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

FORM 10-Q

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

For the quarterly period ended September 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: 001-37899

SCWORX CORP.
(Exact name of registrant as specified in its charter)

Delaware	47-5412331
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

590 Madison Avenue, 21st Floor
New York, New York 10022
(Address of principal executive offices, including zip code)

(844) 472-9679
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value per share	WORX	Nasdaq Capital Market

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

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

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

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

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

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

Number of shares of the registrant's common stock outstanding at November 14, 2023: 1,211,035

SCWorx Corp.
Form 10-Q

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION		1
Item 1.	Financial Statements (unaudited)	1
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	28
Item 4.	Controls and Procedures	28
PART II - OTHER INFORMATION		29
Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	30
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	30
Item 3.	Defaults Upon Senior Securities	30
Item 4.	Mine Safety Disclosures	30
Item 5.	Other Information	30
Item 6.	Exhibits	31
Exhibit Index		31
Signatures		32

Cautionary Statement Regarding Forward-Looking Statements

Certain statements that we make from time to time, including statements contained in this Quarterly Report on Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact contained in this Form 10-Q are forward-looking statements. These statements, among other things, relate to our business strategy, goals and expectations concerning our future operations, prospects, plans and objectives of management. The words "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", and similar terms and phrases are used to identify forward-looking statements in this presentation.

Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. Forward-looking statements in this Form 10-Q include, without limitation, statements reflecting management's expectations for future financial performance and operating expenditures (including our ability to continue as a going concern, to raise additional capital and to succeed in our future operations), expected growth, profitability and business outlook and increased operating expenses.

Forward-looking statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from those anticipated by such statements. These factors include, among other things, the unknown risks and uncertainties that we believe could cause actual results to differ from these forward looking statements as set forth under the heading, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all of the risks and uncertainties that could have an impact on the forward-looking statements, including without limitation, risks and uncertainties relating to our ability to:

- reverse the recent decline in our revenue and resume growing our revenue;
- resolve the various litigation proceedings pending against us on favorable terms or at all;
- obtain additional financing in sufficient amounts or on acceptable terms so that we can fund our business plan;
- reduce our dependence on third-party subcontractors to perform some of the work on our contracts;
- mitigate the impact of new or changed laws, regulations or other industry standards that could adversely affect our ability to conduct our business;
- mitigate the impact of the COVID-19 pandemic on our revenues;
- adopt and master new technologies and adjust certain fixed costs and expenses to adapt to our industry's and customers' evolving demands; and
- mitigate the impact of changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural or man-made disasters.

Although we believe that the expectations reflected in the forward-looking statements contained in this Form 10-Q are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. In light of inherent risks, uncertainties and assumptions, the future events and trends discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Except as required by law, we are under no duty to update or revise any of such forward-looking statements, whether as a result of new information, future events, or otherwise, after the date of this Form 10-Q.

You should read this Form 10-Q with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

All references to "SCWorx," "we," "us," "our" or the "Company" mean SCWorx Corp., a Delaware corporation, and where appropriate, its wholly owned subsidiaries.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

	Page Number
Consolidated balance sheets as of September 30, 2023 (unaudited) and December 31, 2022 (audited)	2
Unaudited consolidated statements of operations for the three and nine months ended September 30, 2023 and 2022	3
Unaudited consolidated statements of changes in stockholders' equity for the three and nine months ended September 30, 2023	4
Unaudited consolidated statements of changes in stockholders' equity for the three and nine months ended September 30, 2023	5
Unaudited consolidated statements of cash flows for the nine months ended September 30, 2023 and 2022	6
Notes to unaudited condensed consolidated financial statements	7

SCWorx Corp.
Condensed Consolidated Balance Sheets

		September 30, 2023		December 31, 2022
ASSETS				
Current assets:				
Cash	$	72,429	$	249,462
Accounts receivable - net		322,683		336,033
Prepaid expenses and other assets		55,033		295,180
Total current assets		450,145		880,675
Fixed assets - net		-		-
Goodwill		8,366,467		8,366,467
Total assets	$	8,816,612	$	9,247,142
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,787,055	$	1,364,202
Accounts payable and accrued liabilities - related party		177,311		153,838
Shareholder advance		75,717		100,000
Deferred revenue		391,833		579,833
Equity financing		125,000		125,000
Total current liabilities		2,556,916		2,322,873
Long-term liabilities:				
Loans payable		99,902		147,749
Total long-term liabilities		99,902		147,749
Total liabilities		2,656,818		2,470,622
Commitments and contingencies				
Stockholders' equity:				
Series A Convertible Preferred stock, $0.001 par value; 900,000 shares authorized; 39,810 shares issued and outstanding		40		40
Common stock, $0.001 par value; 45,000,000 shares authorized; 17,907,216 and 13,010,409 shares issued and outstanding, respectively		17,907		13,011
Additional paid-in capital		33,412,614		32,022,166
Subscriptions payable		-		600,000
Accumulated deficit		(27,270,767)		(25,858,697)
Total stockholders' equity		6,159,794		6,776,520
Total liabilities and stockholders' equity	$	8,816,612	$	9,247,142

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

SCWorx Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue	$ 906,099	$ 986,949	$ 2,894,647	$ 3,010,322
Operating expenses:				
Cost of revenues	666,808	693,353	1,972,300	2,014,537
General and administrative	1,097,273	832,715	2,328,209	2,864,408
Total operating expenses	1,764,081	1,526,068	4,300,509	4,878,945
Loss from operations	(857,982)	(539,119)	(1,405,862)	(1,868,623)
Other income (expense)				
Interest expense	(276)	-	(6,208)	-
Gain on forgiveness of PPP loan	-	139,596	-	279,191
Total other income (expense)	(276)	139,596	(6,208)	279,191
Net loss before income taxes	(858,258)	(399,523)	(1,412,070)	(1,589,432)
Provision for (benefit from) income taxes	-	-	-	-
Net loss	$ (858,258)	$ (399,523)	$ (1,412,070)	$ (1,589,432)
Net loss per share, basic and diluted	$ (0.05)	$ (0.03)	$ (0.10)	$ (0.14)
Weighted average common shares outstanding, basic and diluted	16,898,117	12,069,412	14,592,462	11,616,820

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

SCWorx Corp.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

Three months ended September 30, 2023	**Preferred Stock**		**Common stock**		**Additional paid-in**	**Subscriptions**	**Accumulated**	
	Shares	**$**	**Shares**	**$**	**capital**	**payable**	**deficit**	**Total**
Balances, June 30, 2023	39,810	$ 40	16,159,878	$ 16,160	$ 32,990,617	$ -	$ (26,412,509)	$ 6,594,308
Shares issued as settlement of accounts payable	-	-	322,191	322	71,656	-	-	71,978
Shares issued under equity line of credit	-	-	1,410,807	1,411	309,808	-	-	311,219
Shares issued for vested restricted stock units	-	-	14,340	14	(14)	-	-	-
Stock based compensation	-	-	-	-	40,547	-	-	40,547
Net Loss	-	-	-	-	-	-	(858,258)	(858,258)
Ending balance, September 30, 2023	39,810	$ 40	17,907,216	$ 17,907	$ 33,412,614	$ -	$ (27,270,767)	$ 6,159,794

Nine months ended September 30, 2023	**Preferred Stock**		**Common stock**		**Additional paid-in**	**Subscriptions**	**Accumulated**	
	Shares	**$**	**Shares**	**$**	**capital**	**payable**	**deficit**	**Total**
Balances, December 31, 2022	39,810	$ 40	13,010,409	$ 13,011	$ 32,022,166	$ 600,000	$ (25,858,697)	$ 6,776,520
Shares issued as settlement of accounts payable	-	-	473,235	473	115,672	-	-	116,145
Shares issued under equity line of credit	-	-	2,010,807	2,011	340,895	-	-	342,906
Shares issued for vested restricted stock units	-	-	242,339	242	(242)	-	-	-
Shares issued for settlement of class action	-	-	1,941,858	1,941	598,059	(600,000)	-	-
Shares issued for cashless exercise of warrants	-	-	228,568	229	(229)	-	-	-
Stock based compensation	-	-	-	-	336,293	-	-	336,293
Net Loss	-	-	-	-	-	-	(1,412,070)	(1,412,070)
Ending balance, September 30, 2023	39,810	$ 40	17,907,216	$ 17,907	$ 33,412,614	$ -	$ (27,270,767)	$ 6,159,794

