as intangible assets are measured at fair value on a nonrecurring basis when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

8. LEASES

The table below presents the lease-related assets and liabilities recorded in the Condensed Consolidated Balance Sheet:

	Classification on the Balance Sheet	June 30, 2023	December 31, 2022
Assets			
Operating lease assets	Operating lease right of use assets	2,090	2,439
Total lease assets		$ 2,090	$ 2,439
Liabilities			
Current			
Operating lease liabilities	Other accrued expenses	443	578
Total current lease liabilities		$ 443	$ 578
Noncurrent			
Operating lease liabilities	Operating lease liabilities, net of current portion	1,646	1,848
Total long-term lease liabilities		1,646	1,848
Total lease liabilities		$ 2,089	$ 2,426

The weighted average remaining lease term for the Company's operating leases was 4.7 years as of June 30, 2023 and the weighted average discount rate for those leases was 11.8%. The Company's operating lease expenses are recorded within "Cost of revenue" and "General and administrative expenses."

The table below reconciles the cash flows to the lease liabilities recorded on the Company's Condensed Consolidated Balance Sheet as of June 30, 2023:

	Operating Leases
2023 - remaining six months	$ 357
2024	575
2025	450
2026	550
2027-2028	825
Total minimum lease payments	2,757
Less: amount of lease payments representing effects of discounting	668
Present value of future minimum lease payments	2,089
Less: current obligations under leases	443
Long-term lease obligations	$ 1,646

9. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company will record a liability for the loss. In addition to the estimated loss, the recorded liability includes probable and estimable legal costs associated with the claim or potential claim. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. There is no pending litigation involving the Company at this time.

Due to the nature of the businesses in which the Company is engaged, it is subject to certain risks. Such risks include, among others, risk of liability for personal injury or death to persons using products or services that the Company promotes or commercializes. There can be no assurance that substantial claims or liabilities will not arise in the future due to the nature of the Company's business activities. There is also the risk of employment related litigation and other litigation in the ordinary course of business.

The Company could also be held liable for errors and omissions of its employees in connection with the services it performs that are outside the scope of any indemnity or insurance policy. The Company could be materially adversely affected if it were required to pay damages or incur defense costs in connection with a claim that is outside the scope of an indemnification agreement; if the indemnity, although applicable, is not performed in accordance with its terms; or if the Company's liability exceeds the amount of applicable insurance or indemnity.

10. OTHER ACCRUED EXPENSES

Other accrued expenses consisted of the following as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
Accrued royalties	$ 5,680	$ 4,909
Contingent consideration	543	569
Operating lease liability	443	578
Accrued sales and marketing - diagnostics	-	40
Accrued lab costs - diagnostics	182	167
Accrued professional fees	505	641
Taxes payable	222	262
Unclaimed property	328	565
All others	488	688
Total other accrued expenses	$ 8,391	$ 8,419

11. STOCK-BASED COMPENSATION

Historically, stock options have been granted with an exercise price equal to the market value of the common stock on the date of grant, with expiration 10 years from the date they are granted, and generally vest over a one to three-year period for employees and members of the Board. Upon exercise, new shares will be issued by the Company. The restricted shares and restricted stock units ("RSUs") granted to Board members and employees generally have a three-year graded vesting period and are subject to accelerated vesting and forfeiture under certain circumstances.

There were no stock option awards issued during the six months ended June 30, 2023. The following table provides the weighted average assumptions used in determining the fair value of the stock option awards granted during the six-month period ended June 30, 2022.

	June 30, 2022
Risk-free interest rate	1.75%
Expected life	6.0 years
Expected volatility	129.93%
Dividend yield	-

The Company recognized approximately $0.2 million and $0.3 million of stock-based compensation expense within continuing operations during the three-month periods ended June 30, 2023 and 2022, respectively and approximately $0.3 million and $0.6 million for the six-month periods ended June 30, 2023 and 2022, respectively. The following table has a breakout of stock-based compensation expense from continuing operations by line item.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 12	$ 20	$ 26	$ 47
Sales and marketing	30	42	60	86
General and administrative*	115	243	263	475
Total stock compensation expense	$ 157	$ 305	$ 349	$ 608

* Includes ESPP expense in 2022

12. INCOME TAXES

Generally, accounting standards require companies to provide for income taxes each quarter based on their estimate of the effective tax rate for the full year. The authoritative guidance for accounting for income taxes allows use of the discrete method when it provides a better estimate of income tax expense. Due to the Company's valuation allowance position, it is the Company's position that the discrete method provides a more accurate estimate of income tax expense and therefore income tax expense for the current quarter has been presented using the discrete method. As the year progresses, the Company refines its estimate based on the facts and circumstances by each tax jurisdiction. The following table summarizes income tax expense on loss from continuing operations and the effective tax rate for the three- and six-month periods ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Provision for income tax	$ 4	$ 16	$ 8	$ 34
Effective income tax rate	1.0%	(0.8)%	1.0%	(1.1)%

Income tax expense for both periods was primarily due to state franchise taxes.

Other long-term liabilities consisted of uncertain tax positions as of June 30, 2023 and December 31, 2022.

13. SEGMENT INFORMATION

We operate under one segment which is the business of developing and selling clinical services.

14. NOTES PAYABLE

BroadOak Loan

On October 29, 2021, the Company and its subsidiaries entered into the BroadOak Loan Agreement, providing for a term loan in the aggregate principal amount of $8,000,000 (the "Term Loan"). Funding of the Term Loan took place on November 1, 2021. The Term Loan matures upon the earlier of (i) October 31, 2024 or (ii) the occurrence of a change in control, and bears interest at the rate of 9% per annum. The Term Loan is secured by a security interest in substantially all of the Company's and its subsidiaries' assets and is subordinate to the Company's $7,500,000 revolving credit facility with Comerica Bank. See Note 17, *Revolving Line of Credit*. The Term Loan had an origination fee of 3% of the Term Loan amount, and a terminal payment equal to (i) 15% of the original principal amount of the Term Loan if the change of control occurs on or prior to the first anniversary of the funding of the Term Loan, (ii) 20% of the original principal amount of the Term Loan if the change of control occurs after the first anniversary but on or prior to the second anniversary of the funding of the Term Loan and (iii) 30% of the original principal amount of the Term Loan if the change of control occurs after the second anniversary of the funding of the Term Loan, or if the Term Loan is repaid on its maturity date.

