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DELTA REPORT

10-Q

PAYS - PAYSIGN, INC.

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

The following comparison report has been automatically generated

TOTAL DELTAS	442
CHANGES	216
DELETIONS	106
ADDITIONS	120

REFINITIV

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

FORM 10-Q

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

For the quarterly period ended 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 001-38623

PAYSIGN, INC.
(Exact name of registrant as specified in its charter)

Nevada	95-4550154
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2615 St. Rose Parkway,
Henderson, Nevada 89052
(Address of principal executive offices) (Zip code)

(702) 453-2221
(Registrant's telephone number, including area code)

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

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

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	PAYS	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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 52,753,374 52,754,374shares as of August 4, 2023 November 3, 2023.

PAYSIGN, INC.

FORM 10-Q REPORT

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAYSIGN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS				
Current assets				
Cash	$ 7,670,677	$ 9,708,238	$ 9,936,627	$ 9,708,238
Restricted cash	78,365,845	80,189,113	78,022,518	80,189,113
Accounts receivable, net	7,749,451	4,680,991	7,278,098	4,680,991
Other receivables	1,238,020	1,439,251	1,372,655	1,439,251
Prepaid expenses and other current assets	2,290,792	1,699,808	2,245,751	1,699,808
Total current assets	97,314,785	97,717,401	98,855,649	97,717,401
Fixed assets, net	1,124,242	1,255,292	1,149,497	1,255,292
Intangible assets, net	6,998,727	5,656,722	7,884,171	5,656,722
Operating lease right-of-use asset	3,417,635	3,614,838	3,317,016	3,614,838
Total assets	$ 108,855,389	$ 108,244,253	$ 111,206,333	$ 108,244,253
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$ 10,484,747	$ 8,088,660	$ 11,609,898	$ 8,088,660
Operating lease liability, current portion	372,387	361,408	378,001	361,408
Customer card funding	78,365,845	80,189,113	78,022,518	80,189,113
Total current liabilities	89,222,979	88,639,181	90,010,417	88,639,181
Operating lease liability, long term portion	3,122,798	3,311,777	3,026,167	3,311,777
Total liabilities	92,345,777	91,950,958	93,036,584	91,950,958
Commitments and contingencies (Note 8)	–	–	–	–
Stockholders' equity				
Preferred stock, $0.001 par value; 25,000,000 shares authorized; none issued and outstanding	–	–	–	–
Common stock, $0.001 par value; 150,000,000 shares authorized; 52,842,382 and 52,650,382 issued at June 30, 2023 and December 31, 2022, respectively	52,842	52,650		
Common stock, $0.001 par value; 150,000,000 shares authorized; 53,382,382 and 52,650,382 issued at September 30, 2023 and December 31, 2022, respectively			53,382	52,650
Additional paid-in capital	20,595,359	19,137,281	21,304,569	19,137,281
Treasury stock, at cost; 623,008 and 303,450 shares, respectively	(1,127,667)	(150,000)		
Treasury stock, at cost; 698,008 and 303,450 shares, respectively			(1,277,884)	(150,000)
Accumulated deficit	(3,010,922)	(2,746,636)	(1,910,318)	(2,746,636)
Total stockholders' equity	16,509,612	16,293,295	18,169,749	16,293,295
Total liabilities and stockholders' equity	$ 108,855,389	$ 108,244,253	$ 111,206,333	$ 108,244,253

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	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
Revenues								
Plasma industry	$ 10,014,461	$ 7,806,201	$ 19,374,528	$ 15,200,565	$ 11,061,712	$ 9,829,811	$ 30,436,240	$ 25,030,376
Pharma industry	729,236	773,311	1,318,798	1,579,879	1,026,270	693,353	2,345,068	2,273,232
Other	297,354	19,264	491,015	38,971	312,343	73,264	803,358	112,235
Total revenues	11,041,051	8,598,776	21,184,341	16,819,415	12,400,325	10,596,428	33,584,666	27,415,843
Cost of revenues	5,425,311	3,900,965	10,520,932	7,123,355	6,068,207	4,847,780	16,589,139	11,971,135
Gross profit	5,615,740	4,697,811	10,663,409	9,696,060	6,332,118	5,748,648	16,995,527	15,444,708
Operating expenses								
Selling, general and administrative	5,304,625	4,255,976	10,250,075	8,896,888	4,696,509	4,386,757	14,946,584	13,283,645
Depreciation and amortization	958,001	713,180	1,803,017	1,392,351	1,045,177	738,883	2,848,194	2,131,234
Total operating expenses	6,262,626	4,969,156	12,053,092	10,289,239	5,741,686	5,125,640	17,794,778	15,414,879
Loss from operations	(646,886)	(271,345)	(1,389,683)	(593,179)				
Income (loss) from operations					590,432	623,008	(799,251)	29,829
Other income								
Interest income, net	600,867	70,227	1,185,064	84,563	615,324	265,284	1,800,388	349,847
Loss before income tax provision	(46,019)	(201,118)	(204,619)	(508,616)				
Income before income tax provision					1,205,756	888,292	1,001,137	379,676
Income tax provision	58,137	26,916	59,667	28,813	105,152	36,183	164,819	64,996
Net loss	$ (104,156)	$ (228,034)	$ (264,286)	$ (537,429)				
Net income					$ 1,100,604	$ 852,109	$ 836,318	$ 314,680
Net loss per share								
Net income per share								
Basic	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)	$ 0.02	$ 0.02	$ 0.02	$ 0.01
Diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)	$ 0.02	$ 0.02	$ 0.02	$ 0.01
Weighted average common shares								
Basic	52,259,002	51,993,031	52,330,829	51,906,335	52,548,101	52,142,225	52,404,049	51,968,496
Diluted	52,259,002	51,993,031	52,330,829	51,906,335	53,484,674	53,365,025	54,286,492	52,676,707

