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DELTA REPORT

10-Q

HYPR - HYPERFINE, INC.

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	758
CHANGES	275
DELETIONS	235
ADDITIONS	248

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 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: 001-39949

Hyperfine, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**98-1569027**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
351 New Whitfield Street Guilford, Connecticut	**06437**
(Address of principal executive offices)	(Zip Code)

(866) 796-6767 796-6767

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.0001 Par Value Per Share	**HYPR**	**The Nasdaq Stock Market LLC**

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

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

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

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

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

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

As of August 7, 2023 November 1, 2023, the registrant had 56,289,538 56,544,314 shares of Class A common stock outstanding and 15,055,288 shares of Class B common stock outstanding.

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All brand names or trademarks appearing in this report are the property of their respective holders. Use or display by us of other parties' trademarks, trade dress, or products in this report is not intended to, and does not, imply a relationship with, or endorsements or sponsorship of, us by the trademark or trade dress owners. Unless the context requires otherwise, references in this report to the "Company," "we," "us," and "our" refer to Hyperfine, Inc. and its wholly-owned subsidiaries, including Hyperfine Operations, Inc., or Legacy Hyperfine, and Liminal Sciences, Inc., or Liminal, as the case may be.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to future events or our future financial performance regarding, among other things, the plans, strategies and prospects, both business and financial, of the Company. These statements are based on the beliefs and assumptions of our management team. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events or results of operations, are forward-looking statements. These statements may be preceded by, followed by or include the words "believes," "estimates," "expects," "projects," "forecasts," "may," "will," "should," "seeks," “plans,” “scheduled,” “anticipates” or “intends” or similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the success, cost and timing of our product development activities;
- the commercialization and adoption of our existing products and the success of our future product offerings;
- the potential attributes and benefits of our products and services;
- our ability to obtain and maintain regulatory approval for our products, and any related restrictions and limitation any approved product;
- our ability to identify, in-license or acquire additional technology;
- our ability to maintain our existing licensing, manufacturing and supply agreements;
- our ability to compete with other companies currently marketing or engaged in the development of magnetic reso imaging technologies, many of which have greater financial and marketing resources than us;
- the size and growth potential of the markets for our products and services, and the ability of our products and ser to serve those markets, either alone or in partnership with others;
- the pricing of our products and services and reimbursement for medical procedures conducted using our products services;
- changes in applicable laws or regulations;
- our estimates regarding expenses, revenue, capital requirements and needs for additional financing;
- our ability to raise financing in the future;
- our financial performance;
- our success in retaining or recruiting, or changes in, our officers, key employees or directors;
- intense competition and competitive pressures from other companies in the industry in which we operate;
- anticipated benefits of the Business Combination; Combination (as defined below);
- market conditions and global and economic factors, such as inflation [or or the conflict conflicts in Ukraine]; Ukrain Israel;

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- our intellectual property rights; and
- the effect of legal, tax and regulatory changes.

These and other risks and uncertainties are described in greater detail under the caption “Risk Factors” in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, in Item 1A of Part II of this Quarterly Report on Form 10-Q, and in other filings that we make with the Securities and Exchange Commission (the “SEC”). The risks described under the heading “Risk Factors” are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements, which speak only as of the date hereof. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

HYPERFINE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in thousands, except share and per share amounts)

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 93,948	$ 117,472	$ 85,424	$ 117,472
Restricted cash	969	771	548	771
Accounts receivable, less allowance of $175 and $180 as of June 30, 2023 and December 31, 2022, respectively	3,948	2,103		
Accounts receivable, less allowance of $241 and $180 as of September 30, 2023 and December 31, 2022, respectively			2,437	2,103
Unbilled receivables	663	454	682	454
Inventory	5,983	4,622	6,940	4,622
Prepaid expenses and other current assets	2,312	3,194	2,184	3,194
Due from related parties	—	48	—	48
Total current assets	107,823	128,664	98,215	128,664

Property and equipment, net	3,058	3,248	3,158	3,248
Other long term assets	1,725	2,139	1,691	2,139
Total assets	**$ 112,606**	**$ 134,051**	**$ 103,064**	**$ 134,051**
LIABILITIES AND STOCKHOLDERS’ EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$ 1,372	$ 678	$ 908	$ 678
Deferred grant funding	969	771	548	771
Deferred revenue	1,490	1,378	1,454	1,378
Due to related parties	45	—	48	—
Accrued expenses and other current liabilities	4,159	5,976	5,253	5,976
Total current liabilities	8,035	8,803	8,211	8,803
Long term deferred revenue	1,280	1,526	1,086	1,526
Total liabilities	**9,315**	**10,329**	**9,297**	**10,329**
COMMITMENTS AND CONTINGENCIES (NOTE 12)				
STOCKHOLDERS' EQUITY				
Class A Common stock, $.0001 par value; 600,000,000 shares authorized; 56,284,538 and 55,622,488 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	5	5		
Class B Common stock, $.0001 par value; 27,000,000 shares authorized; 15,055,288 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	2	2		
Class A Common stock, $.0001 par value; 600,000,000 shares authorized; 56,537,946 and 55,622,488 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively			5	5
Class B Common stock, $.0001 par value; 27,000,000 shares authorized; 15,055,288 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively			2	2

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Additional paid-in capital	335,565	333,199	336,798	333,199
Accumulated deficit	(232,281)	(209,484)	(243,038)	(209,484)
Total stockholders' equity	**103,291**	**123,722**	**93,767**	**123,722**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 112,606**	**$ 134,051**	**$ 103,064**	**$ 134,051**

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

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HYPERFINE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Sales								
Device	$ 2,810	$ 1,168	$ 4,942	$ 2,360	$ 1,728	$ 1,945	$ 6,670	$ 4,305
Service	571	365	1,074	682	602	403	1,676	1,085
Total sales	3,381	1,533	6,016	3,042	2,330	2,348	8,346	5,390
Cost of sales								
Device	1,549	1,259	2,620	2,296	835	1,215	3,321	3,511
Service	388	439	797	827	371	445	1,302	1,272
Total cost of sales	1,937	1,698	3,417	3,123	1,206	1,660	4,623	4,783
Gross margin	**1,444**	**(165)**	**2,599**	**(81)**	**1,124**	**688**	**3,723**	**607**

Operating Expenses:								
Research and development	5,331	7,265	10,792	15,599	5,739	7,338	16,531	22,937
General and administrative	5,306	12,012	11,488	23,372	4,615	3,198	16,103	26,570
Sales and marketing	2,499	3,750	5,046	7,911	2,529	3,434	7,575	11,345
Total operating expenses	**13,136**	**23,027**	**27,326**	**46,882**	**12,883**	**13,970**	**40,209**	**60,852**
Loss from operations	**(11,692)**	**(23,192)**	**(24,727)**	**(46,963)**	**(11,759)**	**(13,282)**	**(36,486)**	**(60,245)**
Interest income	1,030	32	1,899	33	1,021	170	2,920	203
Other income (expense), net	25	1	31	(4)	(19)	(59)	12	(63)
Loss before provision for income taxes	**(10,637)**	**(23,159)**	**(22,797)**	**(46,934)**	**(10,757)**	**(13,171)**	**(33,554)**	**(60,105)**
Provision for income taxes	—	—	—	—	—	—	—	—
Net loss and comprehensive loss	**$ (10,637)**	**$ (23,159)**	**$ (22,797)**	**$ (46,934)**	**$ (10,757)**	**$ (13,171)**	**$ (33,554)**	**$ (60,105)**
Net loss per common share attributable to common stockholders, basic and diluted	$ (0.15)	$ (0.33)	$ (0.32)	$ (0.67)	$ (0.15)	$ (0.19)	$ (0.47)	$ (0.85)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	71,201,170	70,350,178	71,033,629	70,341,411	71,464,315	70,509,639	71,178,769	70,398,103

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

HYPERFINE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (Unaudited)

(in thousands, except share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				Shares	Amount	Shares	Amount			
Balance, December 31, 2022	**55,622,488**	**$ 5**	**15,055,288**	**$ 2**	**$ 333,199**	**$ (209,484)**	**$ 123,722**	**55,622,488**	**$ 5**	**15,055,288**	**$ 2**	**$ 333,199**	**$ (209,484)**	**$ 123,722**
Net loss	—	—	—	—	—	(12,160)	(12,160)	—	—	—	—	—	(12,160)	(12,160)
Issuance of restricted stock	324,296	—	—	—	—	—	—	324,296	—	—	—	—	—	—
Exercise of stock options	54,211	—	—	—	49	—	49	54,211	—	—	—	49	—	49
Stock-based compensation expense	—	—	—	—	1,126	—	1,126	—	—	—	—	1,126	—	1,126

Balance, March 31, 2023	**56,000,995**	**5**	**15,055,288**	**2**	**334,374**	**(221,644)**	**112,737**	**56,000,995**	**5**	**15,055,288**	**2**	**334,374**	**(221,644)**	**112,737**
Net loss	—	—	—	—	—	(10,637)	(10,637)	—	—	—	—	—	(10,637)	(10,637)
Issuance of restricted stock	219,887	—	—	—	—	—	—	219,887	—	—	—	—	—	—
Exercise of stock options	63,656	—	—	—	58	—	58	63,656	—	—	—	58	—	58
Stock-based compensation expense	—	—	—	—	1,133	—	1,133	—	—	—	—	1,133	—	1,133
Balance, June 30, 2023	**56,284,538**	**$ 5**	**15,055,288**	**$ 2**	**$ 335,565**	**$ (232,281)**	**$ 103,291**	**56,284,538**	**$ 5**	**15,055,288**	**$ 2**	**$ 335,565**	**$ (232,281)**	**$ 103,291**
Net loss								—	—	—	—	—	(10,757)	(10,757)

	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Issuance of restricted stock	210,488	—	—	—	—	—	—
Exercise of stock options	42,920	—	—	—	39	—	39
Stock-based compensation expense	—	—	—	—	1,194	—	1,194
Balance, September 30, 2023	**56,537,946**	**$ 5**	**15,055,288**	**$ 2**	**$ 336,798**	**$ (243,038)**	**$ 93,767**

Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Shares	**Amount**	**Shares**	**Amount**				**Shares**	**Amount**	**Shares**	**Amount**			

Balance, December 31, 2021	**55,277,061**	**$ 5**	**15,055,288**	**$ 2**	**$ 322,540**	**$ (136,320)**	**$ 186,227**	**55,277,061**	**$ 5**	**15,055,288**	**$ 2**	**$ 322,540**	**$ (136,320)**	**$ 186,227**
Net loss	—	—	—	—	—	(23,775)	(23,775)	—	—	—	—	—	(23,775)	(23,775)
Stock-based compensation expense	—	—	—	—	4,111	—	4,111	—	—	—	—	4,111	—	4,111
Balance, March 31, 2022	**55,277,061**	**5**	**15,055,288**	**2**	**326,651**	**(160,095)**	**166,563**	**55,277,061**	**5**	**15,055,288**	**2**	**326,651**	**(160,095)**	**166,563**
Net loss	—	—	—	—	—	(23,159)	(23,159)	—	—	—	—	—	(23,159)	(23,159)
Issuance of restricted stock	19,220	—	—	—	—	—	—	19,220	—	—	—	—	—	—
Exercise of stock options	16,375	—	—	—	2	—	2	16,375	—	—	—	2	—	2