The BroadOak Loan Agreement contains affirmative and negative restrictive covenants that are applicable from and after the date of the Term Loan advance. These restrictive covenants, which include restrictions on certain mergers, acquisitions, investments, encumbrances, etc., could adversely affect our ability to conduct our business. The BroadOak Loan Agreement also contains customary events of default.

In connection with the BroadOak Loan Agreement, the Company and its subsidiaries entered into that certain First Amendment to Loan and Security Agreement and Consent with Comerica, dated as of November 1, 2021 (the "Comerica Amendment"), pursuant to which Comerica consented to the Company's and its subsidiaries' entry into the BroadOak Loan Agreement, and amended that certain Loan and Security Agreement among Comerica, the Company and its subsidiaries (the "Comerica Loan Agreement") to, among other things, permit the indebtedness, liens and encumbrances contemplated by the BroadOak Loan Agreement.

As a condition for BroadOak to extend the Term Loan to the Company and its subsidiaries, the Company's existing creditor, Comerica, and BroadOak entered into that certain Subordination and Intercreditor Agreement, dated as of November 1, 2021, pursuant to which BroadOak agreed to subordinate all of the indebtedness and obligations of the Company and its subsidiaries owing to BroadOak to all of the indebtedness and obligations of the Company and its subsidiaries owing to Comerica (the "Intercreditor Agreement"). BroadOak further agreed to subordinate all of its respective security interests in assets or property of the Company and its subsidiaries to Comerica's security interests in such assets or property. The Intercreditor Agreement provides that it is solely for the benefit of BroadOak and Comerica and is not for the benefit of the Company or any of its subsidiaries.

The Company concluded that the Note met the definition of a "recognized financial liability" which is an acceptable financial instrument eligible for the fair value option under ASC 825-10-15-4, and did not meet the definition of any of the financial instruments listed within ASC 825-10-15-5 that are not eligible for the fair value option. The Note is not convertible and does not have any component recorded to shareholders' equity. Accordingly, the Company elected the fair value option for the Note.

BroadOak Convertible Note

On May 5, 2022, the Company issued a Convertible Note to BroadOak, pursuant to which BroadOak funded an aggregate principal amount of $2 million (the "Convertible Debt").

The Convertible Note was to be converted into shares of common stock of the Company in connection with, and upon the consummation of, a private placement transaction pursuant to which the Company would issue common stock to certain investors, and such conversion would be subject to the same terms and conditions (including purchase price per share) applicable to the purchase of common stock of the Company by such investors. Since the private placement transaction was not consummated by August 5, 2022 (the "Maturity Date"), the Convertible Note was converted into an additional term loan advance under the Company's existing BroadOak Loan Agreement on the Maturity Date. The Convertible Debt bore interest at a fixed rate of 9.0% per annum and was unsecured. There were no scheduled amortization payments prior to the Maturity Date. The Convertible Note contained customary representations and warranties and customary events of default.

The Company entered into a consent letter (the "Comerica Consent") with Comerica, pursuant to which Comerica consented to the issuance of the Convertible Note, the incurrence of the Convertible Debt and the conversion of the Convertible Debt into common stock of the Company or an additional term loan advance under the BroadOak Loan Agreement.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosures of Non Cash Activities
(in thousands)

	June 30,	
	2023	**2022**
Taxes accrued for repurchase of restricted shares	$ 9	$ 66
Purchase of property and equipment included in accounts payable	29	34

16. MEZZANINE EQUITY

Redeemable Preferred Stock

On January 10, 2020, the Company entered into a Securities Purchase and Exchange Agreement (the "Securities Purchase and Exchange Agreement") with 1315 Capital and Ampersand (collectively, the "Investors") pursuant to which the Company agreed to sell to the Investors an aggregate of $20.0 million in Series B Preferred Stock of the Company, at an issuance price per share of $1,000 ("New Investment Shares"). Pursuant to the Securities Purchase and Exchange Agreement, 1315 Capital agreed to purchase 19,000 shares of Series B Preferred Stock at an aggregate purchase price of $19.0 million and Ampersand agreed to purchase 1,000 shares of Series B Preferred Stock at an aggregate purchase price of $1.0 million.

In addition, the Company agreed to exchange $27.0 million of the Company's existing Series A convertible preferred stock, par value $0.01 per share, held by Ampersand (the "Series A Preferred Stock"), represented by 270 shares of Series A Preferred Stock with a stated value of $100,000 per share, which represents all of the Company's issued and outstanding Series A Preferred Stock, for 27,000 newly issued shares of Series B Preferred Stock (such shares of Series B Preferred Stock, the "Exchange Shares" and such transaction, the "Exchange"). Following the Exchange, no shares of Series A Preferred Stock remained designated, authorized, issued or outstanding. The Series B Preferred Stock has a conversion price of $6.00.

Voting

On any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Series B Preferred Stock will be entitled to cast the number of votes equal to the number of whole shares of the Company's common stock into which the shares of Series B Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the Certificate of Designation of Preferences, Rights and Limitations of Series B Convertible Preferred Stock (the "Certificate of Designation"), holders of Series B Preferred Stock will vote together with the holders of common stock as a single class and on an as-converted to common stock basis.

Director Designation Rights

The Certificate of Designation also provides each Investor with the following director designation rights: for so long such Investor holds at least sixty percent (60%) of the Series B Preferred Stock issued to it on the Issuance Date (as defined therein), such Investor will be entitled to elect two directors to the Company's Board of Directors (the "Board"), provided that one of the directors qualifies as an "independent director" under Rule 5605(a)(2) of the listing rules of the Nasdaq Stock Market (or any successor rule or similar rule promulgated by another exchange on which the Company's securities are then listed or designated) ("Independent Director"). However, if at any time such Investor holds less than sixty percent (60%), but at least forty percent (40%), of the Series B Preferred Stock issued to them on the Issuance Date, such Investor would only be entitled to elect one director to the Board. Any director elected pursuant to the terms of the Certificate of Designation may be removed without cause by, and only by, the affirmative vote of the holders of Series B Preferred Stock. A vacancy in any directorship filled by the holders of Series B Preferred Stock may be filled only by vote or written consent in lieu of a meeting of such holders of Series B Preferred Stock or by any remaining director or directors elected by such holders of Series B Preferred Stock.