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

SCWorx Corp.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

Three months ended September 30, 2022	Preferred Stock Shares	Preferred Stock $	Common stock Shares	Common stock $	Additional paid-in capital	Subscriptions payable	Accumulated deficit	Total
Balances, June 30, 2022	39,810	$ 40	11,726,428	$ 11,727	$ 30,735,143	$ 600,000	$ (25,201,200)	$ 6,145,710
Shares issued as settlement of accounts payable	-	-	90,804	91	66,783	-	-	66,874
Shares issued for common stock placement	-	-	1,153,845	1,154	723,896	-	-	725,050
Shares issued for vested restricted stock units	-	-	36,332	36	(36)	-	-	-
Stock based compensation	-	-	-	-	261,370	-	-	261,370
Net loss	-	-	-	-	-	-	(399,523)	(399,523)
Ending balance, September 30, 2022	39,810	$ 40	13,007,409	$ 13,008	$ 31,787,156	$ 600,000	$ (25,600,723)	$ 6,799,481

Nine months ended September 30, 2022	Preferred Stock Shares	Preferred Stock $	Common stock Shares	Common stock $	Additional paid-in capital	Subscriptions payable	Accumulated deficit	Total
Balances, December 31, 2021	39,810	$ 40	11,293,030	$ 11,293	$ 29,805,028	$ 600,000	$ (24,011,291)	$ 6,405,070
Shares issued as settlement of accounts payable	-	-	174,758	175	151,699	-	-	151,874
Shares issued for common stock placement	-	-	1,153,845	1,154	723,896	-	-	725,050
Shares issued for vested restricted stock units	-	-	107,998	108	(108)	-	-	-
Commitment shares issued in conjunction with capital raise	-	-	277,778	278	199,722	-	-	200,000
Stock based compensation	-	-	-	-	906,919	-	-	906,919
Net loss	-	-	-	-	-	-	(1,589,432)	(1,589,432)
Ending balance, September 30, 2022	39,810	$ 40	13,007,409	$ 13,008	$ 31,787,156	$ 600,000	$ (25,600,723)	$ 6,799,481

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

SCWorx Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (1,412,070)	$ (1,589,432)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on forgiveness of PPP loan	-	(279,191)
Change in inventory value	-	156,600
Stock-based compensation	336,293	906,919
Bad debt expense	64,000	78,125
Changes in operating assets and liabilities:		
Accounts receivable	(50,650)	154,840
Prepaid expenses and other assets	10,147	(59,086)
Accounts payable and accrued liabilities	538,998	371,076
Deferred revenue	(188,000)	(174,250)
Net cash provided by (used in) operating activities	(701,282)	(434,399)
Net cash used in investing activities	-	-
Cash flows from financing activities:		
Proceeds from the sale of common stock	572,906	725,050
Payments of notes payable	(47,847)	-
Payments of shareholder advance	(24,283)	-
Proceeds from advances - related party	183,558	-
Payments of advances - related party	(160,085)	-
Net cash provided by financing activities	524,249	725,050
Net increase (decrease) in cash	(177,033)	290,651
Cash, beginning of period	249,462	71,075
Cash, end of period	$ 72,429	$ 361,726
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 5,932	$ -
Cash paid for income taxes	$ -	$ -
Non-cash investing and financing activities:		
Commitment shares issued in conjunction with capital raise	$ -	$ 200,000
Shares issued for vested restricted stock units	$ 242	$ 108
Shares issued for settlement of class action	$ 1,941	$ -
Shares issued for cashless exercise of warrants	$ 229	$ -

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

SCWorx Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business

Nature of Business

SCWorx, LLC (n/k/a SCW FL Corp.) ("SCW LLC") was a privately held limited liability company which was organized in Florida on November 17, 2016. On December 31, 2017, SCW LLC acquired Primrose Solutions, LLC ("Primrose"), a Delaware limited liability company, which became its wholly-owned subsidiary and focused on developing functionality for the software now used and sold by SCWorx Corp. (the "Company" or "SCWorx"). The majority interest holders of Primrose were interest holders of SCW LLC and based upon Staff Accounting Bulletin Topic 5G, the technology acquired has been accounted for at predecessor cost of $0. To facilitate the planned acquisition by Alliance MMA, Inc., a Delaware corporation ("Alliance"), on June 27, 2018, SCW LLC merged with and into a newly-formed entity, SCWorx Acquisition Corp., a Delaware corporation ("SCW Acquisition"), with SCW Acquisition being the surviving entity. Subsequently, on August 17, 2018, SCW Acquisition changed its name to SCWorx Corp. On November 30, 2018, the Company and certain of its stockholders agreed to cancel 6,510 shares of common stock. In June 2018, the Company began to collect subscriptions for common stock. From June to November 2018, the Company collected $1,250,000 in subscriptions and issued 3,125 shares of common stock to new third-party investors. In addition, on February 1, 2019, (i) SCWorx Corp. (f/k/a SCWorx Acquisition Corp.) changed its name to SCW FL Corp. (to allow Alliance to change its name to SCWorx Corp.) and (ii) Alliance acquired SCWorx Corp. (n/k/a SCW FL Corp.) in a stock-for-stock exchange transaction and changed Alliance's name to SCWorx Corp., which is the Company's current name, with SCW FL Corp. becoming the Company's subsidiary. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC.

Operations of the Business

SCWorx is a provider of data content and services related to the repair, normalization and interoperability of information for healthcare providers and big data analytics for the healthcare industry.

SCWorx has developed and markets health information technology solutions and associated services that improve healthcare processes and information flow within hospitals. SCWorx's software platform enables healthcare providers to simplify, repair, and organize its data ("data normalization"), allows the data to be utilized across multiple internal software applications ("interoperability") and provides the basis for sophisticated data analytics ("big data"). SCWorx's solutions are designed to improve the flow of information quickly and accurately between the existing supply chain, electronic medical records, clinical systems, and patient billing functions. The software is designed to achieve multiple operational benefits such as supply chain cost reductions, decreased accounts receivables aging, accelerated and more accurate billing, contract optimization, increased supply chain management and cost visibility, synchronous Charge Description Master ("CDM") and control of vendor rebates and contract administration fees.

SCWorx empowers healthcare providers to maintain comprehensive access and visibility to an advanced business intelligence that enables better decision-making and reductions in product costs and utilization, ultimately leading to accelerated and accurate patient billing. SCWorx's software modules perform separate functions as follows:

- virtualized Item Master File repair, expansion and automation;
- CDM management;
- contract management;

- request for proposal automation;
- rebate management;
- big data analytics modeling; and
- data integration and warehousing.

SCWorx continues to provide transformational data-driven solutions to some of the finest, most well-respected healthcare providers in the United States. Clients are geographically dispersed throughout the country. The Company's focus is to assist healthcare providers with issues they have pertaining to data interoperability. SCWorx provides these solutions through a combination of direct sales and relationships with strategic partners.

SCWorx's software solutions are delivered to clients within a fixed term period, typically a three-to-five-year contracted term, where such software is hosted in SCWorx data centers (Amazon Web Service's "AWS" or RackSpace) and accessed by the client through a secure connection in a software as a service ("SaaS") delivery method.

SCWorx currently sells its solutions and services in the United States to hospitals and health systems through its direct sales force and its distribution and reseller partnerships.