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Additional Paid-in	Treasury Stock		Accumulated	Total Stockholders'	Common Stock		Additional Paid-in
	Shares	Amount	Capital	Shares	Amount	Deficit	Equity	Shares	Amount	Capital
Balance, December 31, 2022	52,650,382	$ 52,650	$ 19,137,281	(303,450)	$ (150,000)	$ (2,746,636)	$ 16,293,295	52,650,382	$ 52,650	$ 19,137,281
Stock issued upon vesting of restricted stock	118,000	118	(118)	–	–	–	–	118,000	118	(118)
Stock-based compensation	–	–	618,244	–	–	–	618,244	–	–	618,244
Repurchase of common stock	–	–	–	(200,000)	(666,018)	–	(666,018)	–	–	–
Net loss	–	–	–	–	–	(160,130)	(160,130)	–	–	–
Balance, March 31, 2023	52,768,382	52,768	19,755,407	(503,450)	(816,018)	(2,906,766)	16,085,391	52,768,382	52,768	19,755,407
Stock issued upon vesting of restricted stock	70,000	70	(70)	–	–	–	–	70,000	70	(70)
Exercise of stock options	4,000	4	9,596	–	–	–	9,600	4,000	4	9,596
Stock-based compensation	–	–	830,426	–	–	–	830,426	–	–	830,426
Repurchase of common stock	–	–	–	(119,558)	(311,649)	–	(311,649)	–	–	–
Net loss	–	–	–	–	–	(104,156)	(104,156)	–	–	–
Balance, June 30, 2023	52,842,382	$ 52,842	$ 20,595,359	(623,008)	$ (1,127,667)	$ (3,010,922)	$ 16,509,612	52,842,382	$ 52,842	$ 20,595,359
Stock issued upon vesting of restricted stock								540,000	540	(540)
Stock-based compensation								–	–	709,750
Repurchase of common stock								–	–	–
Net income								–	–	–
Balance, September 30, 2023								53,382,382	$ 53,382	$ 21,304,569

	Common Stock		Additional Paid-in	Treasury Stock		Accumulated	Total Stockholders’	Common Stock		Additional Paid-in	
	Shares	Amount	Capital	Shares	Amount	Deficit	Equity	Shares	Amount	Capital	S
Balance, December 31, 2021	52,095,382	$ 52,095	$ 16,860,119	(303,450)	$ (150,000)	$ (3,774,411)	$ 12,987,803	52,095,382	$ 52,095	$ 16,860,119	(3
Stock issued upon vesting of restricted stock	123,000	123	(123)	–	–	–	–	123,000	123	(123)	
Stock-based compensation	–	–	569,502	–	–	–	569,502	–	–	569,502	
Net loss	–	–	–	–	–	(309,395)	(309,395)	–	–	–	
Balance, March 31, 2022	52,218,382	52,218	17,429,498	(303,450)	(150,000)	(4,083,806)	13,247,910	52,218,382	52,218	17,429,498	(3
Stock issued upon vesting of restricted stock	105,000	105	(105)	–	–	–	–	105,000	105	(105)	
Stock-based compensation	–	–	488,287	–	–	–	488,287	–	–	488,287	
Net loss	–	–	–	–	–	(228,034)	(228,034)	–	–	–	
Balance, June 30, 2022	52,323,382	$ 52,323	$ 17,917,680	(303,450)	$ (150,000)	$ (4,311,840)	$ 13,508,163	52,323,382	$ 52,323	$ 17,917,680	(3
Stock issued upon vesting of restricted stock								138,000	138	(138)	
Stock-based compensation								–	–	566,205	
Net income								–	–	–	
Balance, September 30, 2022								52,461,382	$ 52,461	$ 18,483,747	(3

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Net loss	$ (264,286)	$ (537,429)		
Adjustments to reconcile net loss to net cash provided by operating activities:				
Net income			$ 836,318	$ 314,680
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on disposal assets	(4,862)	–	(4,862)	–
Stock-based compensation expense	1,448,670	1,057,789	2,158,420	1,623,994
Depreciation and amortization	1,803,017	1,392,351	2,848,194	2,131,234
Noncash lease expense	197,203	186,862	297,822	282,193
Changes in operating assets and liabilities:				
Accounts receivable	(3,068,460)	(94,819)	(2,597,107)	(639,045)
Other receivable	201,231	(420,033)		
Other receivables			66,596	(420,033)
Prepaid expenses and other current assets	(590,984)	(511,173)	(545,943)	(711,185)
Accounts payable and accrued liabilities	2,431,087	(190,359)	3,556,238	850,358
Operating lease liability	(178,000)	(167,660)	(269,017)	(253,390)
Customer card funding	(1,823,268)	15,683,936	(2,166,595)	27,775,501
Net cash provided by operating activities	151,348	16,399,465	4,180,064	30,954,307
Cash flows from investing activities:				
Purchase of fixed assets	(84,911)	(38,188)	(218,133)	(75,661)
Capitalization of internally developed software	(2,959,199)	(1,537,021)	(4,781,853)	(2,508,348)
Net cash used in investing activities	(3,044,110)	(1,575,209)	(4,999,986)	(2,584,009)
Cash flows from financing activities:				
Proceeds from exercise of options	9,600	–	9,600	–
Repurchase of common stock	(977,667)	–	(1,127,884)	–
Net cash used in financing activities	(968,067)	–	(1,118,284)	–
Net change in cash and restricted cash	(3,860,829)	14,824,256	(1,938,206)	28,370,298
Cash and restricted cash, beginning of period	89,897,351	68,671,070	89,897,351	68,671,070
Cash and restricted cash, end of period	$ 86,036,522	$ 83,495,326	$ 87,959,145	$ 97,041,368
Cash and restricted cash reconciliation:				
Cash	$ 7,670,677	$ 6,527,476	$ 9,936,627	$ 7,981,953
Restricted cash	78,365,845	76,967,850	78,022,518	89,059,415
Total cash and restricted cash	$ 86,036,522	$ 83,495,326	$ 87,959,145	$ 97,041,368
Supplemental cash flow information:				
Non-cash financing activities				
Cash paid for taxes	$ 159,510	$ 8,700	$ 185,310	$ 27,374
Interest paid	$ –	$ 821	$ –	$ 221

See accompanying notes to unaudited condensed consolidated financial statements.

PAYSIGN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. **BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT POLICIES**

The foregoing unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions for Form 10-Q and Regulation S-X as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by GAAP for complete financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included on Form 10-K for the year ended December 31, 2022. In the opinion of management, the unaudited interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented.

The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the Company's financial position and results of operations.

Operating results for the three and six nine months ended June 30, 2023 September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

About Paysign, Inc.

Paysign, Inc. (the "Company," "Paysign," "we" or "our") was incorporated on August 24, 1995, and trades under the symbol PAYS on The Nasdaq Stock Market LLC. Paysign is a provider of prepaid card programs, comprehensive patient affordability offerings, digital banking services and integrated payment processing designed for businesses, consumers and government institutions. Headquartered in Nevada, the company creates customized, innovative payment solutions for clients across all industries, including pharmaceutical, healthcare, hospitality and retail.

Principles of Consolidation – The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates – The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and (iii) the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents for the purposes of the statement of cash flows. The Company had no cash equivalents at June 30, 2023 September 30, 2023 and December 31, 2022.

Restricted Cash – At June 30, 2023 September 30, 2023 and December 31, 2022, restricted cash consisted of funds held specifically for our card product and pharma programs that are contractually restricted to use. The Company includes changes in restricted cash balances with cash and cash equivalents when reconciling the beginning and ending total amounts in our condensed consolidated statements of cash flows.