Conversion

The Certificate of Designation provides that from and after the Issuance Date and subject to the terms of the Certificate of Designation, each share of Series B Preferred Stock is convertible, at any time and from time to time, at the option of the holder into a number of shares of common stock equal to dividing the amount equal to the greater of the Stated Value of such Series B Preferred Stock, plus any dividends declared but unpaid thereon, or such amount per share as would have been payable had each such share been converted into common stock immediately prior to a liquidation, by six dollars ($6.00) (subject to adjustment in the event of any stock dividend, stock split, combination, or other similar recapitalization affecting such shares). The aggregate number of shares of common stock that may be issued through conversion of all of the New Investment Shares and Exchange Shares is 7,833,334 shares (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares).

Mandatory Conversion

If the Company consummates the sale of shares of common stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act pursuant to which the price of the common stock in such offering is at least equal to twelve dollars ($12.00) (subject to adjustment in the event of any stock dividend, stock split, combination, or other similar recapitalization affecting such shares) and such offering does not include warrants (or any other convertible security) and results in at least $25,000,000.00 in proceeds, net of the underwriting discount and commissions, to the Company, and the common stock continues to be listed for trading on the Nasdaq Capital Market or another exchange, all outstanding shares of Series B Preferred Stock will automatically be converted into shares of common stock, at the then effective Series B Conversion Ratio (as defined in the Certificate of Designation).

Liquidation

Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company or Deemed Liquidation (as defined in the Certificate of Designation) (a "Liquidation"), the holders of shares of Series B Preferred Stock then outstanding will be entitled to be paid out of the assets of the Company available for distribution to its stockholders (on a pari passu basis with the holders of any class or series of preferred stock ranking on liquidation on a parity with the Series B Preferred Stock), and before any payment will be made to the holders of common stock or any other class or series of preferred stock ranking on liquidation junior to the Series B Preferred Stock by reason of their ownership thereof, an amount per share of Series B Preferred Stock equal to the greater of (i) the Stated Value of such share of Series B Preferred Stock, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had each such share been converted into common stock immediately prior to such Liquidation.

As of June 30, 2023 and December 31, 2022, there were 47,000 Series B issued and outstanding shares of preferred stock, respectively.

17. REVOLVING LINE OF CREDIT

On October 13, 2021, the Company and its subsidiaries entered into the Comerica Loan Agreement with Comerica, providing for a revolving credit facility of up to $7,500,000 (the "Credit Facility"). The Company may use the proceeds of the Credit Facility for working capital and other general corporate purposes.

The amount that may be borrowed under the Credit Facility is the lower of (i) the revolving limit of $7,500,000 (the "Revolving Line") and (ii) 80% of the Company's eligible accounts receivable plus an applicable non-formula amount consisting of $2,000,000 of additional availability at close not based upon the Company's eligible accounts receivable, with such additional availability reducing by $250,000 per quarter beginning with the quarter ending June 30, 2022. Borrowings on the Credit Facility are limited to $5,000,000 until 80% of the Company's and its subsidiaries' customers are paying into a collection account or segregated governmental account with Comerica. The Revolving Line can also include, at the Company's option, credit card services with a sublimit of $300,000. Borrowings on the Revolving Line are subject to an interest rate equal to prime plus 0.50%, with prime being the greater of (x) Comerica's stated prime rate or (y) the sum of (A) the daily adjusting LIBOR rate plus (B) 2.5% per annum. The Company is also required to pay an unused facility fee quarterly in arrears in an amount equal to 0.25% per annum on the average unused but available portion of the Revolving Line for such quarter.

The Credit Facility matures on September 30, 2023, and is secured by a first priority lien on substantially all of the assets of the Company and its subsidiaries. As of June 30, 2023, the balance of the revolving line was $1.5 million. The Company intends on repaying $0.5 million per month until the balance is paid in full by September 30, 2023.

The Comerica Loan Agreement contains affirmative and negative restrictive covenants that are applicable whether or not any amounts are outstanding under the Comerica Loan Agreement. These restrictive covenants, which include restrictions on certain mergers, acquisitions, investments, encumbrances, etc., could adversely affect our ability to conduct our business. The Comerica Loan Agreement also contains financial covenants requiring specified minimum liquidity and minimum revenue thresholds, which the Company was in compliance with as of June 30, 2023, and also contains customary events of default.

18. RECENT ACCOUNTING STANDARDS

Accounting Pronouncements Adopted

The FASB issued new guidance under ASC Topic 326, Financial Instruments Credit Losses. The guidance changes the allowance on accounts receivable from an incurred method to an expected method. The Company adopted ASC Topic 326 on January 1, 2023 and it had no material effect on the condensed consolidated financial statements.

19. SUBSEQUENT EVENTS

Company Announces Reversal of Previous CMS Decision

On June 5, 2023 the Company had announced that CMS issued the final LCD of Genetic Testing for Oncology (L39365) which established non-coverage for the Company's widely used PancraGEN® test effective July 17, 2023. On July 6, 2023, Novitas announced that it was rescinding implementation of the Genetic Testing for Oncology LCD (L39365) so that it will not become effective on July 17, 2023. Novitas issued a new proposed LCD affecting the same companies and tests and reaching the same conclusions as noted in the previously rescinded LCD on July 27, 2023. The Company has been invited to participate in a public meeting presentation regarding the tests in question. The timing and content of any final LCD is uncertain at this time; the process could potentially take a year or longer to reach a conclusion. As a result, the Company is able to continue offering PancraGEN® and the related Point2® fluid chemistry tests for amylase, CEA, and glucose.

Appointment of New Chief Financial Officer

On July 24, 2023, the Board appointed Christopher McCarthy, age 32, as Chief Financial Officer of the Company. Mr. McCarthy has served as the Company's Principal Financial Officer since April 2023. In connection with his appointment as Chief Financial Officer, the Company entered into an employment agreement with Mr. McCarthy on July 31, 2023, effective as of July 24, 2023 (the "Employment Agreement"). Pursuant to the Employment Agreement, the Company agreed to pay to Mr. McCarthy a base salary of $220,000 annually to be paid in accordance with the Company's payroll practices, with any increase in the sole discretion of the Company's Compensation and Management Development Committee (the "Compensation Committee") of the Board. Mr. McCarthy is also eligible to receive additional annual incentive compensation with an annual target of up to 40% of the base salary, paid out in cash, less applicable taxes and deductions and/or stock as determined by the Compensation Committee. The Company has awarded to Mr. McCarthy, under the Company's 2019 Equity Incentive Plan, as amended, (the "Plan") and related Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement under the 2019 Equity Incentive Plan (the "RSU Award Agreement") a grant of restricted stock units ("RSUs") with respect to 25,000 shares of the Company's common stock (such grant, the "RSU Grant"). The RSU Grant vested immediately upon its grant date of July 31, 2023 with respect to 12,500 RSUs and the remaining 12,500 RSUs will vest on the six month anniversary of the date of grant. On July 27, 2024, the Company will grant an additional 25,000 RSU's to Mr. McCarthy, which will be immediately vested.