Impact of the COVID-19 Pandemic

The Company's operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The New York and New Jersey area, where the Company is headquartered, was at one of the early epicenters of the coronavirus outbreak in the United States. The outbreak adversely impacted new customer acquisition. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

In addition, the Company's customers (hospitals) also experienced extraordinary disruptions to their businesses and supply chains, while experiencing unprecedented demand for health care services related to COVID-19. As a result of these extraordinary disruptions to the Company's customers' business, the Company's customers were focused on meeting the nation's health care needs in response to the COVID-19 pandemic. As a result, the Company believes that its customers were not able to focus resources on expanding the utilization of the Company's services, which has adversely impacted the Company's growth prospects, at least until the adverse effects of the pandemic subside. In addition, the financial impact of COVID-19 on the Company's hospital customers could cause the hospitals to delay payments due to the Company for services, which could negatively impact the Company's cash flows.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The accompanying unaudited condensed consolidated financial statements include the accounts of SCWorx and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

These interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. They do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto contained in its report on Form 10-K for the year ended December 31, 2022, filed with the SEC on April 17, 2023.

The unaudited condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position at September 30, 2023, the results of its operations for the three and nine months ended September 30, 2023 and cash flows for the nine months ended September 30, 2023. The results of operations for three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for future quarters or the full year.

Cash

Cash is maintained with various financial institutions. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Company did not have amounts in excess of the FDIC insured limit as of September 30, 2023 and December 31, 2022.

Fair Value of Financial Instruments

Management applies fair value accounting for significant financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Management defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, management considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement: Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, accounts receivable and warrants. The Company believes that any concentration of credit risk in its accounts receivable is substantially mitigated by the Company's evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing internal credit evaluations of its customers' financial condition, obtains deposits and limits the amount of credit extended when deemed necessary but generally requires no collateral.

Significant customers are those which represent more than 10% of the Company's revenue for each period presented, or the Company's accounts receivable balance as of each respective balance sheet date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total net accounts receivable are as follows:

	Revenue For the nine months ended September 30,		Accounts Receivable September 30,	
Customers	**2023**	**2022**	**2023**	**2022**
Customer A	11%	13%	12%	26%
Customer B	10%	10%	10%	14%
Customer C	15%	14%	12%	22%
Customer D	12%	8%	6%	9%

Allowance for Doubtful Accounts

The Company continually monitors customer payments and maintains a reserve for estimated losses resulting from its customers' inability to make required payments. In determining the reserve, the Company evaluates the collectability of its accounts receivable based upon a variety of factors. In cases where the Company becomes aware of circumstances that may impair a specific customer's ability to meet its financial obligations, the Company records a specific allowance against amounts due. For all other customers, the Company recognizes allowances for doubtful accounts based on its historical write-off experience in conjunction with the length of time the receivables are past due, customer creditworthiness, geographic risk and the current business environment. Actual future losses from uncollectible accounts may differ from the Company's estimates. The Company had a recorded allowance for doubtful accounts of $64,000 as of September 30, 2023 and no allowance as of December 31, 2022.

Inventory

The inventory balance at September 30, 2023 is related to the Company's Direct-Worx, LLC subsidiary and consisted of approximately 87,000 gowns. These items are carried on the unaudited condensed consolidated balance sheet at the lower of cost or market.

During the year ended December 31, 2021, the Company recorded a write down on the fair value of its inventory of $366,840. During the year ended December 31, 2022, the Company wrote off the remaining value of this inventory as unsellable and is in the process of disposal. Inventory assets as of September 30, 2023 and December 31, 2022 consisted of the following:

	September 30, 2023	**December 31, 2022**
Inventory	$ 523,440	$ 523,440
Allowance for obsolescence	(523,440)	(523,440)
Net inventory value	$ -	$ -

Goodwill and Purchased Identified Intangible Assets

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and identified intangible assets acquired under a business combination. Goodwill also includes acquired assembled workforce, which does not qualify as an identifiable intangible asset. The Company reviews impairment of goodwill annually in the fourth quarter, or more frequently if events or circumstances indicate that the goodwill might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the related assets' estimated useful lives. Equipment, furniture and fixtures are being amortized over a period of three years.

Expenditures that materially increase asset life are capitalized, while ordinary maintenance and repairs are expensed as incurred.

The Company did not record any depreciation expense for the three and nine months ended September 30, 2023 and 2022.

Revenue Recognition

The Company recognizes revenue in accordance with Topic 606 to depict the transfer of promised goods or services in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of Topic 606 the Company performs the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company follows the accounting revenue guidance under Topic 606 to determine whether contracts contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct goods or services that are promised to the customer.

The Company has identified the following performance obligations in its SaaS contracts with customers:

1) Data Normalization: which includes data preparation, product and vendor mapping, product categorization, data enrichment and other data related services,

2) Software-as-a-service ("SaaS"): which is generated from clients' access of and usage of the Company's hosted software solutions on a subscription basis for a specified contract term, which is usually annually. In SaaS arrangements, the client cannot take possession of the software during the term of the contract and generally has the right to access and use the software and receive any software upgrades published during the subscription period,

3) Maintenance: which includes ongoing data cleansing and normalization, content enrichment, and optimization, and

4) Professional Services: mainly related to specific customer projects to manage and/or analyze data and review for cost reduction opportunities

A contract will typically include Data Normalization, SaaS and Maintenance, which are distinct performance obligations and are accounted for separately. The transaction price is allocated to each separate performance obligation on a relative stand-alone selling price basis. Significant judgment is required to determine the stand-alone selling price for each distinct performance obligation and is typically estimated based on observable transactions when these services are sold on a stand-alone basis. At contract inception, an assessment of the goods and services promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, the Company considers all the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Revenue is recognized when the performance obligation has been met. The Company considers control to have transferred upon delivery because the Company has a present right to payment at that time, the Company has transferred use of the good or service, and the customer is able to direct the use of, and obtain substantially all the remaining benefits from, the good or service.

The Company's SaaS and Maintenance contracts typically have termination for convenience without penalty clauses and accordingly, are generally accounted for as month-to-month agreements. If it is determined that the Company has not satisfied a performance obligation, revenue recognition will be deferred until the performance obligation is deemed to be satisfied.

Revenue recognition for the Company's performance obligations are as follows:

Data Normalization and Professional Services

The Company's Data Normalization and Professional Services are typically fixed fee. When these services are not combined with SaaS or Maintenance revenues as a single unit of accounting, these revenues are recognized as the services are rendered and when contractual milestones are achieved and accepted by the customer.

SaaS and Maintenance

SaaS and Maintenance revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date on which the Company's service is made available to customers.

The Company does have some contracts that have payment terms that differ from the timing of revenue recognition, which requires the Company to assess whether the transaction price for those contracts include a significant financing component. The Company has elected the practical expedient that permits an entity to not adjust for the effects of a significant financing component if it expects that at the contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Company does not maintain contracts in which the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service exceeds the one-year threshold.

In periods prior to the adoption of ASC 606, the Company recognized revenues when persuasive evidence of an arrangement existed, delivery had occurred, the sales price was fixed or determinable, and the collectability of the resulting receivable was reasonably assured. The adoption of Topic 606 did not result in a cumulative effect adjustment to the Company's opening retained earnings since there was no significant impact upon adoption of Topic 606. There was also no material impact to revenues, or any other financial statement line items for the year ended December 31, 2018 as a result of applying ASC 606.

The Company has one revenue stream, from the SaaS business, and believes it has presented all varying factors that affect the nature, timing and uncertainty of revenues and cash flows.

Remaining Performance Obligations

As of September 30, 2023 and December 31, 2022, the Company had $391,833 and $579,833, respectively, of remaining performance obligations recorded as deferred revenue. The Company expects to recognize the revenue relating to the current performance obligations during the following 12 month period.

Costs to Obtain and Fulfill a Contract

Costs to fulfill a contract typically include costs related to satisfying performance obligations as well as general and administrative costs that are not explicitly chargeable to customer contracts. These expenses are recognized and expensed when incurred in accordance with ASC 340-40.

Cost of Revenues

Cost of revenues primarily represent data center hosting costs, consulting services and maintenance of the Company's large data array that were incurred in delivering professional services and maintenance of the Company's large data array during the periods presented.