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Concentrations of Credit Risk – Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and restricted cash. The Company maintains its cash and cash equivalents and restricted cash in various bank accounts primarily with one financial institution in the United States which at times, may exceed federally insured limits. If this financial institution were to be placed into receivership, we may be unable to access the cash we have on deposit. If we are unable to access our cash and cash equivalents as needed, our financial position and ability to operate our business could be adversely affected. The Company has not experienced, nor does it anticipate, any losses with respect to such accounts. As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company had approximately $38,206,698 40,208,706 and $43,516,155 in excess of federally insured bank account limits, respectively.

As of June 30, 2023 September 30, 2023, the Company also has a concentration of accounts receivable risk, as two pharma program customers associated with our pharma patient affordability programs each individually represent 35 20% and 14 19% of our accounts receivable balance. Two pharma program customers each individually represented 35% and 24% of our accounts receivable balance on December 31, 2022.

Fixed Assets – Fixed assets are stated at cost less accumulated depreciation. Depreciation is principally recorded using the straight-line method over the estimated useful life of the asset, which is generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Leasehold improvements are capitalized and depreciated over the shorter of the remaining lease term or the estimated useful life of the improvements. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Intangible Assets – For intangible assets, the Company recognizes an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds its fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Intangible assets with a finite life are amortized on a straight-line basis over its estimated useful life, which is generally 3 to 15 years.

Internally Developed Software Costs **- Computer software development costs are expensed as incurred, except for internal use software or website development costs that qualify for capitalization as described below, and include compensation and related expenses, costs of hardware and software, and costs incurred in developing features and functionality.**

For computer software developed or obtained for internal use, costs that are incurred in the preliminary project and post implementation stages of software development are expensed as incurred. Costs incurred during the application and development stage are capitalized. Capitalized costs are amortized using the straight-line method over a three year estimated useful life, beginning in the period in which the software is available for use.

Contract Assets **- Incremental costs to obtain or fulfill a contract with a customer are capitalized. The Company determines the costs that are incremental by confirming the costs (i) are directly related to a customer's contract, (ii) generate or enhance resources to fulfill contract performance obligations in the future, and (iii) are recoverable. Amortization is on a straight-line basis generally over three to five years, beginning when goods and services are transferred to the customer or group of customers.**

***Hosting Implementation*– Costs to implement the cloud computing arrangements (the "hosting site") are accounted for by following the same model as internally developed software costs. Costs that are incurred in the preliminary project and post implementation stages of hosting development are expensed when they are incurred. Costs incurred during the application and development stage are capitalized. Capitalized costs are amortized using the straight-line method over a three year estimated useful life, beginning in the period when the hosting site is available for use.**

Customer Card Funding – As of June 30, 2023 September 30, 2023 and December 31, 2022, customer card funding represents funds loaded or available to be loaded on cards for the Company's card product programs.

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Earnings Per Share – Basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Basic earnings per share is computed using the weighted-average number of common shares outstanding during the applicable period. Diluted earnings per share is computed using the weighted-average number of common and common stock equivalent shares outstanding during the period using the treasury stock method. Common stock equivalent shares are excluded from the computation if their effect on the diluted earnings per share calculation is anti-dilutive.

Revenue and Expense Recognition – In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contracts with customers, (ii) determination of performance obligations, (iii) measurement of the transaction price, (iv) allocation of the transaction price to the performance obligations, and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company generates revenues from plasma card programs through fees generated from cardholder fees and interchange fees. Revenues from pharma card programs are generated through card program management fees, transaction claims processing fees, interchange fees, and settlement income.

Plasma and pharma card program revenues include both fixed and variable components. Cardholder fees represent an obligation to the cardholder based on a per transaction basis and are recognized at a point in time when the performance obligation is fulfilled. Card program management fees and transaction claims processing fees include an obligation to our card program sponsors and are generally recognized when earned on a monthly basis and are typically due within 30 days pursuant to the contract terms which are generally multi-year contracts. The Company uses the output method to recognize card program management fee revenue at the amount of consideration to which an entity has a right to invoice. The performance obligation is satisfied when the services are transferred to the customer which the Company determined to be monthly, as the customer simultaneously receives and consumes the benefit from the Company's performance. Interchange fees are earned when customer-issued cards are processed through card payment networks as the nature of our promise to the customer is that we stand ready to process transactions at the customer's requests on a daily basis over the contract term. Since the timing and quantity of transactions to be processed by us are not determinable, we view interchange fees to comprise an obligation to stand ready to process as many transactions as the customer requests. Accordingly, the promise to stand ready is accounted for as a single series performance obligation. The Company uses the right to invoice practical expedient and recognizes interchange fee revenue concurrent with the processing of card transactions. Interchange fees are settled in accordance with the card payment network terms and conditions, which is typically within a few days.

The Company utilizes the remote method of revenue recognition for settlement income whereby the unspent balances will be recognized as revenue at the expiration of the cards and the respective program. This has historically been associated with the pharma prepaid business which ended in 2022. The Company records all revenue on a gross basis since it is the primary obligor and establishes the price in the contract arrangement with its customers. The Company is currently under no obligation to refund any fees, and the Company does not currently have any obligations for disputed claim settlements. Given the nature of the Company's services and contracts, generally it has no contract assets.

Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production and postage costs, customer service, program management, application integration setup, and sales and commission expense.

Operating Leases – The Company determines if a contract is or contains a leasing element at contract inception or the date in which a modification of an existing contract occurs. In order for a contract to be considered a lease, the contract must transfer the right to control the use of an identified asset for a period of time in exchange for consideration. Control is determined to have occurred if the lessee has the right to (i) obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and (ii) direct the use of the identified asset.

In determining the present value of lease payments at lease commencement date, the Company utilizes its incremental borrowing rate based on the information available, unless the rate implicit in the lease is readily determinable. The liability for operating leases is based on the present value of future lease payments. Operating lease expenses are recorded as rent expense, which is included within selling, general and administrative expenses within the consolidated statements of operations and presented as operating cash outflows within the consolidated statements of cash flows.

Leases with an initial term of 12 months or less are not recorded on the balance sheet, with lease expenses for these leases recognized on a straight-line basis over the lease term.

Stock-Based Compensation – The Company recognizes compensation expense for all restricted stock awards and stock options. The fair value of restricted stock awards is measured using the grant date trading price of our stock. The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model, and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period. We have elected to recognize compensation expense for all options with graded vesting on a straight-line basis over the vesting period of the entire option. The determination of fair value using the Black-Scholes option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility and the risk-free interest rate.