The Employment Agreement provides for "at will" employment that may be terminated by Mr. McCarthy or by the Company at any time, and for any reason or for no reason. In the event of termination, Mr. McCarthy will be entitled to retain any equity awards that have vested through the date of termination, subject to the terms and conditions of the applicable equity incentive plan and the applicable award agreement. In the event that Mr. McCarthy's employment is terminated by the Company without Cause or by Mr. McCarthy for Good Reason (in each case, as defined in the Employment Agreement), then subject to, among other things, Mr. McCarthy's execution and non-revocation of a release agreement in favor of the Company, Mr. McCarthy would be entitled to salary continuation payments for a period of six months.

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

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements that are not historical facts, including statements about our plans, objectives, beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "plans," "estimates," "intends," "projects," "should," "could," "may," "will" or similar words and expressions. These forward-looking statements are contained throughout this Form 10-Q.

Forward-looking statements are only predictions and are not guarantees of future performance. These statements are based on current expectations and assumptions involving judgments about, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. These predictions are also affected by known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by any forward-looking statement. Many of these factors are beyond our ability to control or predict. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors. Such factors include, but are not limited to, the following:

- we have a history of operating losses and our clinical services have generated limited revenue;
- our expectations of future revenues, expenditures, capital or other funding requirements;
- our reliance on Medicare reimbursement for our clinical services and our being subject to decisions of the Center for Medicare and Medicaid Services ("CMS") regarding reimbursement and pricing of our clinical services which could have a material adverse effect on our business and financial results;
- our ability to continue to perform, bill and receive reimbursement for our PancraGEN® molecular test long-term under the existing local coverage determination ("LCD"), given that such LCD is currently under review by Novitas Solutions, Inc. ("Novitas"), the Company's Medicare administrative contractor;
- our secured lenders have the right to foreclose on substantially all of our assets if we are unable to timely repay our outstanding obligations;
- our dependence on sales and reimbursements from our clinical services for all of our revenue;
- the ability to continue to generate sufficient revenue from our clinical service products and other products and/or solutions that we develop in the future is important for our ability to meet our financial and other targets;
- our ability to finance our business on acceptable terms in the future, which may limit the ability to grow our business, develop and commercialize products and services, develop and commercialize new molecular clinical service solutions and technologies;
- our obligations to make royalty and milestone payments to our licensors;
- our dependence on third parties for the supply of some of the materials used in our clinical services tests;

- the potential adverse impact of current and future laws, licensing requirements and governmental regulations upon our business operations, including but not limited to the evolving U.S. regulatory environment related to laboratory developed tests ("LDTs"), pricing of our tests and services and patient access limitations;

- our reliance on our sales and marketing activities for future business growth and our ability to continue to expand our sales and marketing activities;

- our being subject to the controlling interests of our two private equity investors who control, on an as-converted basis, an aggregate of 64.5% of our outstanding shares of common stock through their holdings of our Series B Preferred Stock, and this concentration of ownership along with their authority for designation rights for a majority of our directors and their right to approve certain of our actions has a substantial influence on our decisions;

- the delisting of our common stock from Nasdaq and subsequent trading on OTCQX® has adversely affected and may continue to adversely affect our common stock and business and financial condition;

- geopolitical and other economic and political conditions or events (such as the war in Ukraine);

- our ability to implement our business strategy; and

- the potential impact of existing and future contingent liabilities on our financial condition.

Please see Part I – Item 1A – "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 27, 2023, and as amended on April 28, 2023, as well as other documents we file with the SEC from time-to-time, for other important factors that could cause our actual results to differ materially from our current expectations as expressed in the forward-looking statements discussed in this Form 10-Q. Because of these and other risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. In addition, these statements speak only as of the date of the report in which they are set forth and, except as may be required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

OVERVIEW

We are a fully integrated commercial company that provides molecular diagnostics, bioinformatics and pathology services for evaluation of risk of cancer by leveraging the latest technology in personalized medicine for improved patient diagnosis and management. We develop and commercialize genomic tests and related first line assays principally focused on early detection of patients with indeterminate biopsies and at high risk of cancer using the latest technology.

Impact of Our Reliance on CMS and Novitas

In January 2022, CMS stated they would no longer reimburse for the use of the Company's ThyGeNEXT® and ThyraMIR® tests when billed together by the same provider/supplier for the same beneficiary on the same date of service. However, on February 28, 2022, the Company announced that the National Correct Coding Initiative (NCCI) program issued a response on behalf of CMS stating that the January 2022 billing policy reimbursement change for ThyGeNEXT® (0245U) and ThyraMIR® (0018U) tests has been retroactively reversed to January 1, 2022. In May 2022, the Company was notified by CMS/NCCI that processing of claims for dates of service after January 1, 2022 would be completed beginning July 1, 2022. However, on June 9, 2022, the Company was notified that Novitas re-priced ThyGeNEXT® (0245U) from $2,919 to $806.59 retroactively effective to January 1, 2022. On July 20, 2022, the Clinical Diagnostic Laboratory Tests (CDLT) Advisory Panel affirmed a gapfill price of $806.59. As a result of the ThyGeNEXT® pricing change, the Company reduced its NRV rates for ThyGeNEXT® Medicare billing to reflect the $806.59 pricing for tests performed during the second quarter of 2022. In addition, in order to reflect the retroactive pricing change to January 1, 2022, the Company recorded an NRV adjustment of $0.7 million during the second quarter of 2022 to reduce revenue recorded during the first quarter of 2022. During July 2022, the Company began implementing cost-savings initiatives including a reduction in headcount and incidental expenses and a freeze on all non-essential travel and hiring. In August 2022, the Company sold its Pharma Solutions business. Effective January 1, 2023, the gapfill price for ThyGeNEXT® was set at $1,266.07.