Contract Balances

Contract assets arise when the associated revenue was earned prior to the Company's unconditional right to receive a payment under a contract with a customer (unbilled revenue) and are derecognized when either it becomes a receivable or the cash is received. There were no contract assets as of September 30, 2023 and December 31, 2022.

Contract liabilities arise when customers remit contractual cash payments in advance of the Company satisfying its performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized when the performance obligation is satisfied. Contract liabilities were $391,833 and $579,833 as of September 30, 2023 and December 31, 2022, respectively.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes in accordance with Accounting Standard Codification ("ASC") Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date.

Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of September 30, 2023 and December 31, 2022, the Company has evaluated available evidence and concluded that the Company may not realize all the benefits of its deferred tax assets; therefore, a valuation allowance has been established for its deferred tax assets.

ASC Topic 740-10-30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740-10-40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has no material uncertain tax positions for any of the reporting periods presented.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company continues to examine the impact that the tax changes in the CARES Act may have on its business but does not expect the impact to be material.

There was no income tax expense for three and nine months ended September 30, 2023 and 2022.

Stock-Based Compensation

The Company accounts for stock-based compensation expense in accordance with the authoritative guidance on share-based payments. Under the provisions of the guidance, stock-based compensation expense is measured at the grant date based on the fair value of the option or warrant using a Black-Scholes option pricing model and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

The authoritative guidance also requires that the Company measures and recognizes stock-based compensation expense upon modification of the term of stock award. The stock-based compensation expense for such modification is accounted for as a repurchase of the original award and the issuance of a new award.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. The Company estimates the expected life of options granted based on historical exercise patterns, which are believed to be representative of future behavior. The Company estimates the volatility of the Company's common stock on the date of grant based on historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of its stock-based awards that are granted, exercised and cancelled. If the actual forfeiture rate is materially different from the estimate, stock-based compensation expense could be significantly different from what was recorded in the current period. The Company also grants performance-based restricted stock awards to employees and consultants. These awards will vest if certain employee\consultant-specific or Company-designated performance targets are achieved. If minimum performance thresholds are achieved, each award will convert into a designated number of the Company's common stock. If minimum performance thresholds are not achieved, then no shares will be issued. Based upon the expected levels of achievement, stock-based compensation is recognized on a straight-line basis over the requisite service period. The expected levels of achievement are reassessed over the requisite service periods and, to the extent that the expected levels of achievement change, stock-based compensation is adjusted in the period of change and recorded on the statements of operations and the remaining unrecognized stock-based compensation is recorded over the remaining requisite service period. Refer to Note 6, Stockholders' Equity, for additional detail.

Loss Per Share

The Company computes earnings (loss) per share in accordance with ASC 260, "Earnings per Share" which requires presentation of both basic and diluted earnings (loss) per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing the loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

Indemnification

The Company provides indemnification of varying scope to certain customers against claims of intellectual property infringement made by third parties arising from the use of the Company's software. In accordance with authoritative guidance for accounting for guarantees, the Company evaluates estimated losses for such indemnification. The Company considers such factors as the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. To date, no such claims have been filed against the Company and no liability has been recorded in its condensed consolidated financial statements.

As permitted under Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. In addition, the Company has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable it to recover any payments above the applicable policy retention, should they occur.

In connection with the Class Action and derivative claims and investigations described in Note 5, Commitments and Contingencies, the Company is obligated to indemnify its officers and directors for costs incurred in defending against these claims and investigations.

Contingencies

The Company records a liability when the Company believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. If the Company determines that a loss is reasonably possible, and the loss or range of loss can be estimated, the Company discloses the possible loss in the notes to the consolidated financial statements. The Company reviews the developments in its contingencies that could affect the amount of the provisions that has been previously recorded, and the matters and related possible losses disclosed. The Company adjusts provisions and changes to its disclosures accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. Significant judgment is required to determine both the probability and the estimated amount.

Legal costs associated with loss contingencies are accrued based upon legal expenses incurred by the end of the reporting period.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. The Company regularly evaluates estimates and assumptions related to the allowance for doubtful accounts, the estimated useful lives and recoverability of long-lived assets, stock-based compensation, goodwill, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Actual results could differ materially from those estimates.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

Note 3. Loans Payable

CARES funding

On May 5, 2020, the Company obtained a $293,972 unsecured loan payable through the Paycheck Protection Program ("PPP"), which was enacted as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES ACT"). The funds were received from Bank of America through a loan agreement pursuant to the CARES Act. The CARES Act was established in order to enable small businesses to pay employees during the economic slowdown caused by COVID-19 by providing forgivable loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the CARES Act and used for payroll costs, rent, mortgage interest, and utility costs during the 24 week period after the date of loan disbursement is eligible to be forgiven provided that (a) the Company uses the PPP Funds during the eight week period after receipt thereof, and (b) the PPP Funds are only used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. While the full loan amount may be forgiven, the amount of loan forgiveness will be reduced if, among other reasons, the Company does not maintain staffing or payroll levels or less than 60% of the loan proceeds are used for payroll costs. Principal and interest payments on any unforgiven portion of the PPP Funds (the "PPP Loan") will be deferred to the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness period for nine months and will accrue interest at a fixed annual rate of 1.0% and carry a two year maturity date. There is no prepayment penalty on the CARES Act Loan. In May 2022, the Company was granted an extension on the maturity date of this note until March 5, 2025. The loan was partially forgiven in the amount of $139,569 in September 2022 with the balance remaining due.

Note 4. Leases

Operating Leases

The Company's principal executive office in New York City is under a month-to-month arrangement.

The Company has operating leases for corporate, business and technician offices. Leases with a probable term of 12 months or less, including month-to-month agreements, are not recorded on the condensed consolidated balance sheet, unless the arrangement includes an option to purchase the underlying asset, or an option to renew the arrangement, that the Company is reasonably certain to exercise (short-term leases). The Company recognizes lease expense for these leases on a straight-line bases over the lease term. The Company's only remaining lease is month-to-month. As a practical expedient, the Company elected, for all office and facility leases, not to separate non-lease components (common-area maintenance costs) from lease components (fixed payments including rent) and instead to account for each separate lease component and its associated non-lease components as a single lease component. The Company uses its incremental borrowing rate for purposes of discounting lease payments.

As of September 30, 2023 and December 31, 2022, there were no assets recorded under operating leases. Operating lease right of use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The discount rate used to determine the commencement date present value of lease payment is the Company's incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received.

For three months ended September 30, 2023 and 2022, the components of lease expense were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Operating lease cost	$ 392	$ 434	$ 1262	$ 921
Total lease cost	$ 392	$ 434	$ 1262	$ 921

As of September 30, 2023, the Company has no additional operating leases, other than that noted above, and no financing leases.

Note 5. Commitments and Contingencies

In conducting our business, we may become involved in legal proceedings. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

Legal Proceedings

CorProminence d/b/a Core IR v. SCWorx

AAA Arbitration Case 01-22-0001-5709

As previously disclosed in the Company's period reports filed with he SEC, on April 25, 2022, the Company received a Demand for Arbitration along with a Statement of Claim filed by Core IR with the American Arbitration Association seeking damages in the amount of approximately $190,000.00 arising out of a marketing and consulting agreement. The Company filed its answer, affirmative defenses and counterclaims on May 16, 2022. By order of the arbitrator dated November 1, 2022, Core IR received permission to amend its Statement of Claim to increase its request for damages to $257,545.63. The Company received the final decision of the Arbitrator on October 16, 2023, awarding Core IR $461,856.15, including unpaid compensation, indemnification for legal fees and costs, prevailing party legal fees and interest (the "Award"). The payment is required to be made within thirty days of the Award. The Company is currently evaluating its legal options, including commencing legal action to set aside the Award. The Company may or may not be able to obtain a modification/reversal of the Award. If the Company is not able to obtain a modification/reversal, the Company will be obligated to pay the amount of the Award.