Recently Adopted Accounting Pronouncements – In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which provides updated guidance on how an entity should measure credit losses on all financial instruments carried at amortized cost (including loans held for investment and held-to-maturity debt securities, as well as trade receivables, reinsurance recoverables, and receivables that relate to repurchase agreements and securities lending agreements), a lessor's net investments in leases, and off-balance sheet credit exposures not accounted for as insurance or as derivatives, including loan commitments, standby letters of credit, and financial guarantees. Subsequently, in November 2018 the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments–Credit Losses,* which clarified that receivables arising from operating leases are not within the scope of Subtopic 326-20, but instead should be accounted for in accordance with Topic 842, Leases. In March 2022 the FASB issued ASU No. 2022-02, *Financial Instruments—Credit Losses: Troubled Debt Restructurings and Vintage Disclosures* which clarified accounting treatment required for trouble debt restructurings by creditors and enhanced disclosures for write-offs. The new standard and related amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We adopted this guidance; however, there was no material impact of this adoption on the Company's consolidated financial position, results of operations, or cash flows.

2. FIXED ASSETS, NET

Fixed assets consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Equipment	$ 2,241,935	$ 2,161,424	$ 2,375,156	$ 2,161,424
Software	331,852	327,452	331,852	327,452
Furniture and fixtures	757,662	757,661	757,662	757,661
Website costs	69,881	69,881	69,881	69,881
Leasehold improvements	229,772	229,772	229,772	229,772
	3,631,102	3,546,190	3,764,323	3,546,190
Less: accumulated depreciation	2,506,860	2,290,898	2,614,826	2,290,898
Fixed assets, net	$ 1,124,242	$ 1,255,292	$ 1,149,497	$ 1,255,292

Depreciation expense for the three months ended June 30, 2023 September 30, 2023 and 2022 was $107,615 107,967 and $134,253 113,758, respectively. Depreciation expense for the six nine months ended June 30, 2023 September 30, 2023 and 2022 was $215,961 323,928 and $270,222 383,980, respectively.

3. INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Patents and trademarks	$ 38,186	$ 38,186	$ 38,186	$ 38,186
Platform	16,571,814	13,656,014	18,394,468	13,656,014
Customer lists and contracts	1,177,200	1,177,200	1,177,200	1,177,200
Licenses	209,282	209,282	209,282	209,282
Hosting implementation	43,400	–	43,400	–
Contract assets	150,000	185,000	150,000	185,000
	18,189,882	15,265,682	20,012,536	15,265,682
Less: accumulated amortization	11,191,155	9,608,960	12,128,365	9,608,960
Intangible assets, net	$ 6,998,727	$ 5,656,722	$ 7,884,171	$ 5,656,722

Intangible assets are amortized over their useful lives ranging from periods of 3 to 15 years. Amortization expense for the three months ended June 30, 2023 September 30, 2023 and 2022 was $850,386 937,210 and $578,927 625,125, respectively. Amortization expense for the six nine months ended June 30, 2023 September 30, 2023 and 2022 was $1,587,056 2,524,266 and $1,122,129 1,747,254, respectively.

4. LEASE

The Company entered into an operating lease for office space which became effective in June 2020. The lease term is 10 years from the effective date and allows for two optional extensions of five years each. The two optional extensions are not recognized as part of the right-of-use asset or lease liability since it is not reasonably certain that the Company will extend this lease. As of June 30, 2023 September 30, 2023, the remaining lease term was 6.91 6.67 years and the discount rate was 6%.

Operating lease cost included in selling, general and administrative expenses was $196,214 186,470 and $379,435 565,905 for the three and six nine months ended June 30, 2023 September 30, 2023, respectively. Operating lease cost included in selling, general and administrative expenses was $184,329 184,214 and $367,550 551,764 for the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

The following is the lease maturity analysis of our operating lease as of June 30, 2023 September 30, 2023:

Year ending December 31,

2023 (excluding the six months ended June 30, 2023)	$ 285,984	
2023 (excluding the nine months ended September 30, 2023)		$ 142,993
2024	571,968	571,968
2025	612,006	612,006
2026	640,604	640,604
2027	640,604	640,604
Thereafter	1,548,127	1,548,127
Total lease payments	4,299,293	4,156,302
Less: Imputed interest	(804,108)	(752,134)
Present value of future lease payments	3,495,185	3,404,168
Less: current portion of lease liability	(372,387)	(378,001)
Long-term portion of lease liability	$ 3,122,798	$ 3,026,167

5. **CUSTOMER CARD FUNDING LIABILITY**

The Company issues prepaid cards with various provisions for cardholder fees or expiration. Revenue generated from cardholder transactions and interchange fees are recognized when the Company's performance obligation is fulfilled. Unspent balances left on pharma cards are recognized as settlement income at the expiration of the cards and the program. Contract liabilities related to prepaid cards represent funds on card and client funds held to be loaded to card before the amounts are ultimately spent by the cardholders or recognized as revenue by the Company. Contract liabilities related to prepaid cards are reported as Customer card funding liability on the condensed consolidated balance sheet.

The opening and closing balances of the Company's contract liabilities are as follows:

	Six Months Ended June 30,				Nine Months Ended September 30,	
	2023		**2022**		**2023**	**2022**
Beginning balance	$	80,189,113	$	61,283,914	$80,189,113	$61,283,914
Decrease, net		(1,823,268)		15,683,936		
Increase (decrease), net					(2,166,595)	27,775,501
Ending balance	$	78,365,845	$	76,967,850	$78,022,518	$89,059,415

The amount of revenue recognized during the six nine months ended June 30, 2023 September 30, 2023 and 2022 that was included in the opening contract liability for prepaid cards was $2,020,224 and $1,485,005 respectively.

6. **COMMON STOCK**

At June 30, 2023 September 30, 2023, the Company's authorized capital stock was 150,000,000 shares of common stock, par value $0.001 per share, and 25,000,000 shares of preferred stock, par value $0.001 per share. On that date, the Company had 52,842,382 53,382,382 shares of common stock issued and 52,219,374 52,684,374 shares of common stock outstanding, and no shares of preferred stock outstanding.

Stock-based compensation expense related to Company grants for the three and six nine months ended June 30, 2023 September 30, 2023 was $830,426 709,750and $1,448,670 2,158,420, respectively. Stock-based compensation expense for the three and six nine months ended June 30, 2022 September 30, 2022 was $488,287 566,205 and $1,057,789 1,623,994, respectively.