Stock-based compensation expense	—	—	—	—	7,102	—	7,102	—	—	—	—	7,102	—	7,102
Balance, June 30, 2022	**55,312,656**	**$ 5**	**15,055,288**	**$ 2**	**$ 333,755**	**$ (183,254)**	**$ 150,508**	**55,312,656**	**$ 5**	**15,055,288**	**$ 2**	**$ 333,755**	**$ (183,254)**	**$ 150,508**
Net loss								—	—	—	—	—	(13,171)	(13,171)
Issuance of restricted stock								202,876	—	—	—	—	—	—
Stock-based compensation expense								—	—	—	—	(2,354)	—	(2,354)
Balance, September 30, 2022								**55,515,532**	**$ 5**	**15,055,288**	**$ 2**	**$ 331,401**	**$ (196,425)**	**$ 134,983**

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

HYPERFINE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Cash flows from operating activities:				
Net loss	$ (22,797)	$ (46,934)	$ (33,554)	$ (60,105)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation	513	516	791	754
Stock-based compensation expense	2,259	11,213	3,453	8,859
Loss on disposal of property and equipment	100	—		
Loss on disposal of property and equipment, net			48	—
Payments received on net investment in lease	4	4	25	6
Changes in assets and liabilities:				
Accounts receivable	(1,845)	(1,434)		
Accounts receivable, net			(334)	(2,149)
Unbilled receivables	(209)	(1,027)	(228)	(1,384)
Inventory	(1,537)	(336)	(2,494)	308
Prepaid expenses and other current assets	946	(1,213)	1,010	(439)
Due from related parties	48	12	48	14
Prepaid inventory	281	—	281	—
Other long term assets	129	52	142	62
Accounts payable	666	(551)	229	(1,522)
Deferred grant funding	198	(1,058)	(196)	(1,403)
Deferred revenue	(134)	469	(364)	1,098
Due to related parties	45	(1,900)	48	(1,920)
Accrued expenses and other current liabilities	(1,817)	(2,013)	(776)	827
Net cash used in operating activities	**(23,150)**	**(44,200)**	**(31,871)**	**(56,994)**
Cash flows from investing activities:				
Purchases of property and equipment	(283)	(254)	(546)	(427)

Net cash used in investing activities	**(283)**	**(254)**	**(546)**	**(427)**
Cash flows from financing activities:				
Proceeds from exercise of stock options	107	2	146	2
Net cash provided by financing activities	**107**	**2**	**146**	**2**
Net decrease in cash and cash equivalents and restricted cash	**(23,326)**	**(44,452)**	**(32,271)**	**(57,419)**
Cash, cash equivalents and restricted cash, beginning of period	118,243	191,160	118,243	191,160
Cash, cash equivalents and restricted cash, end of period	**94,917**	**146,708**	**85,972**	**133,741**
Reconciliation of cash, cash equivalents, and restricted cash reported in the balance sheets				
Cash and cash equivalents	93,948	145,104	85,424	132,482
Restricted cash	969	1,604	548	1,259
Total cash, cash equivalents and restricted cash	**$ 94,917**	**$ 146,708**	**$ 85,972**	**$ 133,741**
Supplemental disclosure of noncash information:				
Noncash acquisition of fixed assets	$ 28	$ —	$ 54	$ —
Write-off of notes receivable	$ —	$ 90	$ —	$ 90

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

HYPERFINE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(all amounts are in thousands, except share and per share amounts)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Hyperfine, Inc. (together with its subsidiaries, as applicable, "Hyperfine" or the "Company"), formerly known as HealthCor Catalio Acquisition Corp. ("HealthCor"), was incorporated as a Cayman Islands exempted company on November 18, 2020. The Company's legal name became Hyperfine, Inc. in connection with the closing (the "Closing") of the business combination with HealthCor (the "Business Combination") on December 22, 2021 (the "Closing Date"). In connection with the Closing, Hyperfine, Inc., a Delaware corporation ("Legacy Hyperfine"), and Liminal Sciences, Inc., a Delaware corporation ("Liminal"), merged with and into separate wholly owned subsidiaries of HealthCor and became wholly-owned subsidiaries of the Company (the "Mergers"), and changed their names to Hyperfine Operations, Inc. and Liminal Operations, Inc., respectively. Liminal subsequently changed its name to Liminal Sciences, Inc.

The Company is an innovative health technology business with a mission to revolutionize patient care globally through transformational, accessible, clinically relevant diagnostic imaging, including ultra-low-field (“ULF”) magnetic resonance (“MR”) diagnostic brain imaging and data solutions. The Company's Swoop® Portable MR Imaging® System (“Swoop® system”) produces high-quality images at a lower magnetic field strength than conventional magnetic resonance imaging (“MRI”) scanners. The Swoop® system is a portable, ULF magnetic resonance imaging device for producing images that display the internal structures of the head where full diagnostic examination is not clinically practical. When interpreted by a trained physician, these images provide information that can be useful in determining a diagnosis. Healthcare professionals can use the Swoop® system to make effective clinical diagnoses and decisions on a patient in various care settings where MRI devices have previously been inaccessible. The easy-to-use interface and portable design of the Company's Swoop® system make it accessible anywhere in a hospital, clinic, or patient care site. site and it does not require any special facilities accommodations to operate safely for patients or the clinical team. Unlike X-ray computed tomography (“CT”) or positron emission tomography (“PET”), ULF MR does not expose patients to harmful ionizing radiation. The Company is working to realize its vision of providing affordable and accessible imaging of health conditions to clinicians worldwide. The Company Company's Swoop® system received initial 510(k) clearance for brain imaging from the U.S. Food and Drug Administration (“FDA”) in 2020. In February and October 2023, the Company received additional 510(k) clearance clearances from the FDA of the latest update of updates to its Swoop® system AI-powered software. This updated The combination of these two software updates significantly improves improved diffusion-weighted imaging (DWI) (“DWI”), incorporated deep-learning based denoising in the post-processing of DWI images for crisper images, and improved image quality. quality for all Swoop® system sequences. The Swoop® system has been authorized received marketing authorization for brain imaging in several countries, including the European Union (CE marking), the United Kingdom (UK Conformity Assessment (“UKCA”)), Canada, Australia and New Zealand. All of the Company’s revenue to date has been generated from sales of the Swoop® system and related services. In December 2022, the Company suspended its Liminal program to develop a device to non-invasively measure key vital signs in the brain. In addition to Legacy Hyperfine and Liminal, the Company has an indirect wholly-owned subsidiary in the United Kingdom that did not have any significant operations during 2022 nor the six nine months ended June 30, 2023 September 30, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The unaudited accompanying condensed consolidated financial statements include the accounts of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the accounting disclosure rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. All intercompany transactions and balances have been eliminated.

These condensed consolidated financial statements should be read in conjunction with the financial statements and notes included in the Company’s audited consolidated financial statements as of and for the years ended December 31, 2022 and 2021. The condensed consolidated balance sheet as of December 31, 2022 included herein was derived from the audited consolidated financial statements as of that date.

The accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods. The results for

the three and six nine months ended June 30, 2023 September 30, 2023 are not necessarily indicative of the results to be expected for any subsequent quarter, the year ending December 31, 2023, or any other period.

Except as described elsewhere in this Note 2 under the heading “Recently Issued Accounting Pronouncements”, there have been no material changes to the Company’s significant accounting policies as described in the audited consolidated financial statements as of December 31, 2022 and 2021.

Risks and Uncertainties

The Company relies on single source manufacturers and suppliers for the supply of its products. Disruption from these manufacturers or suppliers has and would have a negative impact on the Company’s business, financial position and results of operations in its condensed consolidated financial statements.

Concentrations of Credit Risk

Our cash and cash equivalents are deposited with several major financial institutions. At times, deposits in these institutions exceed the amount of insurance provided on such deposits. The Company reduces this risk by maintaining such deposits with high quality financial institutions that management believes are creditworthy and the Company monitors this credit risk and makes adjustments to the concentrations as necessary. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant risk of loss on these balances.

With respect to accounts receivable, credit risk is mitigated by the Company’s ongoing credit evaluation of its customers’ financial condition. As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company had two and three customers respectively, that each accounted for more than 10 percent of trade receivables. With respect to revenues, one two customer customers each accounted for more than 10% of revenues for the three and six nine months ended June 30, 2023 September 30, 2023. One and two Two customers each accounted for more than 10% of revenue for the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

Segment Information

The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer ("CEO"). Legacy Hyperfine represents one operating segment. Also, as noted above, in December 2022, the Company suspended its program to develop a device to non-invasively measure key vital signs in the brain, which was the focus of Liminal. Substantially all of the Company's long-lived assets are located in the United States. Other than $2,897 65 and $3,931 3,764 of revenue recognized in non-U.S. countries for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, all of the revenues during these periods were earned in the United States. Since the Company is aggregated into a single reportable segment, all required financial segment information is provided in the condensed consolidated financial statements.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions about future events that affect the amounts reported in its condensed consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with certainty. On an ongoing basis, management evaluates these estimates and assumptions. Significant estimates and assumptions included:

- Revenue recognition, including determination of the timing and pattern of satisfaction of performance obligations, determination of the standalone selling price ("SSP") of performance obligations and estimation of variable consideration, if any;
- Allowance for credit losses;
- Net realizable value (the selling price as well as estimated costs of disposal and transportation) of inventory, and demand and future use of inventory;

- Valuation allowances with respect to deferred tax assets; and
- Assumptions underlying the fair value used in the calculation of stock-based compensation expense.

The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates, and any such differences may be material to the Company's condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

On September 29, 2022 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04 “Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations.” The amendments in this update require entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about their obligations outstanding at the end of the reporting period, including a rollforward roll-forward of those obligations. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The amendments in this update are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, except for the rollforward roll-forward requirement, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The guidance should be applied retrospectively to all periods in which a balance sheet is presented, except for the rollforward roll-forward requirement, which should be applied prospectively. The Company is assessing the effects that the Company's adoption of this accounting pronouncement may ASU 2022-04 will have no impact on its the Company's condensed consolidated financial statements.

On March 28, 2023, the FASB issued Accounting Standards Update No. 2023-01, Leases (Topic 842): Common Control Arrangements (“ASU 2023-01”). The amendments in ASU 2023-01 improve current U.S. GAAP by clarifying the accounting for leasehold improvements associated with common control leases, thereby reducing diversity differences in practice. Additionally, the amendments are designed to provide investors and other allocators of capital with financial information that better reflects the economics of those transactions. The new standard is effective for the Company for its fiscal year beginning January 1, 2024, with early adoption permitted. The Company is currently evaluating determined that the impact of adopting this guidance will have no impact on the standard. Company’s condensed consolidated financial statements.

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard also requires that financial assets measured at amortized cost be presented at the net amount anticipated to be collected via an allowance for credit losses that is deducted from the amortized cost basis. Pursuant to ASU 2016-13, the Company is required to measure all expected credit losses based upon historical experience, current conditions, and reasonable (and supportable) forecasts that affect the collectability of the financial asset. The Company adopted this update effective January 1, 2023 and the implementation of this update did not have a material impact on the Company’s condensed consolidated financial statements and disclosures.