Hadrian Equities Partners, LLC et ano. v. SCWorx Corp,

Case No. 22-cv-07096 (JLR) (S.D.N.Y)

On August 19, 2022, Hadrian Equities Partners, LLC and the Phillip W. Caprio, Jr. 2007 Irrevocable Trust filed a complaint in the United States District Court for the Southern District of New York alleging that SCWorx was dilatory and did not comply with its alleged contractual duties to remove the restrictions from Plaintiffs' converted AMMA stock to SCWorx stock until August 10 and August 11, 2020. Plaintiffs allege that as a result, they were unable to sell their SCWorx stock when SCWorx was trading at its highest price on April 13, 2020. The Complaint seeks $500,000 in damages. To date, the Complaint has not been served. Plaintiffs filed an Amended Complaint on November 28, 2022. On February 6, 2023, SCWorx filed its answer to the Amended Complaint interposing numerous defenses. Plaintiff has since filed a Second Amended Complaint which the Company has answered. The Company and Plaintiffs have reached an agreement in principle to resolve this matter and are currently negotiating a settlement agreement. The agreement in principle calls for the Company to issue the Plaintiffs 30,000 shares of restricted common stock and make a cash payment of $20,000 upon the earlier of the closing of the planned business combination transaction previously disclosed and March 1, 2024.

Carole R. Bernstein, Esq. v. SCWorx Corp.

As previously disclosed in the Company's Form 10-Q for the quarter ended June 30, 2023, on June 7, 2023, Carole R. Bernstein, Esq. filed a complaint in the United States District Court for the Southern District of New York against the Company. The complaint alleges that the Company breached its engagement agreement with Ms. Bernstein by failing to pay legal fees when due. Ms. Bernstein is seeking to recover $69,163.98 fees owing for services, plus interest, costs, including her attorney's fees. At the request of the Plaintiff, the Clerk of the Court entered a default against the Company for failure to file responsive pleadings in a timely fashion. The Plaintiff has since moved the Court for entry of a default judgment. The Company has filed a motion to oppose Plaintiff's motion for the entry of a default judgment and cross-moved for an order to vacate the default. These motions are currently pending before the Court.

Note 6. Stockholders' Equity

Authorized Shares

The Company has 45,000,000 Common shares and 900,000 Series A convertible preferred shares authorized with a par value of $0.001 per share.

Common Stock

Issuance of Shares for Vested Restricted Stock Units

Between January 10, 2023 and January 26, 2023, the Company issued a total of 11,332 shares of common stock to holders of fully vested restricted stock units.

Between June 5, 2023 and June 16, 2023, the Company issued a total of 216,667 shares of common stock to holders of fully vested restricted stock units.

Between July 5, 2023 and July 19, 2023, the Company issued a total of 14,340 shares of common stock to holders of fully vested restricted stock units.

Issuance of Shares as Settlement of Accounts Payable

On May 24, 2023, the Company issued 102,096 shares of common stock in full settlement of $26,545 of accounts payable. The shares had a fair value of $0.26 per share.

On June 22, 2023, the Company issued 48,948 shares of common stock in full settlement of $17,621 of accounts payable. The shares had a fair value of $0.36 per share.

On July 26, 2023, the Company issued 72,548 shares of common stock in full settlement of $16,686 of accounts payable. The shares had a fair value of $0.23 per share.

On August 18, 2023, the Company issued 131,000 shares of common stock in full settlement of $32,750 of accounts payable. The shares had a fair value of $0.25 per share.

On September 27, 2023, the Company issued 118,643 shares of common stock in full settlement of $22,542 of accounts payable. The shares had a fair value of $0.19 per share.

Issuance of Shares under Common Stock Purchase Agreement

On June 1, 2023, the Company issued 300,000 shares of common stock for net proceeds of $127,053 under its common stock purchase agreement dated June 28, 2022.

On June 22, 2023, the Company issued 300,000 shares of common stock for net proceeds of $134,634 under its common stock purchase agreement dated June 28, 2022.

On Between July 7, 2023 and September 28, 2023, the Company issued a total of 1,410,807 shares of common stock for aggregate net proceeds of $311,220 under its common stock purchase agreement dated June 28, 2022.

Issuance of Shares for the Exercise of Warrants

On June 15, 2023, the Company issued 228,568 shares of common stock in a cashless exchange for 823,078 warrants to purchase shares of common stock at $0.65 per share.

Equity Financing

During May 2020, the Company received $515,000 of a committed $565,000 from the sale of 135,527 shares of common stock (at a price of $3.80 per share) and warrants to purchase 169,409 shares of common stock, at an exercise price of $4.00 per share. As of September 30, 2023, $415,000 worth of the shares and warrants have been issued. The remaining $125,000 received by the Company is included in equity financing within current liabilities on the consolidated balance sheet.

Stock Incentive Plan

The number of shares of the Company's common stock that are issuable pursuant to warrant and stock option grants with time-based vesting as of and for the nine months ended September 30, 2023 were:

	Warrant Grants		Stock Option Grants		Restricted Stock Units
	Number of shares subject to warrants	Weighted-average exercise price per share	Number of shares subject to options	Weighted-average exercise price per share	Number of shares subject to restricted stock units
Balance at December 31, 2022	1,567,720	$ 1.35	118,388	$ 3.25	2,409,759
Granted	-	-	-	-	871,568
Exercised	(823,078)	0.65	-	-	(715,574)
Cancelled/Expired	(72,180)	8.05	(18,388)	6.57	(69,166)
Balance at September 30, 2023	672,462	$ 1.48	100,000	$ 2.64	2,496,587
Exercisable at September 30, 2023	672,462	$ 1.48	100,000	$ 2.64	2,439,087

The Company has classified the warrant as having Level 2 inputs, and has used the Black-Scholes option-pricing model to value the warrants.

The Company's outstanding warrants and options at September 30, 2023 are as follows:

Warrants Outstanding				Warrants Exercisable		
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Intrinsic Value
$0.65 - $4.00	672,462	0.64	$ 1.48	672,462	$ 1.48	-

Options Outstanding				Options Exercisable		
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Intrinsic Value
$2.64	100,000	1.16	$ 2.64	100,000	$ 2.64	-

As of September 30, 2023 and December 31, 2022, the total unrecognized expense for unvested stock options and restricted stock awards was approximately $25,070 and $222,000, respectively, to be recognized over a twelve month period from the original grant dates.

Stock-based compensation expense for three and nine months ended September 30, 2023 and 2022 was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Stock-based compensation expense	$ 40,547	$ 261,370	$ 336,293	$ 906,919

Stock-based compensation expense categorized by the equity components for three and nine months ended September 30, 2023 and 2022 was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Common stock	$ 40,547	$ 261,370	$ 336,293	$ 906,919
Total	$ 40,547	$ 261,370	$ 336,293	$ 906,919

Note 7. Net Loss per Share

Basic net loss per share is computed by dividing net loss for the period by the weighted average shares of common stock outstanding during each period. Diluted net loss per share is computed by dividing net loss for the period by the weighted average shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The Company uses the treasury stock method to determine whether there is a dilutive effect of outstanding option grants.

The following securities were excluded from the computation of diluted net loss per share for the periods presented because including them would have been anti-dilutive:

	For the three and nine months ended September 30,	
	2023	2022
Stock options	100,000	118,388
Warrants	672,462	1,567,720
Restricted stock units	2,496,587	2,412,759
Total common stock equivalents	3,269,049	4,098,867

Note 8. Related Party Transactions

At September 30, 2023 and December 31, 2022 Company had a payable due to an officer in the amount of $153,838 for contract work performed prior to becoming an officer.

During September 2021, the Company's former CEO and shareholder advanced $100,000 in cash to the Company for short term capital requirements. This amount is non-interest bearing and payable upon demand. The Company had balances of $75,717 and $100,000 included in shareholder advance on the Company's consolidated balance sheet as of September 30, 2023 and December 31, 2022, respectively.

Between May 24, 2023 and August 30, 2023, the Company's CFO advanced and aggregate $183,558 in cash to the Company for short term capital requirements. As of September 30, 2023, $160,085 of the advanced amounts have been repaid and the remaining balance of $23,473 is included in accounts payable – related party on the Company's consolidated Balance sheet.