2023 Transactions: **Transactions - During the three and six nine months ended June 30, 2023 September 30, 2023 the Company issued 74,000 540,000 and 192,000 732,000 shares of common stock for vested stock awards and the exercise of stock options. The Company received proceeds of $9,600for the exercise of stock options.**

During the three and six nine months ended June 30, 2023 September 30, 2023 the Company repurchased 119,558 75,000 and 319,558 394,558 shares of its common stock at a cost of $311,649 150,217 or weighted average price of $2.61 $2.00 and $977,667 1,127,884 or weighted average price of $3.06 $2.86 per share, respectively.

The Company also granted 80,000 0 and 350,000restricted stock awards, respectively during the three and six nine months ended June 30, 2023 September 30, 2023. For the stock awards granted, the weighted average grant date fair value was $2.96 and vest over a period of two months to five years.

2022 Transactions: **Transactions - During the three and six nine months ended June 30, 2022 September 30, 2022 the Company issued 105,000 138,000 and 228,000 366,000 shares, respectively, of common stock for vested stock awards and received proceeds of $ awards. 0 No and $0, respectively. stock options were exercised.**

The Company also granted 0 2,430,000 and 100,000 2,530,000 restricted stock awards, respectively during the three and six nine months ended June 30, 2022 September 30, 2022. For the stock awards granted, the weighted average grant date fair value was $1.81 and vest over a period of one to five years.

7. BASIC AND FULLY DILUTED NET LOSS INCOME PER COMMON SHARE

The following table sets forth the computation of basic and fully diluted net loss income per common share for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (104,156)	$ (228,034)	$ (264,286)	$ (537,429)
Denominator:				
Weighted average common shares:				
Denominator for basic calculation	52,259,002	51,993,031	52,330,829	51,906,335
Weighted average effects of potentially diluted common stock:				
Stock options (calculated using the treasury method)	–	–	–	–
Unvested restricted stock grants	–	–	–	–
Denominator for fully diluted calculation	52,259,002	51,993,031	52,330,829	51,906,335
Net loss per common share:				
Basic	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Fully diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Anti-dilutive shares:				
Stock options	1,815,000	1,884,400	1,815,000	1,884,400
Unvested restricted stock options	3,652,000	1,064,000	3,652,000	1,064,000

The potential common share equivalents are not added to the denominator for three and six months ended June 30, 2023 and 2022 because the inclusion was anti-dilutive, and therefore, all such shares were excluded from the computation of diluted weighted average shares outstanding for both periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net income	$ 1,100,604	$ 852,109	$ 836,318	$ 314,680
Denominator:				
Weighted average common shares:				
Denominator for basic calculation	52,548,101	52,142,225	52,404,049	51,968,496
Weighted average effects of potentially diluted common stock:				
Stock options (calculated using the treasury method)	472,791	594,553	745,193	457,256
Unvested restricted stock grants	463,782	628,247	1,137,250	250,955
Denominator for fully diluted calculation	53,484,674	53,365,025	54,286,492	52,676,707
Net income per common share:				
Basic	$ 0.02	$ 0.02	$ 0.02	$ 0.01
Fully diluted	$ 0.02	$ 0.02	$ 0.02	$ 0.01

8. COMMITMENTS AND CONTINGENCIES

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

The Company has been named as a defendant in three complaints filed in the United States District Court for the District of Nevada: Yilan Shi v. Paysign, Inc. et. al., filed on March 19, 2020 ("Shi"), Lorna Chase v. Paysign, Inc. et. al., filed on March 25, 2020 ("Chase"), and Smith & Duvall v. Paysign, Inc. et. al., filed on April 2, 2020 (collectively, the "Complaints" or "Securities Class Action"). Smith & Duvall v. Paysign, Inc. et. al. was voluntarily dismissed on May 21, 2020. On May 18, 2020, the Shi plaintiffs and another entity called the Paysign Investor Group each filed a motion to consolidate the remaining Shi and Chase actions and to be appointed lead plaintiff. The Complaints are putative class actions filed on behalf of a class of persons who acquired the Company's common stock from March 19, 2019 through March 31, 2020, inclusive. The Complaints generally allege that the Company, Mark R. Newcomer, and Mark Attinger violated Section 10(b) of the Exchange Act, and that Messrs. Newcomer and Attinger violated Section 20(a) of the Exchange Act, by making materially false or misleading statements, or failing to disclose material facts, regarding the Company's internal control over financial reporting and its financial statements. The Complaints seek class action certification, compensatory damages, and attorney's fees and costs. On December 2, 2020, the Court consolidated Shi and Chase as In re Paysign, Inc. Securities Litigation and appointed the Paysign Investor Group as lead plaintiff. On January 12, 2021, Plaintiffs filed an Amended Complaint in the consolidated action. Defendants filed a Motion to Dismiss the Amended Complaint on March 15, 2021, which Plaintiffs opposed via an opposition brief filed on April 29, 2021, to which Defendants replied on June 1, 2021. On February 9, 2023, the Court granted in part and denied in part Defendants' Motion to Dismiss. As of the date of this filing, the Company cannot give any meaningful estimate of likely outcome or damages.

The Company has also been named as a nominal defendant in two stockholder derivative actions in the United States District Court for the District of Nevada. The first derivative action is entitled Andrzej Toczek, derivatively on behalf of Paysign, Inc. v. Mark R. Newcomer, et al. and was filed on September 17, 2020. This action alleges violations of Section 14(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, and waste, largely in connection with the failure to correct information technology controls over financial reporting alleged in the Securities Class Action, thereby causing the Company to face exposure in the Securities Class Action. The complaint also alleges insider trading violations against certain individual defendants. On December 16, 2020, the Court approved a stipulation staying the action until the Court in the consolidated Securities Class Action issues a ruling on the Motion to Dismiss. The second derivative action is entitled John K. Gray, derivatively on behalf of Paysign, Inc. v. Mark Attinger, et al. and was filed on May 9, 2022. This action involves the same alleged conduct raised in the Toczek action and asserts claims for breach of fiduciary duty in connection with financial reporting, breach of fiduciary duty in connection with alleged insider trading against certain individual defendants, and unjust enrichment. On June 3, 2022, the Court approved a stipulation staying the action until the Court in the consolidated Securities Class Action issues a ruling on the Motion to Dismiss. On May 10, 2023, the Toczek and Gray actions were consolidated. The Company anticipates filing motions to dismiss given the ruling on the Motion to Dismiss in the consolidated cases. As of the date of this filing, the Company cannot give any meaningful estimate of likely outcome or damages.

The Company has also been named as a nominal defendant in a stockholder derivative action in state court in Clark County, Nevada, filed on October 2, 2023, entitled Simone Blanchette, derivatively on behalf of Paysign, Inc. v. Mark Newcomer, et al. That complaint makes substantially the same allegations as made in the consolidated Toczek and Gray actions discussed above, and also contains a claim that the individual defendants violated Section 10(b) and Rule 10b-5 promulgated thereunder. On that basis, on October 10, 2023, the defendants filed a Notice of Removal of the case to federal court. As of the date of this filing, the Company cannot give any meaningful estimate of likely outcome or damages.