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3. REVENUE RECOGNITION

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by product type. The Company believes that these categories aggregate the payor types by nature, amount, timing and uncertainty of its revenue streams. The following table summarizes the Company's disaggregated revenues:

		Three Months Ended June 30,		**Six Months Ended June 30,**			**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	Pattern of Recognition	**2023**	**2022**	**2023**	**2022**	**Pattern of Recognition**	**2023**	**2022**	**2023**	**2022**
Device	Point in time	$ 2,810	$ 1,168	$ 4,942	$ 2,360	Point in time	$ 1,728	$ 1,945	$ 6,670	$ 4,305
Service	Over time	571	365	1,074	682	Over time	602	403	1,676	1,085
Total revenue		**$ 3,381**	**$ 1,533**	**$ 6,016**	**$ 3,042**		**$ 2,330**	**$ 2,348**	**$ 8,346**	**$ 5,390**

Contract Balances

Contract balances represent amounts presented in the condensed consolidated balance sheets when either the Company has transferred goods or services to the customer, or the customer has paid consideration to the Company under the contract. These contract balances include trade accounts receivable and deferred revenue. Deferred revenue represents consideration received from customers at the beginning of the subscription period for services that are transferred to the customer over the respective subscription period. The accounts receivable balances represent amounts billed to customers for goods and services where the Company has an unconditional right to payment of the amount billed.

The following table provides information about receivables and deferred revenue from contracts with customers:

	June 30, 2023	**December 31, 2022**	**September 30, 2023**	**December 31, 2022**
Accounts receivable, net	$ 3,948	$ 2,103	$ 2,437	$ 2,103
Unbilled receivables - current	$ 663	$ 454	$ 682	$ 454
Unbilled receivables - non-current(1)	$ 697	$ 744	$ 683	$ 744
Deferred revenue	$ 1,490	$ 1,378	$ 1,454	$ 1,378
Long term deferred revenue	$ 1,280	$ 1,526	$ 1,086	$ 1,526

(1) Recorded in other long term assets in the Company's consolidated balance sheets.

The Company recognizes a receivable when it has an unconditional right to payment. Typical payment terms require the Company's customers to pay the Company within 30 days of invoice and up to less than one year based on the terms agreed upon with the respective customer.

Accounts Receivable, Unbilled Services, and Deferred Revenue

Accounts receivable are recorded at net realizable value. Unbilled receivables arise when performance obligations are satisfied for which revenue has been recognized but the customers have not been billed. Contractual provisions and payment schedules may or may not correspond to the timing of the performance of services under the contract.

Deferred revenue is a contract liability that consists of customer payments received in advance of performance and billings in excess of revenue recognized, net of revenue recognized from the balance at the beginning of the period.

The amount of revenue recognized during the three and six nine months ended June 30, 2023 September 30, 2023 that was included in the deferred revenue balance at the beginning of the period was $482 477 and $812 1,119, respectively.

The amount of revenue recognized during the three and six nine months ended June 30, 2022 September 30, 2022 that was included in the deferred revenue balance at the beginning of the period was $321 118 and $383 501, respectively.

Timing of Billing and Performance

Difference in the timing of revenue recognition and associated billings and cash collections result in recording of billed accounts receivable, unbilled accounts receivable (including contract assets), and deferred revenue on the consolidated balance sheet. Amounts are billed in accordance with the agreed-upon contractual terms, resulting in recording unbilled accounts receivable in instances where the right to bill is contingent solely on the passage of time, and contract assets in instances where the right to consideration is conditional on something other than the passage of time.

Revenue from Leasing Arrangements

Revenue from leasing arrangements is not subject to the revenue standard for contracts with customers and remains separately accounted for under ASC 842, including leases for the three and six nine months ended June 30, 2023 September 30, 2023 and the year ended December 31, 2022. The Company records operating lease rental revenue as service revenue on a straight-line basis over the lease term. The Company recorded service revenue from lease arrangements of $114 100 and

$229 329 for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The Company recorded service revenue from lease arrangements of $135 114 and $247 361 for the three and six nine months ended June 30, 2022 September 30, 2022, respectively. The Company records revenue from the sale of hardware devices under sales-type leases as device revenue in an amount equal to the present value of minimum lease payments at the inception of the lease. Sales-type leases also produce financing income, which is included in device revenue in the consolidated statements of operations and comprehensive loss and is recognized at effective rates of return over the lease term.

Costs of Obtaining or Fulfilling Contracts

The Company incurs incremental costs of obtaining contracts with customers. Incremental costs of obtaining contracts, which include commissions paid as a result of obtaining contracts with customers, are capitalized to the extent that the Company expects to recover such costs. Capitalized costs are amortized in a pattern that is consistent with the Company's transfer to the customer of the related goods and services. Such costs are recorded in Other long term assets and were $286 337 and $247 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. During the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized $25 205 and $125 331, respectively, in expense related to the amortization of the capitalized contract costs. During the three and six nine months ended June 30, 2022 September 30, 2022, the Company recognized $54 158 and $138 296, respectively, in expense related to the amortization of the capitalized contract costs.

Transaction price allocated to remaining performance obligations

As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company had remaining performance obligations amounting to $5,511 5,499 and $8,663, respectively. The Company expects to recognize approximately 23 11% of its remaining performance obligations as revenue in fiscal year 2023, and an additional 77 89% in fiscal year 2024 and thereafter.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Company utilizes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 — Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 — Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company has no assets or liabilities valued with Level 3 inputs.

The carrying value of cash and cash equivalents, accounts payable and accrued expenses and other current liabilities approximates their fair values due to the short-term or on demand nature of these instruments.

The Company had no assets or liabilities classified as Level 2 or Level 3 and there were no transfers between fair value measurement levels during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

The Company had $94,902 85,963 and $93,502 of money market funds, demand deposit and savings accounts included in cash and cash equivalents and restricted cash as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. These assets were valued using quoted prices in active markets and accordingly were classified as Level 1.

5. INVENTORIES

A summary of inventories is as follows:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Raw materials	$ 3,066	$ 2,241	$ 2,725	$ 2,241
Finished goods	2,917	2,381	4,215	2,381
Total inventories	**$ 5,983**	**$ 4,622**	**$ 6,940**	**$ 4,622**

Manufacturing overhead costs primarily include management's best estimate and allocation of the labor costs incurred related to acquiring finished goods from the Company's contract manufacturer. Labor costs include wages, taxes and benefits for employees involved in warehousing, logistics coordination, material sourcing, and production planning activities.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, are recorded at historical cost and consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Laboratory equipment	$ 986	$ 923	$ 986	$ 923
Research devices	1,689	1,709	1,751	1,709
Sales and marketing devices	413	524	490	524
Computer equipment	624	623	659	623
Construction in progress	380	359	546	359
Tooling	434	372	440	372
Trade show assets	254	254	254	254
Leased devices	453	453	453	453

(all amounts are in thousands, except share and per share amounts)

Other	517	353	527	353
	5,750	5,570	6,106	5,570
Less: Accumulated depreciation and amortization	(2,692)	(2,322)	(2,948)	(2,322)
Property and equipment, net	**$ 3,058**	**$ 3,248**	**$ 3,158**	**$ 3,248**

Depreciation expense amounted to $259 278 and $513 791 for the three and six nine months ended June 30, 2023 September 30, 2023, respectively.

Depreciation expense amounted to $263 and $516 for the three and six months ended June 30, 2022, respectively.

Depreciation expense amounted to $238 and $754 for the three and nine months ended September 30, 2022, respectively.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Bonus	$ 1,777	$ 2,674	$ 2,340	$ 2,674
Contracted services	982	1,127	964	1,127
Legal fees	269	261	284	261
Payroll and related benefits	948	1,876	1,290	1,876
Other	183	38	375	38
Total accrued expenses and other current liabilities	**$ 4,159**	**$ 5,976**	**$ 5,253**	**$ 5,976**

8. EQUITY INCENTIVE PLAN

The Company's 2021 Equity Incentive Plan (the “Hyperfine Plan”) is administered by the Company's board of directors and its compensation committee, which may grant restricted stock units (“RSUs”) and options to purchase shares either as incentive stock options or non-qualified stock options, and other stock-based awards. The option grants are subject to certain terms and conditions, option periods and conditions, exercise rights and privileges as set forth in the Hyperfine Plan.

Stock option activity

The following table summarizes the changes in the Company's outstanding stock options for the three and six nine months ended June 30, 2023 September 30, 2023:

	Number of Options
Outstanding at January 1, 2023	10,719,564
Granted (1) (2) (3) (4)	4,440,848 4,974,648
Exercised	(117,867 160,787)
Forfeited / Cancelled / Expired (5)	(798,260 879,190)
Outstanding at June 30, 2023 September 30, 2023	14,244,285 14,654,235

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(1) Includes inducement stock options to purchase 1,000,000 shares of common stock granted to the Company's Chief Administrative Officer and Chief Financial Officer outside of the Hyperfine Plan and in accordance with Nasdaq Listing Rule 5635(c)(4).

(2) Includes the one-time special grant of non-qualified stock options to purchase 237,437 shares of the Company's Class A common stock granted to the Company's Chairperson pursuant to the Hyperfine Plan effective as of June 9, 2023, at an exercise price equal to $1.97 per share, the closing price of the Company's Class A common stock on the Nasdaq Capital Market on June 9, 2023, which will vest as to 100% on the fifth anniversary of June 9, 2023, subject to the Chairperson continued service to the Company through the vesting date. The grant is was contingent upon the cancellation of the non-qualified stock option to purchase 237,437 shares of the Company's Class A common stock having an exercise price of $0.91 per share previously granted to the Company's Chairperson, which was cancelled on June 9, 2023. The cancellation and concurrent grant of replacement award is accounted for as a modification of the terms of cancelled award.

(3) Includes the annual equity grant to five nonemployee directors of non-qualified stock options to purchase 112,000 shares each of the Company's Class A common stock effective as of June 9, 2023, for a total of 560,000 shares. Also, includes a one-time special grant to three nonemployee directors of non-qualified stock options to purchase 85,000 shares for a total of 255,000 shares of the Company's Class A common stock as of June 9, 2023, at an exercise price equal to $1.97 per share, the closing price of the Company's Class A common stock on the date of grant, which will vest as to 50% on June 9, 2024

(all amounts are in thousands, except share and per share amounts)
(all amounts are in thousands, except share and per share amounts)

and the remaining 50% on June 9, 2025, subject to such director's continued service to the Company through the applicable vesting dates.

(4) Includes employee new hire grants of stock options to purchase 264,400 390,000 shares of the Company's Class A common. Includes common stock. Also includes annual employee grants of stock options to purchase 2,124,411 shares of the Company's Class A common stock, including the grants to executive grants officers of stock options to purchase 468,400 668,400 shares of the Company's Class A common stock and including the grants to promoted employees of stock options to purchase 208,200 shares of the Company's Class A common stock. The grants will vest 25% on the first anniversary date of the grant with the remainder vesting equally over the remaining 36 months,. subject to the employee's continued service to the Company through the applicable vesting dates.