Further, along with many laboratories, we may be affected by the Proposed Local Coverage Determination ("LCD") DL39365, which was posted on June 9, 2022 with comments extended to September 6, 2022 due to changes made to the related draft and is currently under consideration by our local Medicare Administrative Contractor, Novitas. If finalized, this Proposed LCD, which governs "Genetic Testing for Oncology," could impact the existing LCD for one of our molecular tests, PancraGEN®. On June 5, 2023 we announced that CMS issued the final LCD of Genetic Testing for Oncology (L39365) which establishes non-coverage for the Company's widely used PancraGEN® test effective July 17, 2023. On July 6, 2023, Novitas announced that it was rescinding implementation of the Genetic Testing for Oncology LCD (L39365) so that it will not become effective on July 17, 2023. Novitas issued a new proposed LCD affecting the same companies and tests and reaching the same conclusions as noted in the previously rescinded LCD on July 27, 2023. The Company has been invited to participate in a public meeting presentation regarding the tests in question. The timing and content of any final LCD is uncertain at this time; the process could potentially take a year or longer to reach a conclusion. As a result, we are able to continue offering PancraGEN® and the related Point2® fluid chemistry tests for amylase, CEA, and glucose. In the event Novitas ultimately restricts coverage for the PancraGEN® test, the Company's liquidity could be negatively impacted.

Impact of the ongoing military conflict between Russia and Ukraine.

In February 2022, Russian military forces invaded Ukraine, and although the length, impact, and outcome of the ongoing war in Ukraine is highly unpredictable, this war has led, and could continue to lead, to significant market and other disruptions, including instability in financial markets, supply chain interruptions, political and social instability, and increases in cyberattacks, intellectual property theft, and espionage. We are actively monitoring the situation in Ukraine and assessing its impact on our business.

We have no way to predict the progress or outcome of the war in Ukraine or its impacts in Ukraine, Russia, or Belarus as the war, and any resulting government reactions, are rapidly developing and beyond our control. The extent and duration of the war, sanctions, and resulting market disruptions could be significant and could potentially have a substantial impact on the global economy and our business for an unknown period of time. Any of the above-mentioned factors could materially adversely affect our business, financial condition, and results of operations.

We are also monitoring other macro-economic and geopolitical developments such as inflation and cybersecurity risks so that the Company can be prepared to react to new developments as they arise.

Revenue Recognition

Clinical services derive revenues from the performance of proprietary assays or tests. Our performance obligation is fulfilled upon completion, review and release of test results to the customer, at which time we bill third-party payers or direct-bill payers for the tests performed. Under Accounting Standards Codification 606, revenue is recognized based upon the estimated transaction price or net realizable value ("NRV"), which is determined based on historical collection rates by each payer category for each proprietary test offered. To the extent that the transaction price includes variable consideration, for all third party and direct-bill payers and proprietary tests, we estimate the amount of variable consideration that should be included in the transaction price using the expected value method based on historical experience.

The ultimate amounts received from the third-party and direct-bill payers and related estimated reimbursement rates are regularly reviewed and we adjust the NRV's and related contractual allowances accordingly. If actual collections and related NRV's vary significantly from our estimates, we adjust the estimates of contractual allowances, which affects net revenue in the period such variances become known.

Cost of Revenue

Cost of revenue consists primarily of the costs associated with operating our laboratory and other costs directly related to our tests. Personnel costs, which constitute the largest portion of cost of services, include all labor-related costs, such as salaries, bonuses, fringe benefits and payroll taxes for laboratory personnel. Other direct costs include, but are not limited to, laboratory supplies, certain consulting expenses, royalty expenses, and facility expenses.

CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data. The trends illustrated in this table may not be indicative of future results.

Condensed Consolidated Results of Continuing Operations for the Quarter Ended June 30, 2023 Compared to the Quarter Ended June 30, 2022 (unaudited, in thousands)

	Three Months Ended June 30,			
	2023	2023 % to revenue	2022	2022 % to revenue
Revenue, net	$ 11,026	100.0%	$ 7,395	100.0%
Cost of revenue	4,191	38.0%	3,565	48.2%
Gross profit	6,835	62.0%	3,830	51.8%
Operating expenses:				
Sales and marketing	2,605	23.6%	2,551	34.5%
Research and development	186	1.7%	204	2.8%
General and administrative	2,894	26.2%	2,983	40.3%
Acquisition related amortization expense	318	2.9%	317	4.3%
Change in fair value of contingent consideration	-	0.0%	(311)	-4.2%
Total operating expenses	6,003	54.4%	5,744	77.7%
Operating income (loss)	832	7.5%	(1,914)	-25.9%
Interest accretion expense	(31)	-0.3%	36	0.5%
Note payable interest	(228)	-2.1%	(210)	-2.8%
Other income, net	(174)	-1.6%	37	0.5%
Income (loss) from continuing operations before tax	399	3.6%	(2,051)	-27.7%
Provision for income taxes	4	0.0%	16	0.2%
Income (loss) from continuing operations	395	3.6%	(2,067)	-28.0%
Loss from discontinued operations, net of tax	(220)	-2.0%	(1,872)	-25.3%
Net income (loss)	$ 175	1.6%	$ (3,939)	-53.3%

Revenue, net

Consolidated revenue, net for the three months ended June 30, 2023 increased by $3.6 million, or 49%, to $11.0 million, compared to $7.4 million for the three months ended June 30, 2022. The increase in net revenue was largely driven by increased test volumes as compared to the prior year. The three months ended June 30, 2022 was negatively impacted by an NRV adjustment related to a Medicare pricing change of $0.7 million for revenue that was attributable to the first quarter.

Cost of revenue

Consolidated cost of revenue for the three months ended June 30, 2023 was $4.2 million, as compared to $3.6 million for the three months ended June 30, 2022. As a percentage of revenue, cost of revenue was approximately 38% for the three months ended June 30, 2023 and 48% for the three months ended June 30, 2022, the percentage decrease being due to the increase in revenue discussed above.

Gross profit

Consolidated gross profit was approximately $6.8 million for the three months ended June 30, 2023 and $3.8 million for the three months ended June 30, 2022. The gross profit percentage was approximately 62% for the three months ended June 30, 3023 and 52% for the three months ended June 30, 2022. The three months ended June 30, 2022 was negatively impacted by an NRV adjustment related to a Medicare pricing change of $0.7 million for revenue that was attributable to the first quarter.

Sales and marketing expense

Sales and marketing expense was approximately $2.6 million for both the three months ended June 30, 2023 and June 30, 2022. As a percentage of revenue, sales and marketing expense decreased to 24% from 35% in the comparable prior year period due to the increase in revenue.

Research and development

Research and development expense was approximately $0.2 million for both the three months ended June 30, 2023 and June 30, 2022. As a percentage of revenue, research and development expense decreased to 2% from 3% in the comparable prior year period.