Note 9. Subsequent Events

We have evaluated all events that occurred after the balance sheet date through the date when our financial statements were issued to determine if they must be reported. Management has determined that other than those disclosed below, there were no additional reportable subsequent events to be disclosed.

Reverse Stock Split

On October 6, 2023, following stockholder approval at the Company's annual meeting, the Company amended its certificate of incorporation to implement a 1 for 15 reverse split of its common stock. The effect of the reverse stock split was to combine every 15 shares of outstanding common stock into one share of common stock. The reverse stock split was effective at the opening of the trading day on October 11, 2023.

Entry into material agreement

As previously disclosed, on October 20, 2023, the Company entered into a letter of intent to acquire American Energy Partners, Inc. ("American Environmental") (OTC: AEPT).

The letter of intent sets forth the proposed terms and conditions pursuant to which the Company and American Environmental intend to effect a business combination, as a result of which American Environmental and the Company's healthcare data management business will each be conducted through wholly-owned subsidiaries of the Company (the "Proposed Transaction").

The Company anticipates that the Proposed Transaction will be structured as a share-for-share exchange, with SCWorx shareholders retaining 17% and American Environmental receiving 83% of the combined Company, after giving effect to a $6 million capital raise by American Environmental, which is a condition to completion of the Proposed Transaction.

The Proposed Transaction has been approved by the Boards of Directors of both SCWorx and American Environmental and is expected to close in the first quarter of CY 2024. The Transaction will be considered a "reverse merger" because the shareholders of American Environmental will own more than a majority of the outstanding common stock of the Company following completion of the Proposed Transaction. As such, the Proposed Transaction is subject to NASDAQ approving a listing application based on initial inclusion standards. In addition, the closing of the Proposed Transaction is subject to satisfaction of the following conditions: (i) satisfactory completion of due diligence review by both parties, (ii) the negotiation, execution and delivery of definitive agreements, (iii) American Environmental raising $6 Million of equity, concurrently with the closing, (iv) satisfactory completion of an audit of American Environmental's financial statements, (v) approval by both SCWorx and American Environmental shareholders, as well as other customary closing conditions.

There can be no assurance that the Proposed Transaction will be completed as currently contemplated, or at all.

American Environmental is an environmental services company headquartered in Pennsylvania. Effective October 30, 2023, American Energy Partners, Inc.'s name will be changed to "American Environmental Partners, Inc.", subject to regulatory approval.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes included in Item 1, "Financial Statements" of this Form 10-Q. In addition to our historical unaudited condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs which involves risk, uncertainty and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q.

Corporate Information

SCWorx, LLC (n/k/a SCW FL Corp.) ("SCW LLC") was a privately held limited liability company which was organized in Florida on November 17, 2016. On December 31, 2017, SCW LLC acquired Primrose Solutions, LLC ("Primrose"), a Delaware limited liability company, which became its wholly-owned subsidiary and focused on developing functionality for the software now used and sold by SCWorx Corp. (the "Company" or "SCWorx"). The majority interest holders of Primrose were interest holders of SCW LLC and based upon Staff Accounting Bulletin Topic 5G, the technology acquired has been accounted for at predecessor cost of $0. To facilitate the planned acquisition by Alliance MMA, Inc., a Delaware corporation ("Alliance"), on June 27, 2018, SCW LLC merged with and into a newly-formed entity, SCWorx Acquisition Corp., a Delaware corporation ("SCW Acquisition"), with SCW Acquisition being the surviving entity. Subsequently, on August 17, 2018, SCW Acquisition changed its name to SCWorx Corp. On November 30, 2018, our company and certain of our stockholders agreed to cancel 6,510 shares of common stock. In June 2018, we began to collect subscriptions for common stock. From June to November 2018, we collected $1,250,000 in subscriptions and issued 3,125 shares of common stock to new third-party investors. In addition, on February 1, 2019, (i) SCWorx Corp. (f/k/a SCWorx Acquisition Corp.) changed its name to SCW FL Corp. (to allow Alliance to change its name to SCWorx Corp.) and (ii) Alliance acquired SCWorx Corp. (n/k/a SCW FL Corp.) in a stock-for-stock exchange transaction and changed Alliance's name to SCWorx Corp., which is our company's current name, with SCW FL Corp. becoming our subsidiary. On March 16, 2020, in response to the COVID-19 pandemic, SCWorx established a wholly-owned subsidiary, Direct-Worx, LLC.

Our principal executive offices are located at 590 Madison Avenue, 21st Floor, New York, New York, 10022. Our telephone number is (844) 472-9679. The Company also had a lease in Greenwich, CT which expired in March 2020 and became a month to month tenancy until it was terminated in April 2021.

In this Quarterly Report, the terms "SCWorx," the "Company," "we," "us" and "our" refer to SCWorx Corp., a Delaware corporation, unless the context requires otherwise. Unless specified otherwise, the historical financial results in this Annual Report are those of our company and our subsidiaries on a consolidated basis.

Our Business

SCWorx is a provider of data content and services related to the repair, normalization and interoperability of information for healthcare providers and big data analytics for the healthcare industry.

SCWorx has developed and markets health care information technology solutions and associated services that improve healthcare processes and information flow within hospitals and other healthcare facilities. SCWorx's software enables a healthcare provider to simplify and organize its data ("data normalization"), allows the data to be utilized across multiple internal software applications ("interoperability") and provides the basis for sophisticated data analytics ("big data"). Customers use our software to achieve multiple operational benefits, such as supply chain cost reductions, decreased accounts receivables aging, accelerated and completed patient billing in less than 72 hours, contract optimization, increased supply chain management and total cost visibility via dynamic AI connections that automatically structures, repairs, synchronizes and maintains purchasing ("MMIS"), Clinical ("EMR") and finance ("CDM") systems. SCWorx's customers include some of the most prestigious healthcare organizations in the United States. SCWorx offers an advanced software solution for the management of health care providers' foundational business applications, empowering its customers to significantly reduce costs, drive better clinical outcomes and enhance their revenue. SCWorx supports the interrelationship between the three core healthcare provider systems: Supply Chain, Financial and Clinical. This solution integrates common keys within distinct and variable databases that allows the repaired foundational data to move seamlessly from one application to another enabling our Customers to drive supply chain cost reductions, optimize contracts, increase supply chain management ("SCM"), cost visibility, control rebates and contract administration fees.

Currently, the business systems of hospitals are frequently deficient and often unconnected from each other. These deficiencies in part result from the vast amount of unstructured, manually created and managed data that proliferates within the hospital's supply chain, clinical and billing systems. SCWorx's solutions are designed to improve the flow of information quickly and accurately between the buy-side (supply chain purchasing systems), the consumption-side (clinical documentation systems like the electronic medical records ("EMR")) and billing and collection systems (patient billing systems). The currently poor state of interoperability limits the potential value of each independent system and requires significant expense and extensive human resource commitments from senior personnel to stay ahead of problems and complete basic administrative tasks. SCWorx provides an information service that ultimately leads to safer, more cost effective and financially efficient patient care.

SCWorx has demonstrated that in order for the core hospital systems to function properly there must be a Single Source of Truth ("SSOT") for all products utilized and ultimately billed for. The Item Master File ("IMF"), which is a database of all known products used in hospital and health care settings, must be accurate at all times and expanded upon to hold both clinical and financial attributes. An accurate and expanded Item Master File supports interoperability between the supply chain, clinical and financial systems by delivering, on demand, reports detailing the purchasing, utilization and revenue associated with each and every item used, allowing hospitals to better manage their business. The Single Source of Truth establishes a common vernacular and syntax, while assigning a consistent meaning across the healthcare provider's core systems and accurately migrating data from one application to another and removing disconnects between critical business systems.

SCWorx empowers healthcare providers to maintain comprehensive access and visibility to an advanced business intelligence that enables better decision-making and reductions in product costs and utilization, ultimately leading to accelerated and accurate patient billing. SCWorx's software modules perform separate functions as follows:

- virtualized Item Master File repair, expansion and automation;
- EMR management;
- CDM management;
- contract management;
- request for proposal automation;
- rebate management;
- Integration of acquired management;
- big data analytics modeling;
- data integration and warehousing; and
- ScanWorx.