(5) Includes the cancellation of the non-qualified stock option to purchase 237,437 shares of the Company's Class A common stock previously granted to the Company's Chairperson, which was cancelled on June 9, 2023.

In general, employee awards will vest based on continued service which is generally over 4 four years. Nonemployee director awards generally will vest in one year based on continued service on the date of the next regular annual stockholders meeting. The grant date fair value of the award will be recognized as stock-based compensation expense over the requisite service period. The grant date fair value was determined using similar methods and assumptions as those previously disclosed by the Company.

Restricted stock unit activity

The following table summarizes the changes in the Company's outstanding RSUs for the three and six nine months ended June 30, 2023 September 30, 2023:

	Number of RSUs
Outstanding at January 1, 2023	1,585,359
Granted	29,000
Vested	(544,191 754,679)
Forfeited	(159,020 173,165)

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(all amounts are in thousands, except share and per share amounts)

Outstanding at June 30, 2023 September 30, 2023	911,148 686,515

The following table presents details of stock-based compensation expenses by functional line item noted within the Company's operating expenses:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Cost of sales	$ 28	$ 35	$ 51	$ 51	$ 26	$ 34	$ 77	$ 85
Research and development	228	731	434	1,512	371	339	805	1,851
Sales and marketing	57	116	95	212	44	79	139	291
General and administrative	820	6,220	1,679	9,438	753	(2,806)	2,432	6,632
	$ 1,133	**$ 7,102**	**$ 2,259**	**$ 11,213**	**$ 1,194**	**$ (2,354)**	**$ 3,453**	**$ 8,859**

9. NET LOSS PER SHARE

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock of the Company outstanding during the period. Diluted net loss per share is computed by giving effect to all common equivalent shares of the Company, including convertible preferred stock, outstanding stock options, RSUs and Earn-Out Shares (defined below), to the extent dilutive. Basic and diluted net loss per share was the same for each period presented as the inclusion of all common equivalent shares of the Company outstanding would have been anti-dilutive.

The following table presents the calculation of basic and diluted net loss per share for the Company’s common stock:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Numerator:								
Net Loss	$ (10,637)	$ (23,159)	$ (22,797)	$ (46,934)	$ (10,757)	$ (13,171)	$ (33,554)	$ (60,105)
Numerator for Basic and Dilutive EPS – Loss available to common stockholders	**$ (10,637)**	**$ (23,159)**	**$ (22,797)**	**$ (46,934)**	**$ (10,757)**	**$ (13,171)**	**$ (33,554)**	**$ (60,105)**
Denominator:								
Common Stock	71,201,170	70,350,178	71,033,629	70,341,411	71,464,315	70,509,639	71,178,769	70,398,103
Denominator for Basic and Dilutive EPS - Weighted-average common stock	**71,201,170**	**70,350,178**	**71,033,629**	**70,341,411**	**71,464,315**	**70,509,639**	**71,178,769**	**70,398,103**
Basic and dilutive net loss per share	**$ (0.15)**	**$ (0.33)**	**$ (0.32)**	**$ (0.67)**	**$ (0.15)**	**$ (0.19)**	**$ (0.47)**	**$ (0.85)**

Since the Company was in a net loss position for all periods presented, net loss per share attributable to Class A and Class B common stockholders was the same on a basic and diluted basis, as the inclusion of all common equivalent shares outstanding would have been anti-dilutive. Anti-dilutive common equivalent shares were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Outstanding options to purchase common stock	14,244,285	11,782,166	14,244,285	11,782,166	14,654,235	8,544,480	14,654,235	8,544,480
Outstanding RSUs	911,148	2,386,647	911,148	2,386,647	686,515	2,037,517	686,515	2,037,517
Earn-Out Shares (1)	9,357,835	9,979,903	9,357,835	9,979,903	9,357,835	9,450,862	9,357,835	9,450,862

(all amounts are in thousands, except share and per share amounts)

Total anti-dilutive common equivalent shares	**24,513,268**	**24,148,716**	**24,513,268**	**24,148,716**	**24,698,585**	**20,032,859**	**24,698,585**	**20,032,859**

(1) The Company will issue to holders of Legacy Hyperfine and Liminal securities as of immediately prior to the effective time of the Mergers, in accordance with their pro rata share, up to 10,000,000 shares of Class A common stock as earn-out consideration (the “Earn-Out Shares”) net of forfeitures, if at any time during the period between the Closing Date of December 22, 2021 and the third anniversary of the Closing Date (the “Earn-Out Period”), (i) the last share price of the Class A common stock is greater than or equal to $15.00 for any 20 trading days within any 30 consecutive trading day period, or (ii) there is a transaction that will result in shares of Class A common stock being converted or exchanged into the right to receive cash or other consideration having a value greater than or equal to $15.00. During the Earn-Out Period, if there is a transaction (other than for stock splits, stock dividends, special cash dividends, reorganizations, recapitalizations or similar transactions affecting the Class A common stock) that will result in the shares of Class A common stock being converted or exchanged into the right to receive cash or other consideration having a value less than $15.00, then the right to receive Earn-Out Shares will terminate.

10. INCOME TAXES

The Company accounts for income taxes under ASC 740, “Income Taxes” (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

Income taxes for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 are recorded at the Company’s estimated annual effective income tax rate, subject to adjustments for discrete events, if they occur. The Company’s estimated annual effective tax rate was 0.0% for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022. The primary reconciling items between the federal statutory rate of 21.0% for these periods and the Company’s overall effective tax rate of 0.0% were related to the effects of deferred state income taxes, research and development credits, stock-based compensation, and the valuation allowance recorded against the full amount of its net deferred tax assets.

A valuation allowance is required when it is more likely than not that some portion or all of the Company’s deferred tax assets will not be realized. The realization of deferred tax assets depends on the generation of sufficient future taxable income during the period in which the Company's related temporary differences become deductible. The Company has recorded a full valuation allowance against its net deferred tax assets as of June 30, 2023 September 30, 2023 and 2022 since management believes that based on the earnings history of the Company, it is more likely than not that the benefits of these assets will not be realized.

11. RELATED PARTY TRANSACTIONS

The Company utilizes and subleases office and lab space in Connecticut which is being leased from an unrelated landlord by 4Catalyzer Corporation ("4C"), which is owned by a related party. The Company pays rent to 4C on a month-to-month basis. A total of approximately $105 122 and $133 255 was paid during the three and six nine months ended June 30, 2023 September 30, 2023, respectively, and a total of approximately $67 111 and $97 208 was paid during the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

In January 2018, the Company entered into a Promissory Note (the "Note") with one of its employees (the "Borrower") in the amount of $90. The Note bore interest at a rate equal to 1.68% per annum. In accordance with the terms of the Note, since the Borrower remained employed with the Company on the maturity date of January 11, 2022. The then , $90 of the outstanding then-outstanding principal amount and all interest accrued to that date was forgiven and the Borrower is no longer required to repay the amount.

Legacy Hyperfine and Liminal each entered into a Master Services Agreement with 4C effective as of July 7, 2021 pursuant to which Legacy Hyperfine and Liminal may engage 4C to provide services such as general administration, facilities, information technology, financing, legal, human resources and other services, through future statements of work and under terms and conditions to be determined by the parties with respect to any services to be provided.

The Company incurred and recorded expenses from 4C of $25 26 and $45 71 during the three and six nine months ended June 30, 2023 September 30, 2023, respectively. The Company recorded expenses from 4C of $11 during the three months ended September 30, 2022 and the Company recorded a net credit to expenses from 4C of $198 33 and $44 during for the three and six nine months ended June 30, 2022, respectively. September 30, 2022. As of June 30, 2023 September 30, 2023, there was $45 48 due to 4C and as of December 31, 2022 there was $48 due from 4C for expenses paid on its behalf. These receivables and payables are included in due to related parties and due from related parties, respectively, on the condensed consolidated balance sheet.

Legacy Hyperfine and Liminal entered into Technology and Services Exchange Agreements (each, a "TSEA" and collectively, the "TSEA") with other participant companies controlled by the Rothbergs. A TSEA by and among Butterfly Network, Inc., AI Therapeutics, Inc., Quantum-Si Incorporated, 4Bionics, Tesseract Health, Inc., Detect, Inc. (f/k/a Homodeus Inc.), Legacy Hyperfine and Liminal was signed in November 2020; a TSEA by and among Quantum-Si Incorporated, AI Therapeutics, Inc., 4Bionics, Tesseract Health, Inc., Detect, Inc., Legacy Hyperfine and Liminal was signed in February 2021 (and which Protein Evolution, Inc. joined in August 2021); and a TSEA by and among Legacy Hyperfine, Liminal, AI Therapeutics, Inc., Tesseract Health, Inc. and Detect, Inc. was signed in July 2021 and became effective upon the Closing. Under the TSEA, Legacy

Hyperfine, Liminal and other participant companies may, in their discretion, permit the use of non-core technologies, which include any technologies, information or equipment owned or otherwise controlled by the participant company that are not specifically related to the core business area of the participant, such as software, hardware, electronics, fabrication and supplier information, vendor lists and contractor lists, by other participant companies. There were no remaining amounts receivable or payable under the TSEA at June 30, 2023 September 30, 2023 or December 31, 2022.

12. COMMITMENTS AND CONTINGENCIES

Commitments

The Company sponsors a 401(k) defined contribution plan covering all eligible U.S. employees. Contributions to the 401(k) plan are discretionary. The Company did notnot make any matching contributions to the 401(k) plan for the three and six nine months ended June 30, 2023 September 30, 2023 or 2022.

During 2020, the Company was awarded a $1,610 grant from the Bill & Melinda Gates Foundation ("BMGF" (the "BMGF") for the provision and equipping of 20 sites with the Company's portable point-of-care MRI MR brain imaging system to enable the performance of a multi-site study focused on optimizing diagnostic image quality (the "Project") through February 2023. The corresponding funding for the Project from the BMGF is recorded as a reduction in research and development expenses when realized during the period. During 2021, the Company was awarded an additional $3,300 grant from the BMGF, of which $2,500 was received for the provision and equipping of five sites and other related deliverables. On March 29, 2023, the term of the BMGF grant agreement was extended to February 28, 2024. On May 16, 2023, the Company was awarded an additional $3,354 grant from the BMGF to continue to develop a scalable approach to measuring neurodevelopment via low-field magnetic resonance imaging (MRI) in neonates, infants, and young children in low-to-middle income countries through February 28, 2026, of which $499 was received as of June 30, 2023 September 30, 2023. The funds are accounted for as restricted cash with an offset to deferred grant revenue. During the three and six nine months ended June 30, 2023 September 30, 2023, $243 431 and $301 732, respectively, was released from restricted cash. At June 30, 2023 September 30, 2023 and December 31, 2022, the Company has $969 548 and $771, respectively, of restricted cash on the condensed consolidated balance sheets. Any grant funds, plus any income, that have not been used for, or committed to, the Project must be returned promptly to the BMGF upon expiration of or termination of the agreement. As of June 30, 2023 September 30, 2023 and December 31, 2022, there were no grant fund amounts that were required to be returned under the terms of the Project.