9. RELATED PARTY

A former member of our Board of Directors who served through December 31, 2022 is also a partner in a law firm that the Company engages for services to review regulatory filings and for various other legal matters. During the three and six nine months ended June 30, 2022 September 30, 2022, the Company incurred legal expenses of $41,019 27,561 and $81,753 109,314, respectively, with the related party law firm.

10. INCOME TAX

The effective tax rate (income tax provision as a percentage of loss income before income tax provision) was (126.3 8.7%) for the three months ended June 30, 2023 September 30, 2023, as compared to (13.4 4.1%) for the three months ended June 30, 2022 September 30, 2022. The effective tax rate was (29.2 16.5%) and (5.7 17.1%) for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The effective tax rates vary, primarily as a result of the full valuation on our deferred tax asset assets in both the current year and prior period and the tax benefit related to our stock-based compensation expense and a pretax loss compensation. As of September 30, 2023, management believes that it is more-likely-than-not that the Company's net deferred tax assets would not be realized in the prior year period. near future and the Company would continue to record a full valuation allowance on its deferred tax assets.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law in 2020 and the subsequent extension of the CARES Act through September 30, 2021, the Company was eligible for a refundable employee retention credit subject to certain criteria. The Company has elected an accounting policy to recognize the government assistance when it is probable that the Company is eligible to receive the assistance and present the credit as a reduction of the related expense. As of June 30, 2023 September 30, 2023 and December 31, 2022, the Company recorded $836,734 and $1,296,488, respectively in other receivables on the condensed consolidated balance sheet related to U.S. Federal Government refunds.

11. SUBSEQUENT EVENTS

The Company discloses subsequent events that provide evidence about conditions that did not change the consolidated financial statements at the balance sheet date but have a significant effect on the financial statements at the time of occurrence or on future operations of the company.

On September 30, 2023, the Company had uninsured deposits at our financial institution in the amount of $40,208,706. We have since initiated a program called deposit swapping with our financial institution, whereby the financial institution utilizes a third party who is participating in reciprocal deposit networks as an alternative way to offer us full Federal Deposit Insurance Corporation ("FDIC") insurance on deposits over $250,000. Under this program, deposit networks divide uninsured deposits into smaller units and distribute these monies among participating banks in the network, whereby the monies are fully FDIC insured.

We have evaluated subsequent events from the balance sheet date through November 8, 2023, the date at which the condensed financial statements were issued and determined that there were no additional items that require adjustment to or disclosure in the condensed financial statement.

Item 2. Management's discussion and analysis of financial condition and results of operations.

Disclosure 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, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") ("Forward-Looking Statements"). All statements other than statements of historical fact included in this report are Forward-Looking Statements. These Forward-Looking Statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "propose," "may," and other similar expressions identify Forward-Looking statements. In the normal course of our business, we, in an effort to help keep our shareholders and the public informed about our operations, may from time-to-time issue certain statements, either in writing or orally, that contain, or may contain, Forward-Looking Statements. Although we believe that the expectations reflected in such Forward-Looking Statements are reasonable, we can give no assurance that such expectations will prove to have been correct. In addition, any statements that refer to expectations, projections, estimates, forecasts, or other characterizations of future events or circumstances are Forward-Looking Statements. These Forward-Looking Statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the Forward-Looking Statements. Such important factors ("Important Factors") and other factors are disclosed in this report, including those factors discussed in "Part II - Item 1A. Risk Factors." All prior and subsequent written and oral Forward-Looking Statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from our expectations as set forth in any Forward-Looking Statement made by or on behalf of us. You are cautioned not to place undue reliance on these Forward-Looking Statements, which relate only to events as of the date on which the statements are made. We undertake no obligation to publicly revise these Forward-Looking Statements to reflect events or circumstances that arise after the date hereof. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

Overview

Paysign, Inc. (the "Company," "Paysign," "we" or "our"), headquartered in Nevada, was incorporated on August 24, 1995, and trades under the symbol PAYS on The Nasdaq Stock Market LLC. We are a vertically integrated provider of prepaid card products and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rates, reduce administration costs and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. We market our prepaid card solutions under our Paysign® brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid card lifecycle.

We operate on a powerful, high-availability payments platform with cutting-edge fintech capabilities that can be seamlessly integrated with our clients' systems. This distinctive positioning allows us to provide end-to-end technologies that securely manage transaction processing, cardholder enrollment, value loading, account management, data and analytics, and customer service. Our architecture is known for its cross-platform compatibility, flexibility, and scalability – allowing our clients and partners to leverage these advantages for cost savings and revenue opportunities.

Our suite of product offerings include includes solutions for corporate rewards, prepaid gift cards, general purpose reloadable debit cards, employee incentives, consumer rebates, donor compensation, clinical trials, healthcare reimbursement payments and pharmaceutical payment assistance, and demand deposit accounts accessible with a debit card. In the future, we expect to further expand our product into other prepaid card offerings such as travel cards and expense reimbursement cards. Our cards are sponsored by our issuing bank partners.

Our revenues include fees generated from cardholder fees, interchange, card program management fees, transaction claims processing fees, and settlement income. Revenue from cardholder fees, interchange, card program management fees, and transaction claims processing fees is recorded when the performance obligation is fulfilled. Settlement income is recorded at the expiration of the card program and relates solely to our pharma prepaid business which ended in 2022.

We have two categories for our prepaid debit cards: (1) corporate and consumer reloadable cards, and (2) non-reloadable cards.

Reloadable Cards: These types of cards are generally classified as payroll or considered general purpose reloadable ("GPR") cards. Payroll cards are issued by an employer to an employee in order to allow the employee to access payroll amounts that are deposited into an account linked to their card. GPR cards can also be issued to a consumer at a retail location or mailed to a consumer after completing an on-line application. GPR cards can be reloaded multiple times with a consumer's payroll, government benefit, a federal or state tax refund or through cash reload networks located at retail locations. Reloadable cards are generally open-loop cards as described below.

Non-Reloadable Cards: These are generally one-time use cards that are only active until the funds initially loaded to the card are spent. These types of cards are generally used as gift or incentive cards. Normally these types of cards are used for the purchase of goods or services at retail locations and cannot be used to receive cash.

Both reloadable and non-reloadable cards may be open-loop, closed-loop, or restricted-loop. Open-loop cards can be used to receive cash at ATM locations by PIN; or purchase goods or services by PIN or signature at retail locations virtually anywhere that the network brand (American Express, Discover, Mastercard, Visa, etc.) is accepted. Closed-loop cards can only be used at a specific merchant. Restricted-loop cards can be used at several merchants, or a defined group of merchants, such as all merchants at a specific shopping mall.