SCWorx continues to provide transformational data-driven solutions to some of the finest, most well-respected healthcare providers in the United States. Clients are geographically dispersed throughout the country. Our focus is to assist healthcare providers with issues they have pertaining to data interoperability.

SCWorx's software solutions are delivered to clients within a fixed term period, typically a three-to-five-year contracted term, where such software is hosted in SCWorx data centers (Amazon Web Service's "AWS" or RackSpace) and accessed by the client through a secure connection in a software as a service ("SaaS") delivery method.

SCWorx currently sells its solutions and services in the United States to hospitals and health systems through its direct sales force and its distribution and reseller partnerships.

We currently host our solutions, serve our customers, and support our operations in the United States through an agreement with a third party hosting and infrastructure provider, RackSpace. We incorporate standard IT security measures, including but not limited to; firewalls, disaster recovery, backup, etc. Our operations are dependent upon the integrity, security and consistent operation of various information technology systems and data centers that process transactions, communication systems and various other software applications used throughout our operations. Disruptions in these systems could have an adverse impact on our operations. We could encounter difficulties in developing new systems or maintaining and upgrading existing systems. Such difficulties could lead to significant expenses or to losses due to disruption in our business operations.

In addition, our information technology systems are subject to the risk of infiltration or data theft. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage information technology systems change frequently and may be difficult to detect or prevent over long periods of time. Moreover, the hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the security of our information systems. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud or deception aimed at our employees, contractors or temporary staff. In the event that the security of our information systems is compromised, confidential information could be misappropriated, and system disruptions could occur. Any such misappropriation or disruption could cause significant harm to our reputation, lead to a loss of sales or profits or cause us to incur significant costs to reimburse third parties for damages.

Impact of the COVID-19 Pandemic

The Company's operations and business have experienced disruption due to the unprecedented conditions surrounding the COVID-19 pandemic which spread throughout the United States and the world. The outbreak adversely impacted new customer acquisition. The Company has followed the recommendations of local health authorities to minimize exposure risk for its team members since the outbreak.

In addition, the Company's customers (hospitals) also experienced extraordinary disruptions to their businesses and supply chains, while experiencing unprecedented demand for health care services related to COVID-19. As a result of these extraordinary disruptions to the Company's customers' business, the Company's customers were focused on meeting the nation's health care needs in response to the COVID-19 pandemic. As a result, the Company believes that its customers were not able to focus resources on expanding the utilization of the Company's services, which has adversely impacted the Company's growth prospects, at least until the adverse effects of the pandemic subside. In addition, the financial impact of COVID-19 on the Company's hospital customers could cause the hospitals to delay payments due to the Company for services, which could negatively impact the Company's cash flows.

Results of Operations – Three Months Ended September 30, 2023

Our operating results for the three month period ended September 30, 2023 and 2022 are summarized as follows:

	Three Months Ended		
	September 30, 2023	September 30, 2022	Difference
Revenue	$ 906,099	$ 986,949	$ (80,850)
Cost of revenues	666,808	693,353	(26,545)
General and administrative	1,097,273	832,715	264,558
Other (expense) income	(276)	139,596	(139,872)
Provision for income taxes	-	-	-
Net loss	$ (858,258)	$ (399,523)	$ (458,735)

Revenues

Revenue for the three months ended September 30, 2023 was $906,099 as compared to $986,949 for the three months ended September 30, 2022. This slight decrease was primarily due to the expiration of a customer contract and normal fluctuations in our billing cycle.

Operating Expenses

Cost of revenues

Cost of revenues was $666,808 for the three months ended September 30, 2023 compared to $693,353 for the same period in 2022. The decrease was the result of staffing consolidations and normal business fluctuations.

General and administrative

General and administrative expenses increased $264,558 to $1,097,273 for the three months ended September 30, 2023, as compared to $832,715 in the same period of 2022. The increase is primarily attributable to a one-time legal judgement of $461,856 and approximate increases in legal and professional fees of $55,000, and bad debt expense of $64,000, partially offset by approximate decreases in stock-based compensation of $221,000, and inventory write downs of $44,000. We expect general and administrative expenses adjusted for one-time expenses to remain relatively flat during the rest of 2023.

Other income

We had other expense of $276 during the three months ended September 30, 2023 comprised of interest expense.

Net Loss

For the three months ended September 30, 2023, we incurred a net loss of $858,258 compared to a net loss of $399,523 for the same period in 2022.

Results of Operations – Nine months Ended September 30, 2023

Our operating results for the six month period ended September 30, 2023 and 2022 are summarized as follows:

	Nine months ended		
	September 30, 2023	September 30, 2022	Difference
Revenue	$ 2,894,647	$ 3,010,322	$ (115,675)
Cost of revenues	1,972,300	2,014,537	(42,237)
General and administrative	2,328,209	2,864,408	(536,199)
Other income (expense)	(6,208)	279,191	(285,399)
Provision for income taxes	-	-	-
Net loss	$ (1,412,070)	$ (1,589,432)	$ 177,362

Revenues

Revenue for the nine months ended September 30, 2023 was $2,894,647 as compared to $3,010,322 for the nine months ended September 30, 2022. This slight decrease was primarily due to the expiration of a customer contract and normal fluctuations in our billing cycle.

Operating Expenses

Cost of revenues

Cost of revenues was $1,972,300 for the nine months ended September 30, 2023 compared to $2,014,537 for the same period in 2022. The decrease was the result of staffing consolidations and normal business fluctuations.

General and administrative

General and administrative expenses decreased $536,199 to $2,328,209 for the nine months ended September 30, 2023, as compared to $2,864,408 in the same period of 2022. The decrease is primarily attributable to approximate decreases in stock-based compensation of $570,000, legal and professional fees of $46,000, bad debt reserve expense of $14,000 and inventory write downs of $157,000, partially offset by a one-time legal judgement of $461,856. We expect general and administrative expenses adjusted for one-time expenses to remain relatively flat during the rest of 2023.

Other income

We had other expense of $6,208 during the nine months ended September 30, 2023 comprised of interest expense.

We had other income of $279,191 during the nine months ended September 30, 2022 related to the forgiveness of PPP Loans under the CARES Act.

Net Loss

For the nine months ended September 30, 2023, we incurred a net loss of $1,412,070 compared to a net loss of $1,589,432 for the same period in 2022.

Liquidity and Capital Resources

Cash Flows

	Nine months ended September 30,	
	2023	**2022**
Net cash used in operating activities	$ (701,282)	$ (434,399)
Net cash used in investing activities	-	-
Net cash used in by financing activities	524,249	725,050
Change in cash	$ (177,033)	$ 290,651

Operating Activities

Cash used in operating activities was approximately $701,000 for the nine months ended September 30, 2023, mainly related to the net loss of approximately $1,412,000, a $51,000 increase in accounts receivable and a decrease in deferred revenue of $188,000, partially offset by non-cash stock-based compensation of $336,000, bad debt expense of $64,000, an increase in accounts payable and accrued liabilities of $539,000 and decrease in prepaid expenses of $10,000.

Cash used in operating activities was approximately $434,000 for the nine months ended September 30, 2022 (about $48,000 per month), mainly related to the net loss of approximately $1,589,000, a $174,000 decrease in deferred revenue, a $59,000 increase in prepaid expenses, and a $279,000 gain on forgiveness of debt, partially offset by non-cash stock-based compensation of $907,000, debt expense of $78,000, an increase in accounts payable and accrued liabilities of $371,000 and a decrease in accounts receivable of $155,000.

Investing Activities

The Company did not have any investing activities during the nine months ended September 30, 2023 and 2022.

Financing Activities

Cash provided by financing activities was approximately $524,000 for the nine months ended September 30, 2023, consisting of approximately $573,000 in proceeds from the sale of common stock and $23,000 in proceeds from advances from related party, offset by $48,000 in repayments of notes payable, and $24,000 in repayments of shareholder advances.