General and administrative

General and administrative expense was approximately $2.9 million for the three months ended June 30, 2023 and $3.0 million for the three months ended June 30, 2022. The three months ended June 30, 2023, included approximately $0.6 million in expenses related to exploring long-term capital structure alternatives.

Acquisition amortization expense

During the three months ended June 30, 2023 and June 30, 2022, we recorded amortization expense of approximately $0.3 million, respectively, which is related to intangible assets associated with prior acquisitions.

Change in fair value of contingent consideration

During the three months ended June 30, 2022, there was a $0.3 million decrease in the contingent consideration liability due to the impact of the ThyGeNEXT® pricing change on future projected revenues.

Operating income (loss)

Operating income from continuing operations was $0.8 million for the three months ended June 30, 2023 as compared to an operating loss of $1.9 million for the three months ended June 30, 2022. The operating income was primarily attributable to the increase in revenue discussed above.

Provision for income taxes

Income tax expense was approximately $4,000 for the three months ended June 30, 2023 and $16,000 for the three months ended June 30, 2022.

Loss from discontinued operations, net of tax

We had a loss from discontinued operations of approximately $0.2 million for the three months ended June 30, 2023 and a loss from discontinued operations of approximately $1.9 million for the three months ended June 30, 2022. The loss from discontinued operations for the three months ended June 30, 2022 included operating losses associated with the former Pharma Solutions unit.

Condensed Consolidated Results of Continuing Operations for the Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022 (unaudited, in thousands)

	Six Months Ended June 30,			
	2023	2023 % to revenue	2022	2022 % to revenue
Revenue, net	$ 20,853	100.0%	$ 15,318	100.0%
Cost of revenue	8,039	38.6%	6,830	44.6%
Gross profit	12,814	61.4%	8,488	55.4%
Operating expenses:				
Sales and marketing	4,947	23.7%	4,751	31.0%
Research and development	335	1.6%	435	2.8%
General and administrative	5,389	25.8%	5,869	38.3%
Acquisition related amortization expense	635	3.0%	635	4.1%
Change in fair value of contingent consideration	-	0.0%	(311)	-2.0%
Total operating expenses	11,306	54.2%	11,379	74.3%
Operating income (loss)	1,508	7.2%	(2,891)	-18.9%
Interest accretion expense	(66)	-0.3%	(85)	-0.6%
Note payable interest	(453)	-2.2%	(390)	-2.5%
Other expense, net	(156)	-0.7%	198	1.3%
Income (loss) from continuing operations before tax	833	4.0%	(3,168)	-20.7%
Provision for income taxes	8	0.0%	34	0.2%
Income (loss) from continuing operations	825	4.0%	(3,202)	-20.9%
Loss from discontinued operations, net of tax	(299)	-1.4%	(2,984)	-19.5%
Net income (loss)	$ 526	2.5%	$ (6,186)	-40.4%

Revenue, net

Consolidated revenue, net for the six months ended June 30, 2023 increased by $5.6 million, or 36%, to $20.9 million, compared to $15.3 million for the three months ended June 30, 2022. The increase in net revenue was largely driven by increased test volumes as compared to the prior year as well as improved collections.

Cost of revenue

Consolidated cost of revenue for the six months ended June 30, 2023 was $8.0 million, as compared to $6.8 million for the six months ended June 30, 2022. As a percentage of revenue, cost of revenue was approximately 39% for the six months ended June 30, 2023 and 45% for the six months ended June 30, 2022, the percentage decrease was due to the increase in revenue discussed above.

Gross profit

Consolidated gross profit was approximately $12.8 million for the six months ended June 30, 2023 and $8.5 million for the six months ended June 30, 2022. The gross profit percentage was approximately 61% for the six months ended June 30, 3023 and 55% for the six months ended June 30, 2022. The increase was primarily due to the increase in revenue discussed above.

Sales and marketing expense

Sales and marketing expense was approximately $4.9 million for the six months ended June 30, 2023 and $4.8 million for the six months ended June 30, 2022. As a percentage of revenue, sales and marketing expense decreased to 24% from 31% in the comparable prior year period primarily due to the increase in revenue.

Research and development

Research and development expense was $0.3 million for the six months ended June 30, 2023 and $0.4 million for the six months ended June 30, 2022. As a percentage of revenue, research and development expense decreased to 2% from 3% in the comparable prior year period.

General and administrative

General and administrative expense was approximately $5.4 million for the three months ended June 30, 2023 and $5.9 million for the three months ended June 30, 2022. The decrease can be primarily attributed to a decrease in employee compensation costs compared to the prior year.

Acquisition amortization expense

During the six months ended June 30, 2023 and June 30, 2022, we recorded amortization expense of approximately $0.6 million, respectively, which is related to intangible assets associated with prior acquisitions.

Change in fair value of contingent consideration

During the six months ended June 30, 2022, there was a $0.3 million decrease in the contingent consideration liability due to the impact of the ThyGeNEXT® pricing change on future projected revenues.

Operating income (loss)

Operating income from continuing operations was $1.5 million for the six months ended June 30, 2023 as compared to an operating loss of $2.9 million for the six months ended June 30, 2022. The operating income was primarily attributable to the increases in revenue and gross profit discussed above.

Provision for income taxes

Income tax expense was approximately $8,000 for the six months ended June 30, 2023 and $34,000 for the six months ended June 30, 2022. Income tax expense for both periods was primarily driven by minimum state and local taxes.

Loss from discontinued operations, net of tax

We had a loss from discontinued operations of approximately $0.3 million for the six months ended June 30, 2023 and a loss from discontinued operations of approximately $3.0 million for the six months ended June 30, 2022. The loss from discontinued operations for the six months ended June 30, 2022 included operating losses associated with the former Pharma Solutions unit. The loss from discontinued operations for the six months ended June 30, 2023 pertained to state taxes and close out costs associated with Pharma Solutions.

Non-GAAP Financial Measures

In addition to the United States generally accepted accounting principles, or GAAP, results provided throughout this document, we have provided certain non-GAAP financial measures to help evaluate the results of our performance. We believe that these non-GAAP financial measures, when presented in conjunction with comparable GAAP financial measures, are useful to both management and investors in analyzing our ongoing business and operating performance. We believe that providing the non-GAAP information to investors, in addition to the GAAP presentation, allows investors to view our financial results in the way that management views financial results.