Purchase Commitments

The Company's purchase commitments and obligations include all open purchase orders and contractual obligations in the ordinary course of business, including commitments with contract manufacturers and suppliers, for which the Company has not received the goods or services. A majority of these purchase obligations are due within a year. Although open purchase orders are considered enforceable and legally binding, the terms generally allow the Company the option to cancel, reschedule, and adjust its requirements based on the Company's business needs prior to the delivery of goods or performance of services.

Operating Leases

On March 31, 2023, the Company entered into a lease agreement for approximately 2,225 square feet of office facilities in Palo Alto, California, effective May 1, 2023. The lease term is 12 months beginning May 1, 2023, and includes an option to renew for an additional term at the then prevailing rental rate. The exercise of the lease renewal option is at the Company's sole discretion. Future minimum commitments due under the lease agreement as of June 30, 2023 September 30, 2023, are $97 48 for the remainder of 2023 and $65 thereafter.

Contingencies

The Company does is, from time to time, a party to litigation that arises in the normal course of its business operations. The Company is not have presently a party to any outstanding litigation for which it believes a loss is probable requiring an amount to be accrued or ongoing litigation and legal matters where, based on present information, including its assessment of the merits of the particular claims, the Company believes it is reasonably a possible that any asserted or unasserted legal claims or proceedings, individually or in aggregate, will have a material adverse effect on its results of operations or financial condition. The ultimate outcome of any legal matter cannot be predicted with certainty. loss contingency requiring disclosure.

The Company has indemnification obligations under some agreements that the Company enters into with other parties in the ordinary course of business, including business partners, investors, contractors, and the Company's officers, directors and certain employees. The Company has agreed to indemnify and defend the indemnified party against claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party claims because of the Company's activities or non-compliance with certain representations and warranties made by the Company. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company's limited history of prior indemnification claims and the unique facts and circumstances involved in any particular case. The Company has not recorded any liability under such indemnification provisions within its condensed consolidated balance sheets. The Company is not aware of any claims or other circumstances that would give rise to material payments from the Company under such indemnification provisions.

The Company agreed to pay $1,000 to a third party service provider if the Companies' pre-closing equity holders receive any Earn-Out Shares. As the Company has not met the criteria to trigger the earn-out, such payment is not determined to be probable and no liability was recognized within our condensed consolidated balance sheets. See Note 9. Net Loss Per Share, for further information regarding the earn-out criteria.

13. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued and has determined that there were no subsequent events required to be disclosed.

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our condensed condensed consolidated results of operations and financial condition. The discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto contained in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto for the year ended December 31, 2022 contained in our Annual Report on Form 10-K filed with the SEC Securities and Exchange Commission (the "SEC") on March 22, 2023. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" sections of our Annual Report on Form 10-K for the year ended December 31, 2022, and of this Quarterly Report on Form 10-Q. Actual results may differ materially from those contained in any forward-looking statements. Unless the context otherwise requires, references to "we", "us", "our", and "the Company" are intended to mean the business and operations of Hyperfine, Inc. and its consolidated subsidiaries. The unaudited condensed consolidated financial statements for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, present the financial position and results of operations of Hyperfine, Inc. and its wholly owned subsidiaries.

Overview

We are an innovative health technology business with a mission to revolutionize patient care globally through transformational, accessible, clinically relevant ultra-low-field ("ULF") magnetic resonance ("MR") diagnostic brain imaging and data solutions. Our Swoop® Portable Magnetic Resonance ("MR") MR Imaging® System ("Swoop® system") produces high-quality images at a lower magnetic field strength than conventional magnetic resonance imaging ("MRI") scanners. The Swoop® system is a bedside portable, ULF magnetic resonance imaging device for producing images that display the internal structures of the head where full diagnostic examination is not clinically practical. When interpreted by a trained physician, these images provide information that can be useful in determining a diagnosis. Healthcare professionals can use the Swoop® system to make effective clinical diagnoses and decisions in various care settings where MRI devices have previously

been inaccessible. The easy-to-use interface and portable design of our Swoop® system make it accessible anywhere in a hospital, clinic, or patient care site. We are working site and it does not require any special facilities accommodations to realize our vision of providing affordable and accessible imaging of health conditions to clinicians worldwide.
MRI is a medical imaging technique used in radiology to image operate safely for patients or the human body's anatomy and physiological processes. MRI is typically used in various clinical settings for medical diagnosis, the staging of disease, and follow-up treatment. team. Unlike X-ray computed tomography ("CT") or positron emission tomography ("PET"), MRI ULF MR does not expose patients to harmful ionizing radiation. We believe MRI offers unrivaled clarity in assessing brain structure and pathology.

The demand for MRI MR imaging has been increasing due to the aging population and the rising prevalence of neurological,neurodegenerative, and cardiovascular and neurodegenerative conditions. Healthcare professionals and insurers recognize imaging as an effective, non-invasive diagnostic tool for evaluation and ongoing monitoring. The Swoop® system is the next generation MRI brain imaging device designed to increase access to MRI in a cost-effective manner and expand the current $32 billion $35 billion imaging market.

Despite its advantages, many healthcare institutions worldwide lack the facilities, qualified operators, and capital necessary to acquire and maintain expensive conventional MRI devices. The Swoop® system, the world's first MR U.S. Food and Drug Administration ("FDA")-cleared, portable, ULF, magnetic resonance brain imaging system capable of providing neuroimaging imaging at the point multiple sites of care, can inform the timely diagnosis and treatment of acute conditions within a broad range of clinical settings. inside and outside the hospital. We designed the Swoop® system to address the limitations of current imaging technologies and make MR imaging accessible nearly anytime and anywhere in a hospital professional healthcare setting. We believe the adoption of the Swoop® system by healthcare professionals has clinical and economic benefits across healthcare communities in both high and low resource settings. Following the COVID-19 pandemic, we have observed an accelerated pace in the migration of care from the traditional hospital setting to less resource-intensive care facilities such as ambulatory surgery centers ("ASC"), community clinics, and other community based locations where technologies like the Swoop® system can offer high clinical and cost-effective value to clinicians, their patients, and payors.

The Swoop® system is AI-powered and integrates deep learning, a form of artificial intelligence, as a component AI, for the reconstruction and denoising of its image processing for T1, T2, and fluid-attenuated inversion recovery ("FLAIR") sequences. Our future product roadmap The Swoop® system also includes development of an artificial intelligence ("AI") algorithm for our incorporates deep learning denoising in the diffusion-weighted imaging ("DWI") sequence. sequences for image post-processing. The integration of deep learning does not require any additional steps from the user. As a result, deep learning enhances the image quality and, consequently, the diagnostic value of images generated at ultra-low field. ULF. The algorithms are designed to improve the image quality of our scan output, while reducing the impact of scan artifacts. The images created with these algorithms were validated by expert radiologists and our latest software update has received FDA clearance. radiologists. As we move forward, we are continuously investing in improving our AI-driven AI-powered image quality, leveraging each imaging-focused software release to further improve the Swoop® System performance.

Legacy Hyperfine received initial 510(k) clearance for brain imaging from the U.S. Food FDA in 2020 and Drug Administration ("FDA") in 2020. In February 2023, we eight subsequent clearances from FDA after the initial clearance. We have received 510(k) our most recent clearance from the FDA of in October 2023 for the latest update of our Swoop® system software. This updated software significantly improves expanded the Swoop® system's AI denoising capabilities by incorporating deep learning denoising in the DWI image quality. sequence. The Swoop® system has since been authorized also received marketing authorization for brain imaging in several countries, including the European Union (CE marking), the United Kingdom (UKCA), Canada, Australia and New Zealand.

In December 2022, we suspended the development of our Liminal brain sensing platform which was the focus of Liminal and was in the early stages of development to non-invasively measure key vital signs in the brain. Also, in December 2022, we announced an organizational restructuring designed to decrease our costs and create a more streamlined organization to support our business. As a result, we terminated approximately 13% of our global workforce including, among others, the employees of our subsidiary, Liminal. Liminal subsidiary. In connection with the restructuring, we incurred $1.0 million of costs consisting primarily of cash severance costs, other severance benefits, fixed asset impairment costs and other related restructuring costs. We substantially completed the restructuring in as of the first quarter of 2023. We may also incur additional costs not currently contemplated due to events that may occur as a result of, or that are associated with, the restructuring.

Key Performance Metrics

We review the key performance measures discussed below to evaluate the business and measure performance, identify trends, formulate plans and make strategic decisions.

Installed Base

The Swoop® system total installed base consists of three components, discussed in further detail below: Commercial system installations units (which make up total revenue), grant fulfillment installations, units, and research unit installations. units. The Swoop® system total installed base (or total installed units) is the number of Swoop® system devices sold to or deployed to hospitals, other healthcare providers, and research institutions. We view the total installed base as a key metric of the growth of our business and is measured from period over period. As of June 30, 2023 September 30, 2023, we had a total of 131 133 Swoop® systems installed, deployed, including 25 21 research units which are installed, deployed, at no cost to the institutions, to validate and expand clinical use cases.

Presented below is a breakout of the total Swoop® systems installed units as of June 30, 2023 September 30, 2023 and 2022:

	TOTAL INSTALLED UNITS		TOTAL INSTALLED UNITS	
	As of June 30, 2023	As of June 30, 2022	As of September 30, 2023	As of September 30, 2022

Commercial systems installations	86	47		
Grant fulfillment installations	20	20		
Commercial system units			91	57
Grant fulfillment units			21	20
	106	67	112	77
Research units	25	25	21	23
Total Installed Units	131	92	133	100

Commercial system installations units reflect device sales and subscription services sales through commercial agreements (commercial sales) or through research transfer agreements ("RTA") sales. Commercial sales of Swoop® system units are made to hospitals and other healthcare providers as direct sales of devices for commercial use purposes and software subscription and support services or through subscriptions for the use of the device and software. RTA sales represent the sale of Swoop® system units for research use purposes. Our device revenue for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 is derived from commercial sales and RTA sales.

Grant fulfillment installations units consist of shipments of Swoop® system units to hospitals and other clinical facilities designated by the Bill & Melinda Gates Foundation (“BMGF” (the “BMGF”). The corresponding funding for these installations from the BMGF is recorded as a reduction in the research and development expenses when realized during the period.

Research units represent installed units, at no cost to the institutions, to expand clinical use cases. cases, and throughout the research study we have access to research results and data. The installation of research units is are recorded as a fixed asset with the related depreciation recorded as research and development expense over the life of the research unit. During the nine months ended September 30, 2023, four research units were decommissioned and returned to the Company due to the completion of the underlying research.