Cash provided by financing activities was $725,050 for the nine months ended September 30, 2022. This consisted of net proceeds from a common stock placement.

Off-Balance Sheet Arrangements

As September 30, 2023 and December 31, 2022, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (“Disclosure Controls”), as defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of September 30, 2023, the end of the period covered by this Form 10-Q, as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, based on the 2013 framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission. There are inherent limitations to the effectiveness of any system of Disclosure Controls. Accordingly, even effective Disclosure Controls can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our President and Chief Financial Officer have concluded that, due to deficiencies in the design of internal controls and lack of segregation of duties, our Disclosure Controls were not effective as of September 30, 2023, such that the Disclosure Controls did not ensure that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

During the quarter ended September 30, 2023, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) 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

In conducting our business, we may become involved in legal proceedings. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

CorProminence d/b/a Core IR v. SCWorx

AAA Arbitration Case 01-22-0001-5709

As previously disclosed in the Company's periodic reports filed with the SEC, on April 25, 2022, the Company received a Demand for Arbitration along with a Statement of Claim filed by Core IR with the American Arbitration Association seeking damages in the amount of approximately $190,000.00 arising out of a marketing and consulting agreement. The Company filed its answer, affirmative defenses and counterclaims on May 16, 2022. By order of the arbitrator dated November 1, 2022, Core IR received permission to amend its Statement of Claim to increase its request for damages to $257,545.63. The Company received the final decision of the Arbitrator on October 16, 2023, awarding Core IR $461,856.15, including unpaid compensation, indemnification for legal fees and costs, prevailing party legal fees and interest (the "Award"). The payment is required to be made within thirty days of the Award. The Company is currently evaluating its legal options, including commencing legal action to set aside the Award. The Company may or may not be able to obtain a modification/reversal of the Award. If the Company is not able to obtain a modification/reversal, the Company will be obligated to pay the amount of the Award.

Hadrian Equities Partners, LLC et ano. v. SCWorx Corp,

Case No. 22-cv-07096 (JLR) (S.D.N.Y)

On August 19, 2022, Hadrian Equities Partners, LLC and the Phillip W. Caprio, Jr. 2007 Irrevocable Trust filed a complaint in the United States District Court for the Southern District of New York alleging that SCWorx was dilatory and did not comply with its alleged contractual duties to remove the restrictions from Plaintiffs' converted AMMA stock to SCWorx stock until August 10 and August 11, 2020. Plaintiffs allege that as a result, they were unable to sell their SCWorx stock when SCWorx was trading at its highest price on April 13, 2020. The Complaint seeks $500,000 in damages. To date, the Complaint has not been served. Plaintiffs filed an Amended Complaint on November 28, 2022. On February 6, 2023, SCWorx filed its answer to the Amended Complaint interposing numerous defenses. Plaintiff has since filed a Second Amended Complaint which the Company has answered. The Company and Plaintiffs have reached an agreement in principle to resolve this matter and are currently negotiating a settlement agreement. The agreement in principle calls for the Company to issue the Plaintiffs 30,000 shares of restricted common stock and make a cash payment of $20,000 upon the earlier of the closing of the planned business combination transaction previously disclosed and March 1, 2024.

Carole R. Bernstein, Esq. v. SCWorx Corp.

As previously disclosed in the Company's Form 10-Q for the quarter ended June 30, 2023, on June 7, 2023, Carole R. Bernstein, Esq. filed a complaint in the United States District Court for the Southern District of New York against the Company. The complaint alleges that the Company breached its engagement agreement with Ms. Bernstein by failing to pay legal fees when due. Ms. Bernstein is seeking to recover $69,163.98 fees owing for services, plus interest, costs, including her attorney's fees. At the request of the Plaintiff, the Clerk of the Court entered a default against the Company for failure to file responsive pleadings in a timely fashion. The Plaintiff has since moved the Court for entry of a default judgment. The Company has filed a motion to oppose Plaintiff's motion for the entry of a default judgment and cross-moved for an order to vacate the default. These motions are currently pending before the Court.

Item 1A. Risk Factors

We are a smaller reporting Company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

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

Since the beginning of the nine month period ended September 30, 2023, we have not sold any equity securities that were not registered under the Securities Act of 1933 that were not previously reported in a current report on Form 8-K.

Item 3. Default under Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits.

EXHIBIT INDEX

Pursuant to the rules and regulations of the SEC, we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

Exhibit #	**Exhibit Description**
3.1	Certificate of Incorporation, as amended October 6, 2023*
3.3	Amended and Restated By-laws (Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 (File No. 333-213166) filed with the SEC on August 16, 2016)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Section 1350 Certification of the Chief Executive Officer*
32.2	Section 1350 Certification of the Chief Financial Officer*
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

SIGNATURES

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

SCWORX CORP.

Date: November 14, 2023

By: /s/ Timothy A. Hannibal
Timothy A. Hannibal
President and Chief Executive Officer
(Principal Executive Officer)

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.

SCWORX CORP.

Date: November 14, 2023

By: /s/ Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "SCWORX CORP.", FILED IN THIS OFFICE ON THE SIXTH DAY OF OCTOBER, A.D. 2023, AT 1:22 O`CLOCK P.M.

Jeffrey W. Bullock, Secretary of State

5692259 8100
SR# 20233678276

Authentication: 204324856
Date: 10-06-23

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 01:22 PM 10/06/2023
FILED 01:22 PM 10/06/2023
SR 20233676872 - File Number 5692259

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION

The corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

FIRST: That at a meeting of the Board of Directors of

SCWorx Corp.

resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, That it is desirable and in the best interest of the Corporation to amend and restate the first two sentences of Article 4th of its Articles of Incorporation to read in their entirety as follows:

FOURTH: The aggregate number of shares of capital stock which the Corporation shall have authority to issue is 50,000,000 shares, consisting of:

(i) 45,000,000 shares of Common Stock, $0.001 par value per share ("Common Stock"); and

(ii) 5,000,000 shares of Preferred Stock, $0.001 par value per share ("Preferred Stock").

The Preferred Stock and the Common Stock shall have the rights, preferences and limitations set forth below.

Effective at 11:59 p.m., Eastern Standard Time, on October 6, 2023 (the "Effective Time"), every fifteen (15) shares of the Corporation's common stock (the "Old common stock") issued and outstanding immediately prior to the Effective Time will be automatically and without any action on the part of the respective holders thereof be combined and converted into one (1) share of common stock of the Corporation (the "New common stock") (such combination and conversion, the "Reverse Stock Split").

Notwithstanding the immediately preceding sentence, any fractional share of New common stock resulting from the Reverse Stock Split shall be rounded up to the nearest whole share and issuable to the holders of record of Old common stock in connection with the foregoing reclassification of shares of Old common stock.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendments, as applicable.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this 6th day of October, 2023.

Authorized Officer

Timothy Hannibal

Timothy Hannibal, CEO

Exhibit 31.1

CERTIFICATION

I, Timothy A. Hannibal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SCWorx Corp.;

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 present in this report;

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

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

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

Date: November 14, 2023

By: */s/* Timothy A. Hannibal
Timothy A. Hannibal
President and Chief Operating Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Christopher J. Kohler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SCWorx Corp.;

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 present in this report;

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

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

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

Date: November 14, 2023

By: */s/* Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Section 1350 CERTIFICATION

In connection with this Quarterly Report of SCWorx Corp. (the “Company”) on Form 10-Q for the quarter ended September 30, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Timothy A. Hannibal, President and Chief Operating 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, 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: November 14, 2023	By:	*/s/* Timothy A. Hannibal
		Timothy A. Hannibal President and Chief Operating Officer (Principal Executive Officer) Timothy A. Hannibal

Exhibit 32.2

Section 1350 CERTIFICATION

In connection with this Quarterly Report of SCWorx Corp. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Kohler, 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, 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: November 14, 2023

By: */s/* Christopher J. Kohler
Christopher J. Kohler
Chief Financial Officer
(Principal Financial Officer)