In this Quarterly Report on Form 10-Q, we discuss Adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA is a metric used by management to measure cash flow of the ongoing business. Adjusted EBITDA is defined as income or loss from continuing operations, plus depreciation and amortization, non-cash stock based compensation, interest and taxes, and other non-cash expenses including change in fair value of notes payable and warrant liability. The table below includes a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure.

Reconciliation of Adjusted EBITDA (Unaudited)
($ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Income (loss) from continuing operations (GAAP Basis)	$ 395	$ (2,067)	$ 825	$ (3,202)
Depreciation and amortization	357	351	714	723
Stock-based compensation	157	305	349	608
Taxes expense	4	16	8	34
Interest accretion expense	31	(36)	66	85
Note payable interest	228	210	453	390
Mark to market on warrant liability	-	(5)	-	(68)
Change in fair value of note payable	165	(53)	142	(160)
Change in fair value of contingent consideration	-	(311)	-	(311)
Adjusted EBITDA	$ 1,337	$ (1,590)	$ 2,557	$ (1,901)

LIQUIDITY AND CAPITAL RESOURCES

In October 2021, we entered into the Comerica Loan Agreement with Comerica, providing for a revolving credit facility of up to $7,500,000 (the “Credit Facility”). The Company is using the proceeds of the Credit Facility for working capital and other general corporate purposes.

The amount that may be borrowed under the Credit Facility is the lower of (i) the revolving limit of $7,500,000 (the “Revolving Line”) and (ii) 80% of the Company’s eligible accounts receivable plus an applicable non-formula amount consisting of $2,000,000 of additional availability at close not based upon the Company’s eligible accounts receivable, with such additional availability reducing by $250,000 per quarter beginning with the quarter ending June 30, 2022. Borrowings on the Credit Facility are limited to $5,000,000 until 80% of the Company’s and its subsidiaries’ customers are paying into a collection account or segregated governmental account with Comerica. The Revolving Line can also include, at the Company’s option, credit card services with a sublimit of $300,000. Borrowings on the Revolving Line are subject to an interest rate equal to prime plus 0.50%, with prime being the greater of (x) Comerica’s stated prime rate or (y) the sum of (A) the daily adjusting LIBOR rate plus (B) 2.5% per annum. The Company is also required to pay an unused facility fee quarterly in arrears in an amount equal to 0.25% per annum on the average unused but available portion of the Revolving Line for such quarter. See Note 17, *Revolving Line of Credit*, for more details. Comerica has a first priority security interest in substantially all of the Company’s and its subsidiaries’ assets. As of August 1, 2023 the Company owed $1.0 million on the line of credit and had approximately $3.4 million available to borrow on the line. The Company intends to make two additional monthly payments of $0.5 million to have the line of credit paid in full by September 30, 2023.

In addition, also in October 2021, the Company entered into the BroadOak Loan Agreement with BroadOak, providing for a term loan in the aggregate principal amount of $8,000,000 (the “Term Loan”). Funding of the Term Loan took place on November 1, 2021. The Term Loan matures upon the earlier of (i) October 31, 2024 or (ii) the occurrence of a change in control, and bears interest at the rate of 9% per annum. The Term Loan is secured by a security interest in substantially all of the Company’s and its subsidiaries’ assets and is subordinate to the Company’s $7,500,000 revolving credit facility with Comerica Bank. The Term Loan has an origination fee of 3% of the Term Loan amount, and a terminal payment equal to (i) 15% of the original principal amount of the Term Loan if the change of control occurs on or prior to the first anniversary of the funding of the Term Loan, (ii) 20% of the original principal amount of the Term Loan if the change of control occurs after the first anniversary but on or prior to the second anniversary of the funding of the Term Loan and (iii) 30% of the original principal amount of the Term Loan if the change of control occurs after the second anniversary of the funding of the Term Loan, or if the Term Loan is repaid on its maturity date. Upon receipt of the term loan, the proceeds were used to repay in full at their maturity the notes extended by Ampersand and 1315 Capital discussed above. See Note 14, *Notes Payable,* for more details. In May 2022, the Company issued a Convertible Note to BroadOak, pursuant to which BroadOak funded a term loan in the aggregate principal amount of $2.0 million. See Note 14, *Notes Payable*, for more details.

The BroadOak Loan Agreement contains affirmative and negative restrictive covenants, including restrictions on certain mergers, acquisitions, investments and encumbrances which could adversely affect our ability to conduct our business. The BroadOak Loan Agreement also contains customary events of default. The Comerica Loan Agreement contains affirmative and negative restrictive covenants that are applicable whether or not any amounts are outstanding under the Comerica loan agreement. These restrictive covenants, which include restrictions on certain mergers, acquisitions, investments, encumbrances, etc., could adversely affect our ability to conduct our business. The Comerica Loan Agreement also contains financial covenants requiring specified minimum liquidity and minimum revenue thresholds and also contains customary events of default. However, if we are unable to meet the financial covenants under the Comerica Loan Agreement, the revolving line of credit and notes payable will become due and payable immediately.

In January 2022, the Company's registration statement for a rights offering filed with the Securities and Exchange Commission (SEC) became effective; however, the rights offering was subsequently terminated later in January 2022 when the Company announced that the Centers for Medicare & Medicaid Services, or CMS, issued a new billing policy whereby CMS will no longer reimburse for the use of the Company's ThyGeNEXT® and ThyraMIR® tests when billed together by the same provider/supplier for the same beneficiary on the same date of service. On February 28, 2022, the Company announced that the National Correct Coding Initiative (NCCI) program issued a response on behalf of CMS stating that the January 2022 billing policy reimbursement change for ThyGeNEXT® (0245U) and ThyraMIR® (0018U) tests has been retroactively reversed to January 1, 2022. In May 2022, the Company was notified by CMS/NCCI that processing of claims for dates of service after January 1, 2022 would be completed beginning July 1, 2022. However, on June 9, 2022, the Company was notified that Novitas re-priced ThyGeNEXT® (0245U) from $2,919 to $806.59 retroactively effective to January 1, 2022. On July 20, 2022, the Clinical Diagnostic Laboratory Tests (CDLT) Advisory Panel affirmed a gapfill price for ThyGeNEXT® of $806.59. As a result of the ThyGeNEXT® pricing change, the Company reduced its net realizable value, or NRV rates for ThyGeNEXT® Medicare billing to reflect the $806.59 pricing for tests performed during the second quarter of 2022. In addition, in order to reflect the retroactive pricing change to January 1, 2022, the Company recorded an NRV adjustment of $0.7 million during the second quarter of 2022 to reduce revenue recorded during the first quarter of 2022. Effective January 1, 2023, the gapfill price for ThyGeNEXT® was set at $1,266.07.