Factors Affecting Results of Operations

The following factors have been important to our business and we expect them to impact our results of operations and financial condition in future periods:

Technical innovation

We have developed our Swoop® system through extensive research and development activities. Moreover, our team is dedicated to clinical support programs designed to integrate the Swoop® system into an array of diverse healthcare environments. environments and applications. We believe that, from our commercial and clinical experience, we are gaining invaluable insights into the Swoop Swoop® system's utility. We believe these learnings will enable us to further improve our product and develop new services and tools in the future. Specifically, we are keen on leveraging our strengths in AI and cloud technology to transform the system into a bedside clinical decision support platform. These ongoing efforts are designed to provide automated, streamlined insights to clinicians, ultimately reducing the time to diagnosis. Additionally, we We are continuously improving our image quality and imaging capabilities. Building upon this foundation and our expertise in ultra-low field MRI, ULF brain imaging, we plan to develop new imaging applications, broadening the range of clinical uses for our technology. Additionally, we are leveraging our strengths in AI and cloud technology to explore the Swoop® system's role as a brain imaging clinical decision support platform. While these technical innovations may increase our research and development expenses, we expect them to have a positive impact on our results of operations and profitability in the future.

Commercialization efforts on of the Swoop® system

While our results have included revenue from outside the United States, our primary commercial focus is on the United States. Legacy Hyperfine received initial 510(k) clearance from the FDA in 2020. We are focused on building relationships and executing contracts with U.S. hospital systems. We are building a direct sales and field support organization in the United States and have recently made changes within our sales and clinical support teams who are working in strong collaboration to increase adoption, support successful implementations and drive support routine use at customer sites.

Expand sales in international markets

The countries in which we have begun commercializing our Swoop® system include Canada, Australia, New Zealand and Pakistan. We obtained a Medical Device License issued by Health Canada, UKCA certification in the United Kingdom, CE marking in the EU and regulatory authorization in Australia and New Zealand.

While we will maintain our commercial focus in the United States in 2023 and 2024, our commitment to the vision of providing affordable and accessible imaging that enables earlier detection and timely management of health conditions worldwide is currently made possible by grant funding from the BMGF. Through our engagement with the BMGF, we have deployed and continue to deploy the Swoop® system in low-middle income settings without readily-accessible MRI technology. The multiple grants provided by our research partnership with the BMGF, which commenced funding in the spring of 2020, support the deployment of 25 Swoop® system and accessories to investigators. At June 30, 2023 As of September 30, 2023, 20 21 Swoop® system units were provisioned and delivered to the BMGF and the majority of the milestones for service deliverables were also met. The ongoing investigation is designed to provide data to validate the potential use of the Swoop® system in measuring the impact of maternal anemia, malnutrition, infection, and birth-related injury. In May 2023, we were awarded an additional grant of $3.4 million grant from the BMGF to continue to develop a scalable approach to measuring neurodevelopment via low-field magnetic resonance ULF brain imaging (MRI) in neonates, infants, and young children in low-to-middle income countries.

Results of Operations

The following is a discussion of our results of operations for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022. Our accounting policies are described under *"Summary of Significant Accounting Policies"* in Note 2 to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

	Three Months Ended June 30,		Change	Six Months Ended June 30,		Change	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
($ Amounts in thousands)	**2023**	**2022**	**%**	**2023**	**2022**	**%**	**2023**	**2022**	**%**	**2023**	**2022**	**%**
Sales												
Device	$ 2,810	$ 1,168	140.6%	$ 4,942	$ 2,360	109.4%	$ 1,728	$ 1,945	(11.2)%	$ 6,670	$ 4,305	54.9%
Service	571	365	56.4%	1,074	682	57.5%	602	403	49.4%	1,676	1,085	54.5%
Total sales	3,381	1,533	120.5%	$ 6,016	$ 3,042	97.8%	2,330	2,348	(0.8)%	$ 8,346	$ 5,390	54.8%
Cost of Sales												
Device	1,549	1,259	23.0%	$ 2,620	$ 2,296	14.1%	835	1,215	(31.3)%	$ 3,321	$ 3,511	(5.4)%
Service	388	439	(11.6)%	797	827	(3.6)%	371	445	(16.6)%	1,302	1,272	2.36%
Cost of sales	1,937	1,698	14.1%	$ 3,417	$ 3,123	9.4%	1,206	1,660	(27.3)%	$ 4,623	$ 4,783	(3.3)%

Gross margin	**1,444**	**(165)**	NM	**2,599**	**(81)**	NM	**1,124**	**688**	63.37%	**3,723**	**607**	513.34%
Operating expenses:												
Research and development	5,331	7,265	(26.6)%	$ 10,792	$ 15,599	(31)%	5,739	7,338	(21.8)%	$ 16,531	$ 22,937	(27.9)%
General and administrative	5,306	12,012	(55.8)%	11,488	23,372	(51)%	4,615	3,198	44.3%	16,103	26,570	(39.4)%
Sales and marketing	2,499	3,750	(33.4)%	5,046	7,911	(36)%	2,529	3,434	(26.4)%	7,575	11,345	(33.2)%
Total operating expenses	**13,136**	**23,027**	(43.0)%	**27,326**	**46,882**	(42)%	**12,883**	**13,970**	(7.8)%	**40,209**	**60,852**	(33.9)%
Loss from operations	**(11,692)**	**(23,192)**	(49.6)%	**$ (24,727)**	**$ (46,963)**	(47)%	**(11,759)**	**(13,282)**	(11.5)%	**$ (36,486)**	**$ (60,245)**	(39.4)%
Interest income	1,030	32	NM	$ 1,899	$ 33	NM	1,021	170	500.59%	$ 2,920	$ 203	1,338.42%
Other expense, net	25	1	NM	31	(4)	NM	(19)	(59)	(67.8)%	12	(63)	(119.0)%
Loss before provision for income taxes	**(10,637)**	**(23,159)**	(54.1)%	**$ (22,797)**	**$ (46,934)**	(51.4)%	**(10,757)**	**(13,171)**	(18.3)%	**$ (33,554)**	**$ (60,105)**	(44.2)%
Provision for income taxes	—	—		—	—		—	—		—	—	

Net loss and comprehensive loss	**$ (10,637)**	**$ (23,159)**	(54.1)%	**$ (2,797)**	**$ (46,934)**	(51.4)%	**$ (10,757)**	**$ (13,171)**	(18.3)%	**$ (33,554)**	**$ (60,105)**	(44.2)%

Comparison of the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022 ($ Amounts shown in tables in thousands)

Sales

	Three Months Ended June 30,		**Change**		**Six Months Ended June 30,**		**Change**		**Three Months Ended September 30,**		**Change**		**Nine Months Ended September 30,**		**Change**	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**	**Amount**	**%**	**2023**	**2022**	**Amount**	**%**	**2023**	**2022**	**Amount**	**%**
Device	$ 2,810	$ 1,168	$ 1,642	140.6%	$ 4,942	$ 2,360	$ 2,582	109.4%	$ 1,728	$ 1,945	$ (217)	(11.2)%	$ 6,670	$ 4,305	$ 2,365	54.9%
Service	571	365	206	56.4%	1,074	682	392	57.5%	602	403	199	49.4%	1,676	1,085	591	54.5%
Total sales	$ 3,381	$ 1,533	$ 1,848	120.5%	$ 6,016	$ 3,042	$ 2,974	97.8%	$ 2,330	$ 2,348	$ (18)	(0.8)%	$ 8,346	$ 5,390	$ 2,956	54.8%

Device sales increased decreased by $1.6 million $0.2 million, or 140.6% 11.2%, for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. This increase decrease was driven primarily by an increase a decrease in the volume of device sales, driven partially offset by strong international sales and an increase in the sales price of the device.

Service sales increased by $0.2 million, or 56.4% 49.4%, for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. This increase was driven by an increase in the volume of devices commercial system units installed as generally all commercial systems installations generate recurring service revenue. Service sales revenue is generally recognized over time as we are providing the customer with ongoing access to our resources and software upgrades throughout the subscription period. This type of revenue is recurring in nature and we expect will continue to grow as more devices are sold.

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Device sales increased by $2.6 million $2.4 million, or 109.4% 54.9%, for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022. This increase was driven by an increase in the volume of device sales and an increase in the sales price of the device.

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Service sales increased by $0.4 million $0.6 million, or 57.5% 54.5%, for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022. This increase was driven by an increase in the install base. commercial system units installed.

Cost of sales

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change		Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%	2023	2022	Amount	%	2023	2022	Amount	%
Device	$ 1,549	$ 1,259	$ 290	23.0 %	$ 2,620	$ 2,296	$ 324	14.1 %	$ 835	$ 1,215	$ (380)	(31.3)%	$ 3,321	$ 3,511	$ (190)	(5.4)%

Service	388	439	(51)	(11.6)%	797	827	(30)	(3.6)%	371	445	(74)	(16.6)%	1,302	1,272	30	2.4%
Total cost of sales	$ 1,937	$ 1,698	$ 239	14.1%	$ 3,417	$ 3,123	$ 294	9.4%	$ 1,206	$ 1,660	$ (454)	(27.3)%	$ 4,623	$ 4,783	$ (160)	(3.3)%

Cost of device sales increased decreased by $0.3 million $0.4 million, or 23.0% 31.3%, for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. This increase decrease was driven by the increased a decrease in volume of products sold.

Cost of service sales decreased by $0.1 million, or 11.6% 16.6%, for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. This decrease was driven primarily by a decrease in personnel and related costs.

Cost of device sales increased decreased by $0.3 million $0.2 million, or 14.1% 5.4%, for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022. This increase was driven by the increased volume of products sold.

Cost of service sales decreased by $30 thousand, or 3.6%, for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 September 30, 2022. This decrease was driven primarily by a decrease in personnel and related costs.

Cost of service sales slightly increased by $30.0 thousand, or 2.4%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. This increase is related to increase in personnel and related costs.

Research and development

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Research and development	$ 5,331	$ 7,265	$ (1,934)	(26.6)%	$ 10,792	$ 15,599	$ (4,807)	(30.8)%

	Three Months Ended September 30,	Change	Nine Months Ended September 30,	Change

	2023	2022	Amount	%	2023	2022	Amount	%
Research and development	$ 5,739	$ 7,338	$ (1,599)	(21.8)%	$ 16,531	$ 22,937	$ (6,406)	(27.9)%

Research and development expenses decreased by $1.9 million $1.6 million, or 26.6% 21.8%, for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. This decrease was driven primarily by a decrease in personnel related costs of $2.0 million $1.2 million as a result of decreased headcount and a decrease in consulting costs of $0.7 million partially offset by $0.7 million of lower grant fulfilments recorded as credits to research and development expenses. $0.4 million.

Research and development expenses decreased by $4.8 million $6.4 million, or 30.8% 27.9%, for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022. This decrease was driven primarily by a decrease in personnel related costs of $4.8 million $5.9 million as a result of decreased headcount and a decrease in consulting costs of $1.2 million $1.6 million partially offset by $1.2 million of lower grant fulfilments recorded as credits to research and development expenses.