The prepaid card market in the U.S. has experienced significant growth in recent years due to consumers and merchants embracing improved technology, greater convenience, more product choices and greater flexibility. Prepaid cards have also proven to be an attractive alternative to traditional bank accounts for certain segments of the population, particularly those without, or who could not qualify for, a checking or savings account.

We manage all aspects of the prepaid card lifecycle, from managing the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, lost and stolen card management, and replacement. We deploy a 24/7/365 fully staffed, in-house customer service department which utilizes bilingual customer service representatives, Interactive Voice Response, and two-way short message service messaging and text alerts.

Currently, we are focusing our marketing efforts on corporate incentive and expense prepaid card products in various market verticals including but not limited to general corporate expense, healthcare related markets including patient affordability solutions, clinical trials and donor compensation, loyalty rewards, and incentive cards.

As part of our continuing platform expansion process, we evaluate current and emerging technologies for applicability to our existing and future software platform. To this end, we engage with various hardware and software vendors in evaluation of various infrastructure components. Where appropriate, we use third-party technology components in the development of our software applications and service offerings. Third-party software may be used for highly specialized business functions, which we may not be able to develop internally within time and budget constraints. Our principal target markets for processing services include prepaid card issuers, retail and private-label issuers, small third-party processors, and small and mid-size financial institutions in the United States and Mexico.

We have devoted more extensive resources to sales and marketing activities as we have added essential personnel to our marketing, sales and support teams. We market our Paysign payment solutions through direct marketing by the Company's sales team. Our primary market focus is on companies that require a streamlined payment solution for rewards, rebates, payment assistance, and other payments to their customers, employees, agents and others. To reach these markets, we focus our sales efforts on direct contact with our target market and attendance at various industry specific conferences. We may, at times, utilize independent contractors who make direct sales and are paid commissions and/or restricted stock awards. We market our Paysign Premier product through existing communication channels to a targeted segment of our existing cardholders, as well as to a broad group of individuals, ranging from non-banked to fully banked consumers with a focus on long term users of our product.

For the remainder of 2023, we plan to continue to invest additional funds in technology improvements, sales and marketing, customer service, and regulatory compliance. From time to time, we evaluate raising capital to enable us to diversify into new market verticals. If we do not raise new capital, we believe that we will still be able to support our existing business and expand into new vertical markets using internally generated funds.

Results of Operations

Comparison of the Three Months Ended June 30, 2023 September 30, 2023 to the Three Months Ended June 30, 2022 September 30, 2022

The following table summarizes our consolidated financial results for the three months ended June 30, 2023 September 30, 2023 in comparison to the three months ended June 30, 2022 September 30, 2022:

	Three Months Ended June 30, (Unaudited)		Variance		Three Months Ended September 30, (Unaudited)		Variance	
	2023	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Revenues								
Plasma industry	**$ 10,014,461**	**$ 7,806,201**	**$ 2,208,260**	**28.3%**	**$ 11,061,712**	**$ 9,829,811**	**$ 1,231,901**	**12.5%**
Pharma industry	**729,236**	**773,311**	**(44,075)**	**(5.7%)**	**1,026,270**	**693,353**	**332,917**	**48.0%**
Other	**297,354**	**19,264**	**278,090**	**1443.6%**	**312,343**	**73,264**	**239,079**	**326.3%**
Total revenues	**11,041,051**	**8,598,776**	**2,442,275**	**28.4%**	**12,400,325**	**10,596,428**	**1,803,897**	**17.0%**
Cost of revenues	**5,425,311**	**3,900,965**	**1,524,346**	**39.1%**	**6,068,207**	**4,847,780**	**1,220,427**	**25.2%**
Gross profit	**5,615,740**	**4,697,811**	**917,929**	**19.5%**	**6,332,118**	**5,748,648**	**583,470**	**10.1%**
Gross margin %	**50.9%**	**54.6%**			**51.1%**	**54.3%**		
Operating expenses								
Selling, general and administrative	**5,304,625**	**4,255,976**	**1,048,649**	**24.6%**	**4,696,509**	**4,386,757**	**309,752**	**7.1%**
Depreciation and amortization	**958,001**	**713,180**	**244,821**	**34.3%**	**1,045,177**	**738,883**	**306,294**	**41.5%**
Total operating expenses	**6,262,626**	**4,969,156**	**1,293,470**	**26.0%**	**5,741,686**	**5,125,640**	**616,046**	**12.0%**
Loss from operations	**$ (646,886)**	**$ (271,345)**	**$ (375,541)**	**138.4%**				
Income from operations					**$ 590,432**	**$ 623,008**	**$ (32,576)**	**(5.2%)**
Net loss	**$ (104,156)**	**$ (228,034)**	**$ 123,878**	**(54.3%)**				
Other income					**$ 615,324**	**$ 265,284**	**$ 350,040**	**131.9%**
Net Income					**$ 1,100,604**	**$ 852,109**	**$ 248,495**	**29.2%**
Net margin %	**(0.9%)**	**(2.7%)**			**8.9%**	**8.0%**		

The increase in total revenues of $2,442,275 $1,803,897 for the three months ended June 30, 2023 September 30, 2023 compared to the same period in the prior year consisted primarily of a $2,208,260 $1,231,901 increase in Plasma revenue, a $44,075 decrease $332,917 increase in Pharma revenue, and a $278,090 $239,079 increase in Other revenue. The increase in Plasma revenue was primarily due to an increase in the number of plasma centers and donations, and, consequently, dollars loaded to cards, cardholder fees, and interchange, as there continues to be an increase in demand for plasma driven by global increases of plasma protein therapies. The decrease increase in Pharma revenue was primarily due to the end of our pharma prepaid programs in 2022, offset by the launch of new pharma patient affordability programs. The increase in Other revenue was primarily due to the growth of our payroll program and launch of new payroll, retail programs, and other prepaid card disbursement programs.

Cost of revenues for the three months ended June 30, 2023 September 30, 2023 increased $1,524,346 $1,220,427 compared to the same period in the prior year. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production and postage costs, customer service, program management, application integration setup, and sales and commission expense. Cost of revenues increased during the second third quarter of 2023 primarily due to an increase in cardholder usage activity and associated network expenses such as interchange and ATM costs, an increase in plastics and collateral related to an increase in the number of unique card loads, an increase in network expenses and sales commissions related to the growth in our pharma patient affordability business, a new direct network connection with Mastercard, and an increase in customer service expenses associated with wage inflation pressures and the overall growth in our business, offset by a decline in postage.