On August 31, 2022, the Company closed on the sale of its Pharma Solutions business for a total sale price of $6.2 million after a post-closing working capital adjustment.

For the six months ended June 30, 2023, we had operating income from continuing operations of $1.5 million. As of the six months ended June 30, 2023, we had cash and cash equivalents of $5.1 million, total current assets of $13.0 million and current liabilities of $13.6 million. As of August 4, 2023, we had approximately $4.6 million of cash on hand.

During the six months ended June 30, 2023, net cash provided by operating activities was $1.5 million. The main component of cash provided by operating activities was our net income of $0.5 million, which included non-cash expenses of $1.3 million. During the six months ended June 30, 2022, net cash used in operating activities was $4.2 million. The main component of cash used in operating activities was our net loss of $6.2 million which was partially offset by depreciation and amortization expense of $1.6 million.

During the six months ended June 30, 2023, net cash used in investing activities was $0.3 million and for the six months ended June 30, 2022, net cash used in investing activities was $0.1 million.

For the six months ended June 30, 2023, cash used in financing activities was $1.0 million, which were payments made on the Revolving Line. For the six months ended June 30, 2022, cash provided from financing activities was $3.1 million, of which $1.0 million was from the drawdown on the Revolving Line and $2.0 million was the Convertible Debt agreement entered into with BroadOak.

We did not generate positive cash flows from operations for the year ending December 31, 2022. We intend to meet our ongoing capital needs by using our available cash, as well as through targeted margin improvement; collection of accounts receivable; containment of costs; and the potential use of other financing options and other strategic alternatives. However, if we are unable to meet the financial covenants under the Comerica Loan Agreement, the revolving line of credit and notes payable will become due and payable immediately. The Company anticipates that current cash and cash equivalents and forecasted cash receipts will be sufficient to meet its anticipated cash requirements through the next twelve months.

The Company continues to explore various strategic alternatives, dilutive and non-dilutive sources of funding, including equity and debt financings, strategic alliances, business development and other sources in order to provide additional liquidity. With the delisting of our common stock from Nasdaq in February 2021 and the possible removal of our common stock from trading on the OTCQX® if we had failed to meet minimum market capitalization of $5 million for ten consecutive trading days by July 3, 2023, our ability to raise additional capital on terms acceptable to the Company has been adversely impacted. There can be no assurance that the Company will be successful in obtaining such funding on terms acceptable to the Company. The Company was notified in May 2023 that it had met the market cap requirements and was cleared to remain on OTCQX®.

Further, along with many laboratories, we may be affected by the Proposed Local Coverage Determination ("LCD") DL39365, which was posted on June 9, 2022 and remains under consideration by our local Medicare Administrative Contractor, Novitas If finalized, this Proposed LCD, which governs "Genetic Testing for Oncology," could impact the existing LCD for one of our molecular tests, PancraGEN®. On June 5, 2023 we announced that CMS issued the final LCD of Genetic Testing for Oncology (L39365) which establishes non-coverage for the Company's widely used PancraGEN® test effective July 17, 2023. On July 6, 2023, Novitas announced that it was rescinding implementation of the Genetic Testing for Oncology LCD (L39365) so that it will not become effective on July 17, 2023. Novitas issued a new proposed LCD affecting the same companies and tests and reaching the same conclusions as noted in the previously rescinded LCD on July 27, 2023. The Company has been invited to participate in a public meeting presentation regarding the tests in question. The timing and content of any final LCD is uncertain at this time; the process could potentially take a year or longer to reach a conclusion. As a result, we are able to continue offering PancraGEN® and the related Point2® fluid chemistry tests for amylase, CEA, and glucose. In the event Novitas ultimately restricts coverage for the PancraGEN® test, the Company's liquidity could be negatively impacted.

Inflation

We do not believe that inflation had a significant impact on our results of operations for the periods presented. However, inflation and supply chain disruptions, whether caused by restrictions or slowdowns in shipping or logistics, increases in demand for certain goods used in our operations, or otherwise, could impact our operations in the near term.

Critical Accounting Estimates

See Note 5, *Summary of Significant Accounting Policies* and Note 18, *Recent Accounting Standards* to the Interim Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for information regarding newly adopted and recent accounting pronouncements. See also Note 1, Nature of Business and Significant Accounting Policies to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, as amended, for a discussion of our critical accounting policies. There have been no material changes to such critical accounting policies. We believe our most critical accounting policies include accounting for contingent consideration, revenue recognition, intangible and long-lived assets, research and development expenses and stock-based compensation expense.

Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives including that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In addition, management is required to apply its judgment in evaluating the benefits of possible disclosure controls and procedures relative to their costs to implement and maintain.

Based on the evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Exchange Act the Chief Executive Officer of the Company and the Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

Reference should be made to our Form 10-K for the year ended December 31, 2022 filed with the SEC on March 27, 2023, as amended, for additional information regarding discussion of the effectiveness of the Company's controls and procedures.

Changes in Internal Controls

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Not applicable as we are a smaller reporting company.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
10.1	Employment Agreement, dated July 31, 2023, between Christopher McCarthy and Interpace Biosciences, Inc., incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on August 2, 2023.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 (formatted as Inline XBRL and contained in Exhibits 101).

\+ Exhibits 32.1 and 32.2 are being furnished herewith and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference to any registration statement or other document filed under the Securities Act or the Exchange Act, except as otherwise stated in any such filing.

* The schedules and exhibits to this Exhibit have been omitted. The Company agrees to furnish a copy of the omitted schedules and exhibits to the Securities and Exchange Commission on a supplemental basis upon its request.

SIGNATURES

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

Date: August 9, 2023

Interpace Biosciences, Inc.
(Registrant)

/s/ Thomas W. Burnell
Thomas W. Burnell
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2023

/s/ Christopher McCarthy
Christopher McCarthy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas W. Burnell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of Interpace Biosciences, Inc. (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.

Date: August 9, 2023

/s/ Thomas W. Burnell
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher McCarthy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of Interpace Biosciences, Inc. (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.

Date: August 9, 2023

/s/ Christopher McCarthy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Interpace Biosciences, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas W. Burnell, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, 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.

Date: August 9, 2023

/s/ Thomas W. Burnell
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of Interpace Biosciences, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher McCarthy as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, 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.

Date: August 9, 2023

/s/ Christopher McCarthy
Chief Financial Officer
(Principal Financial Officer)