General and administrative

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
General and administrative	$ 5,306	$ 12,012	$ (6,706)	(55.8)%	$ 11,488	$ 23,372	$ (11,884)	(50.8)%

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
General and administrative	$ 4,615	$ 3,198	$ 1,417	44.3 %	$ 16,103	$ 26,570	$ (10,467)	(39.4)%

General and administrative expenses decreased increased by $6.7 million $1.4 million, or 55.8% 44.3%, for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. As part of the restructuring action in the fourth quarter of 2022, we established a lean executive leadership team and a focus on cost efficiency. The decrease in general and administrative expenses This increase was driven primarily by an increase in stock-based compensation expenses of $3.6 million due to stock-based compensation expenses of $0.8 million in the three months ended September 30, 2023 as compared to a net credit of $2.8 million in the three months ended September 30, 2022 as a result of a credit to stock-based compensation expense for the previously recognized expense of $4.5 million related to forfeited awards of our former Chief Executive Officer ("CEO"), partially offset by a decrease in accounting, auditing and SEC expenses of $0.8 million, a decrease in personnel related costs of $5.8 million of which $5.4 million pertains to stock based compensation costs, $0.4 million, a decrease in insurance expenses of $0.3 million, a decrease in software costs legal expenses of $0.3 million, and a decrease in legal recruitment expenses and patent fees of $0.2 million $0.3 million.

General and administrative expenses decreased by $11.9 million $10.5 million, or 50.8% 39.4%, for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022. This decrease was driven primarily by a decrease in personnel related costs of $9.1 million $5.9 million of which $7.8 million $4.2 million pertains to stock based stock-based compensation costs, a decrease in accounting, auditing and SEC expenses of $1.6 million, a decrease in insurance expenses of $0.6 million $1.0 million, a decrease in legal expenses and patent fees of $0.8 million, a decrease in software costs of $0.5 million, a decrease in legal expenses and patent fees of $0.5 million, a decrease in accounting and auditing recruitment expenses of $0.5 million $0.3 million, a decrease in consulting cost of $0.2 million, and a decrease in subscriptions allowance for credit losses of $0.2 million.

Sales and marketing

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Sales and marketing	$ 2,499	$ 3,750	$ (1,251)	(33.4)%	$ 5,046	$ 7,911	$ (2,865)	(36.2)%

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Sales and marketing	$ 2,529	$ 3,434	$ (905)	(26.4)%	$ 7,575	$ 11,345	$ (3,770)	(33.2)%

Sales and marketing expenses decreased by $1.3 million $0.9 million, or 33.4% 26.4%, for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. This decrease was driven primarily by a decrease in personnel related costs of $0.9 million $0.4 million as a result of decreased headcount and a decrease in recruitment stock-based compensation costs, a decrease in consulting costs of $0.4 million $0.3 million, and a decrease in marketing expense of $0.2 million.

Sales and marketing expenses decreased by $2.9 million $3.8 million, or 36.2% 33.2%, for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022. This decrease was driven primarily by a decrease in personnel related costs of $1.8 million $2.2 million as a result of decreased headcount, and a decrease in digital marketing and marketing events costs of $0.7 million $0.8 million, a decrease in consulting costs of $0.6 million, and a decrease in recruitment costs of $0.2 million.

Interest income

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Interest income	$ 1,030	$ 32	$ 998	3,118.8 %	$ 1,899	$ 33	$ 1,866	5,654.5 %

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Interest income	$ 1,021	$ 170	$ 851	500.6 %	$ 2,920	$ 203	$ 2,717	1,338.4 %

Interest income increased by $1.0 million $0.9 million for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. The increase was driven primarily by a higher interest rates and higher cash balances in money market funds and demand deposit accounts during the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022.

Interest income increased by $1.9 million $2.7 million for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022. The increase was driven primarily by a higher interest rates and higher cash balances in money market funds and demand deposit accounts during the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022.

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Other income (expense), net

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Other income (expense), net	$ 25	$ 1	$ 24	2,400.0 %	$ 31	$ (4)	$ 35	(875.0)%

Nine Months

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	Three Months Ended September 30,		Change		Ended September 30,		Change	
	2023	2022	Amount	%	2023	2022	Amount	%
Other income (expense), net	$ (19)	$ (59)	$ 40	(67.8)%	$ 12	$ (63)	$ 75	(119.0)%

Other income (expense), net had a favorable increase in other income of $24 $40 thousand for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022. This favorable increase in other income was driven primarily by an increase in interest income from customer financing of approximately $11 thousand and a net realized gain on foreign currencies of approximately $14 $29 thousand.

Other income (expense), net had a favorable increase in other income of $35 $75 thousand for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022. This favorable increase in other income was driven primarily by an increase in interest income from customer financing of approximately $19 $31 thousand and a net realized gain on foreign currencies of approximately $11 $44 thousand.

Liquidity and Capital Resources

We have funded our operations primarily with proceeds from the issuance of common and preferred stock. We have incurred significant cash burn and recurring net losses, which includes a net loss of $22.8 million $33.6 million for the six nine months ended June 30, 2023 September 30, 2023, and an accumulated deficit of $232.3 million $243.0 million as of June 30, 2023 September 30, 2023. As of June 30, 2023 September 30, 2023, we had cash and cash equivalents of $93.9 million $85.4 million. As we continue to invest in research and development of our products and sales and marketing, we expect to continue to incur a significant cash burn and recurring net losses for the foreseeable future until such time that our product and services sales generate enough gross profit to cover our operating expenses. However, we can provide no assurance that our product and service sales will generate a net profit in the future or that our cash resources will be sufficient to continue our commercialization and development activities.

Our ability to access capital when needed is not assured and, if capital is not available when, and in the amounts needed, we could be required to delay, scale back or abandon some or all of our development programs, commercialization of our products, and other operations which could materially harm our operations, financial condition and operating results. We expect that our existing cash and cash equivalents, together with proceeds from the sales of our products and services, will enable us to conduct our planned operations for at least the next 12 months. Factors that could accelerate cash needs include: (i) delays in achieving scientific and technical milestones; (ii) unforeseen capital expenditures and fabrication costs related to manufacturing; (iii) changes we may make in our business or commercialization and hiring strategy; (iv) costs of running a public company; (v) higher inflation and increases in product transportation and labor costs; and (vi) other items affecting our forecasted level of expenditures and use of cash resources including potential acquisitions. As part of the prioritization of our projects and expenditures, in December 2022, we suspended the development of our Liminal brain sensing platform, which was the focus of Liminal and was in the early stages of development to non-invasively measure key vital signs in the brain.

We expect to use our funds cash to further invest in the development of our products and services, commercial expansion, and for working capital and general corporate purposes.

Our future cash requirements will depend on many factors, including market adoption of our products, products; the cost and timing of establishing additional sales, marketing and distribution capabilities; the cost of our research and development activities; our ability to enter into and maintain collaborations; the cost and timing of potential future regulatory clearances or approvals for our products; and the effect of competing technological and market developments. We cannot assure you that we will be able to obtain additional funds on acceptable terms, or at all. If we raise additional funds by issuing equity or equity-linked securities, our stockholders may experience dilution. Future debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Any debt or equity financing that we raise may contain terms that are not favorable to us or our stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to

relinquish some rights to our technologies or our products, or grant licenses on terms that are not favorable to us. If

we do not have or are not able to obtain sufficient funds, we may have to delay development or commercialization of our products. We also may have to reduce marketing, customer support or other resources devoted to our products and services or cease operations.

Cash

As of June 30, 2023 September 30, 2023, we had cash and cash equivalents of $93.9 million $85.4 million. Our future capital requirements may vary from those currently planned and will depend on various factors including further development costs, commercialization strategy, international expansion, and regulatory costs. If we need additional funds and are unable to obtain funding on a timely basis, we may need to curtail significantly our product development and commercialization efforts to provide sufficient funds to continue our operations, which could adversely affect our business prospects.

Cash flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,		Nine Months Ended September 30,	
(In thousands)	**2023**	**2022**	**2023**	**2022**
Net cash used in operating activities	$ (23,150)	$ (44,200)	$ (31,871)	$ (56,994)
Net cash used in investing activities	(283)	(254)	(546)	(427)

Net cash provided by financing activities	107	2	146	2
Net decrease in cash, cash equivalents, and restricted cash	**$ (23,326)**	**$ (44,452)**	**$ (32,271)**	**$ (57,419)**

Net cash used in operating activities

For the six nine months ended June 30, 2023 September 30, 2023, net cash used in operating activities of $23.2 million $31.9 million was due primarily to a net loss of $22.8 million $33.6 million and changes in operating assets and liabilities of $3.2 million $2.6 million, partially offset by non-cash items of $2.8 million $4.4 million. Non-cash items were primarily stock-based compensation expense of $2.3 million $3.5 million and depreciation expense of $0.5 million $0.8 million. Changes in operating assets and liabilities were driven primarily by an increase in inventory of $2.5 million, a decrease in accrued expenses and other liabilities of $0.8 million, a decrease in deferred revenue of $0.4 million, an increase in accounts receivable of $0.3 million, and an increase in unbilled receivables of $0.2 million, partially offset by a decrease in prepaid expenses and other current assets of $1.0 million, a decrease in prepaid inventory of $0.3 million, and an increase in accounts payable of $0.2 million.
For the nine months ended September 30, 2022, net cash used in operating activities of $57.0 million was due primarily to a net loss of $60.1 million and changes in operating assets and liabilities of $6.5 million, partially offset by non-cash items of $9.6 million. Non-cash items were primarily stock-based compensation expense of $8.9 million, including $2.5 million related to costs associated with 0.6 million RSU awards granted to our former CEO, and depreciation expense of $0.8 million. Changes in operating assets and liabilities were driven primarily by an increase in accounts receivable and unbilled receivables of $1.8 million driven primarily by increased revenue, $2.1 million, a decrease in accrued expense and other current liabilities of $1.8 million driven primarily by lower bonus and salary and benefit accrual due to a lean executive leadership team and decreased headcount, and an increase in inventory related party of $1.5 million $1.9 million, partially offset by a decrease in prepaid expenses and other current assets of $0.9 million, an increase in accounts payable of $0.7 million $1.5 million, a decrease in prepaid inventory of $0.3 million and an increase in deferred grant funding of $0.2 million.
For the six months ended June 30, 2022 $1.4 million, net cash used in operating activities of $44.2 million was due primarily to a net loss of $46.9 million and changes in operating assets and liabilities of $9.0 million, partially offset by non-cash items of $11.7 million. Non-cash items were primarily stock-based compensation expense of $11.2 million including $2.5 million related to costs associated with the Company's former CEO grant agreement, specifically the non-recurring expense of certain equity awards, and depreciation expense of $0.5 million. Changes in operating assets and liabilities were driven primarily by an increase in accounts receivable and unbilled receivables of $2.5 million $1.4 million, and an increase in prepaid expenses and other current assets of $1.2 million $0.4 million, partially offset by an increase in deferred revenue of $1.1 million, an increase in accrued expenses and other liabilities of $0.8 million, a decrease in due to related parties inventory of $1.9 million $0.3 million, and a decrease in accrued expense and other current liabilities long term assets of $2.0 million, a decrease in deferred grant funding of $1.1 million and an increase in inventory of $0.3 million $0.1 million.

Net cash used in investing activities

For the six nine months ended June 30, 2023 September 30, 2023, net cash used in investing activities of $0.3 million $0.5 million was from fixed assets purchased.

For the nine months ended September 30, 2022, net cash used in investing activities of $0.4 million was from fixed assets purchased.

For the six months ended June 30, 2022, net cash used in investing activities of $0.3 million was from fixed assets purchased.

Net cash provided by financing activities

For the six nine months ended June 30, 2023 September 30, 2023, net cash provided by financing activities of $0.1 million was proceeds from option exercises.

For the six nine months ended June 30, 2022 September 30, 2022, net cash provided by financing activities of $2 $2.0 thousand was proceeds from option exercises.

Contractual obligations

We sponsor a 401(k) defined contribution plan covering all eligible U.S. employees. Contributions to the 401(k) plan are discretionary. We did not make any matching contributions to the 401(k) plan for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

In April 2020, we received a $1.6 million grant from the BMGF for the provision and equipping of 20 sites with our portable point-of-care MRI MR brain imaging system to enable the performance of a multi-site study focused on optimizing diagnostic image quality through February 2023. During the third quarter of 2021, we were awarded an additional $3.3 million grant, of which $2.5 million was received from the BMGF in September 2021. During the second quarter of 2022, we received the remaining amount of $0.8 million. On March 29, 2023, the term of the BMGF grant agreement was extended to February 28, 2024. On May 16, 2023, we were awarded an additional $3.4 million grant from the BMGF to continue to develop a scalable approach to measuring neurodevelopment via low-field magnetic resonance imaging (MRI) in neonates, infants, and young children in low-to-middle income countries through February 2026, of which $0.5 million was received by June 30, 2023 September 30, 2023. Refer to Note 12 in the notes to our unaudited condensed consolidated financial statements for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 included elsewhere in this Quarterly Report on Form 10-Q for a discussion of the BMGF grant. Any grant funds, plus any income, that have not been used for, or committed to, the project must be returned promptly to the BMGF upon expiration of or termination of the agreement. Both All of the these grants are designed to support the deployment of a total of 25 Swoop® system devices and other services to investigators, which commenced in the spring of 2021, and was expected to fund the program for approximately two years. At June 30, 2023 2021. As of September 30, 2023, 20 21 Swoop® system units were provisioned and delivered to the BMGF and certain milestones for service deliverables were also met. These grants are designed to provide data to validate the use of our Swoop® system in measuring the impact of maternal anemia, malnutrition, infection and birth related injury.

Our purchase commitments and obligations include all open purchase orders and contractual obligations in the ordinary course of business, including commitments with contract manufacturers and suppliers, for which we have not received the goods or services. A majority of these purchase obligations are due within a year. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

We had no other significant contractual obligations as of June 30, 2023 September 30, 2023.

For information on contingencies, refer to Note 12 in the notes to our unaudited condensed consolidated financial statements for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 included elsewhere in this Quarterly Report on Form 10-Q.

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Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about items that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.
Except as described in Note 2 "Summary of Significant Accounting Policies – Recently Issued Accounting Pronouncements", to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 22, 2023.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our unaudited condensed consolidated financial statements and notes thereto for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022 included elsewhere in this Quarterly Report on Form 10-Q.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact our results of operations or financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates, inflation risk, and foreign exchange risk. We do not hold, issue or enter into any financial instruments for speculative or trading purposes. We do not have significant exposure to foreign currencies.

Interest Rate Risk

Our cash, cash equivalents and restricted cash as of June 30, 2023 September 30, 2023 consisted of $95 million $86.0 million in money market funds, demand deposit and savings accounts. Such interest-earning instruments carry a degree of interest rate risk. The goals of our investment policy are liquidity and capital preservation. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of our cash equivalents. Based on our balance sheet position at June 30, 2023 September 30, 2023, the annualized effect of a 0.5 percentage point decrease in interest rates would be to decrease earnings before income taxes by $0.5 million $0.4 million.

Inflation Risk

Inflation has increased in recent periods and may increase in the future. We rely on a single contract manufacturer; inflation generally affects us by increasing our cost of manufacturing and a higher cost of certain key components. To the extent our costs are impacted by general inflationary pressures, we may not be able to fully offset such higher costs through price increases or manufacturing efficiencies. Our inability or failure to do so could harm our business, financial condition, and results of operations.

Foreign Exchange Risk

We operate our business primarily within the United States and currently execute the majority of our transactions in U.S. dollars. We have not utilized hedging strategies with respect to such foreign exchange exposure. This limited foreign currency translation risk is not expected to have a material impact on our condensed consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2023 September 30, 2023. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that, as of June 30, 2023 September 30, 2023, the end of the period covered by this report, our disclosure controls and procedures were effective at a reasonable assurance level to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Remediation of the Previously Identified Material Weaknesses

As previously disclosed, we had identified two material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

As previously disclosed, prior to the Closing of the Business Combination in December 2021, Legacy Hyperfine and Liminal were private companies and had limited accounting and financial reporting personnel and other resources with which to address its internal controls and procedures. We outsourced our accounting and financial reporting to 4Catalyzer Corporation (“4C”) and did not have our own finance function to appropriately perform the supervision and review of the information received from 4C and assess its reasonableness and accuracy. As a result, in connection with the combined financial statement close process of Legacy Hyperfine and Liminal for the years ended December 31, 2020 and 2019, we identified a material weakness in our internal control over financial reporting.

In addition, as previously disclosed, HealthCor previously recorded a portion of its Class A ordinary shares subject to possible redemption in permanent equity. Notwithstanding the presence of maximum redemption thresholds or charter provisions common in special purpose acquisition companies (“SPACs”) that provide a limitation on redemptions that would cause a SPAC’s net tangible assets to be less than $5,000,001, in accordance with SEC Staff guidance on redeemable equity instruments, ASC 480-10-S99, “Distinguishing Liabilities from Equity”, and EITF Topic D-98, “Classification and Measurement of Redeemable Securities”, and, according to SEC Staff communications with certain independent auditors, redemption provisions not solely within the control of the issuing company require ordinary shares subject to redemption to be classified outside of permanent equity. Although we did not specify a maximum redemption threshold in HealthCor’s Amended and Restated Memorandum and Articles of Association (the “HealthCor Articles”), the HealthCor Articles provided that we could not redeem our public shares in an amount that would cause our net tangible assets to be less than $5,000,001. In light of the SEC Staff communications with certain independent auditors, our management re-evaluated the effectiveness of our internal control over financial reporting, and based upon that evaluation, we concluded that the misclassification of the Class A ordinary shares was quantitatively material to individual line items within the balance sheet. This resulted in a restatement of the initial carrying value of the Class A ordinary shares subject to possible redemption, with the offset recorded to additional paid-in capital (to the extent available), accumulated deficit and ordinary shares. We concluded that the foregoing represents a material weakness in our internal controls over financial reporting.

In response to these material weaknesses, our management has expended a substantial amount of effort and resources for the remediation of material weaknesses in internal control over financial reporting. Our management developed a remediation plan, which included the hiring of accounting and finance resources, including the Chief Administrative Officer and Chief Financial Officer and Vice President, Controller with technical public company accounting and financial reporting experience, as well as other team members. We also have access to accounting training, literature, research materials and increased communication among our personnel and outsourced third-party professionals with whom we may consult regarding the application of complex accounting transactions. Our remediation plan has been accomplished over time to achieve our objectives. We believe these actions are sufficient to remediate the identified material weaknesses and strengthen our internal control over financial reporting. During the second quarter of 2023, we completed testing of the operating effectiveness of the controls and have concluded that the material weaknesses have been remediated as of June 30, 2023.

Management has concluded that our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly stated in all material respects in accordance with U.S. GAAP for each of the periods presented therein.

Changes in Internal Control Over Financial Reporting

Except as described above with respect to the remediation of controls related to the material weaknesses, there There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during the three months ended June 30, 2023 September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item1. Legal Proceedings

We are not currently a party to any material legal proceedings.

Item 1A. Risk Factors

Our business, results of operations and financial condition are subject to various risks and uncertainties including the risk factors described under the caption "Risk Factors" in our most recent Annual Report on Form 10-K, filed with the SEC on March 22, 2023 (the "2022 Annual Report on Form 10-K"). There have been no material changes to the risk factors described in the 2022 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities, and Use of Proceeds, and Issuer Purchases of Equity Securities

Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the three months ended June 30, 2023 September 30, 2023.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

See Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File/ Reg. Number
3.1.1	Certificate of Incorporation of the Registrant, dated December 21, 2021, as amended by the Certificate of Amendment of Certificate of Incorporation, dated December 22, 2021.		Form 8-K (Exhibit 3.1)	12/28/2021	001-39949
3.1.2	Certificate of Amendment of Certificate of Incorporation, dated June 9, 2023.		Form 8-K (Exhibit 3.2)	6/12/2023	001-39949
3.2	Amended and Restated Bylaws of the Registrant.		Form 8-K (Exhibit 3.1)	6/12/2023	001-39949
10.1+	Nonemployee Director Compensation Policy, as amended.		Form 8-K (Exhibit 10.1)	6/12/2023	001-39949
10.2+	Letter Agreement, dated as of July 17, 2023, by and between the Registrant Hyperfine, Inc. and Thomas Teisseyre, Ph.D.		Form 8-K (Exhibit 10.1)	7/18/2023	001-39949

10.3+ 10.2+	Letter Agreement, dated as of July 17, 2023, by and between the Registrant Hyperfine, Inc. and Khan Siddiqui, M.D.		Form 8-K (Exhibit 10.2)	7/18/2023	001-39949
10.4+ 10.3+	Executive Severance Plan, as amended.		Form 8-K (Exhibit 10.3)	7/18/2023	001-39949
10.4+	Separation Agreement, dated as of September 30, 2023, by and between Hyperfine, Inc. and Khan Siddiqui, M.D.		Form 8-K (Exhibit 10.1)	10/3/2023	001-39949
10.5+	Consulting Agreement, dated as of September 30, 2023, by and between Hyperfine, Inc. and Khan Siddiqui, M.D.		Form 8-K (Exhibit 10.2)	10/3/2023	001-39949
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
32*	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
101.INS	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its Inline XBRL tags are embedded within the Inline XBRL document.	X			
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X			
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X			

104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).	X

+ Management contract or compensatory plan or arrangement.

* The certifications attached as Exhibit 32 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Hyperfine, Inc. under the

Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

	HYPERFINE, INC.
Date: August 14, 2023 November 9, 2023	By: /s/ Maria Sainz
	Maria Sainz President and Chief Executive Officer
Date: August 14, 2023 November 9, 2023	By: /s/ Brett Hale
	Brett Hale Chief Administrative Officer, Chief Financial Officer, Treasurer and Corporate Secretary

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, Maria Sainz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hyperfine, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2023 November 9, 2023

/s/ Maria Sainz

Maria Sainz

President and Chief Executive Officer

(principal executive officer)

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, Brett Hale, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hyperfine, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2023 November 9, 2023

/s/ Brett Hale

Brett Hale
Chief Administrative Officer, Chief Financial Officer,
Treasurer and Corporate Secretary
(principal financial officer)

Exhibit 32

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Hyperfine, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended June 30, 2023 September 30, 2023 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2023 November 9, 2023 /s/ Maria Sainz

Maria Sainz

President and Chief Executive Officer

(principal executive officer)

Dated: August 14, 2023 November 9, 2023

/s/ Brett Hale

Brett Hale

Chief Administrative Officer, Chief Financial Officer, Treasurer and Corporate Secretary

(principal financial officer)

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