Gross profit for the three months ended June 30, 2023 September 30, 2023 increased $917,929 $583,470 compared to the same period in the prior year resulting primarily from the increase in Plasma revenue and the beneficial impact of a variable cost structure as many of the plasma transaction costs are variable in nature which are provided by third parties who charge us based on the number of active cards outstanding and the number of transactions that occurred during the period. Gross profit also benefited from the growth in our pharma patient affordability business. The increase in gross profit was offset by the termination of our pharma prepaid business in 2022, price increases by many of our third party service providers, a new direct network connection with Mastercard, and an increase in customer service expenses mentioned above. The decrease in gross margin resulted from the aforementioned factors.

Selling, general and administrative expenses ("SG&A") for the three months ended June 30, 2023 September 30, 2023 increased $1,048,649 $309,752 compared to the same period in the prior year and consisted primarily of an increase in compensation and benefits of approximately $690,000 $385,000 due to continued hiring to support the Company's growth, a tight labor market and increased personnel insurance benefit costs, an increase in stock based compensation expense of approximately $340,000, $144,000, an increase in technologies and telecom of approximately $79,000, an increase in non-IT professional services of approximately $54,000, and an increase in non-IT outside professional services travel and entertainment of approximately $235,000. $42,000. This increase was offset by a $210,000 $391,000 increase in the amount of capitalized platform development costs and a decrease in all other operating expenses of approximately $8,000. $4,000.

Depreciation and amortization expense for the three months ended June 30, 2023 September 30, 2023 increased $244,821 $306,294 compared to the same period in the prior year. The increase in depreciation and amortization expense was primarily due to continued capitalization of new software development costs and equipment purchases related to the continued enhancements to our processing platform.

For the three months ended June 30, 2023 September 30, 2023, we recorded a loss income from operations of $646,886 $590,432 representing a decline of $375,541 $32,576 compared to a loss income from operations of $271,345 $623,008 during the same period last year related to the aforementioned factors.

Other income for the three months ended June 30, 2023 September 30, 2023, increased $530,640 $350,040 primarily related to an increase in interest rates and the associated interest income received on higher average bank account balances at our sponsor bank.

We recorded an income tax expense of $58,137 $105,152 for the three months ended June 30, 2023 September 30, 2023, which equates to an effective tax rate of (126.3 8.7%) primarily as a result of state taxes, the full valuation on our deferred tax asset, assets in both the current and prior period and the tax benefit related to our stock-based compensation expense and the pretax loss during the period. compensation. We recorded an income tax expense of $26,916 $36,183 for the three months ended June 30, 2022 September 30, 2022, which equates to an effective tax rate of 4.1 (13.4%) % primarily as a result of the full valuation on our deferred tax asset, the tax benefit related to our stock-based compensation expense and the pretax loss during the period.

The net loss income for the three months ended June 30, 2023 September 30, 2023 was $104,156, $1,100,604, an improvement of $123,878 $248,495 compared to the net loss income of $228,034 $852,109 for the three months ended June 30, 2022 September 30, 2022. The overall change in net loss income relates to the aforementioned factors.

Comparison of the Six Nine Months Ended June 30, 2023 September 30, 2023 to the Six Nine Months Ended June 30, 2022 September 30, 2022

The following table summarizes our consolidated financial results for the six nine months ended June 30, 2023 September 30, 2023 in comparison to the six nine months ended June 30, 2022 September 30, 2022:

	Six Months Ended June 30, (unaudited)		Variance		Nine Months Ended September 30, (unaudited)		Variance	
	2023	**2022**	**$**	**%**	**2023**	**2022**	**$**	**%**
Revenues								
Plasma industry	**$ 19,374,528**	**$ 15,200,565**	**$ 4,173,963**	**27.5%**	**$ 30,436,240**	**$ 25,030,376**	**$ 5,405,864**	**21.6%**
Pharma industry	**1,318,798**	**1,579,879**	**(261,081)**	**(16.5%)**	**2,345,068**	**2,273,232**	**71,836**	**3.2%**
Other	**491,015**	**38,971**	**452,044**	**1159.9%**	**803,358**	**112,235**	**691,123**	**615.8%**
Total revenues	**21,184,341**	**16,819,415**	**4,364,926**	**26.0%**	**33,584,666**	**27,415,843**	**6,168,823**	**22.5%**
Cost of revenues	**10,520,932**	**7,123,355**	**3,397,577**	**47.7%**	**16,589,139**	**11,971,135**	**4,618,004**	**38.6%**
Gross profit	**10,663,409**	**9,696,060**	**967,349**	**10.0%**	**16,995,527**	**15,444,708**	**1,550,819**	**10.0%**
Gross margin %	**50.3%**	**57.6%**			**50.6%**	**56.3%**		
Operating expenses								
Selling, general and administrative	**10,250,075**	**8,896,888**	**1,353,187**	**15.2%**	**14,946,584**	**13,283,645**	**1,662,939**	**12.5%**
Depreciation and amortization	**1,803,017**	**1,392,351**	**410,666**	**29.5%**	**2,848,194**	**2,131,234**	**716,960**	**33.6%**
Total operating expenses	**12,053,092**	**10,289,239**	**1,763,853**	**17.1%**	**17,794,778**	**15,414,879**	**2,379,899**	**15.4%**
Loss from operations	**$ (1,389,683)**	**$ (593,179)**	**$ (796,504)**	**134.3%**				
Income (loss) from operations					**$ (799,251)**	**$ 29,829**	**$ (829,080)**	**(2779.4%)**
Net loss	**$ (264,286)**	**$ (537,429)**	**$ 273,143**	**(50.8%)**				
Other income					**$ 1,800,388**	**$ 349,847**	**$ 1,450,541**	**414.6%**
Net income					**$ 836,318**	**$ 314,680**	**$ 521,638**	**165.8%**
Net margin %	**(1.2%)**	**(3.2%)**			**2.5%**	**1.1%**		

The increase in total revenues of $4,364,926 $6,168,823 for the six nine months ended June 30, 2023 September 30, 2023 compared to the same period in the prior year consisted primarily of a $4,173,963 $5,405,864 increase in Plasma revenue, a $71,836 increase in Pharma revenue and a $452,044 $691,123 increase in Other revenue, offset by a $261,081 decrease in Pharma revenue. The increase in Plasma revenue was primarily due to an increase in the number of plasma centers and donations, and, consequently, dollars loaded to cards, cardholder fees, and interchange, as COVID-19 restrictions such as donation center closures, mobility restrictions and Federal government stimulus measures were relaxed compared to the prior year period. The increase in Pharma revenue was due to the launch of new pharma patient affordability programs and growth of existing pharma patient affordability programs. The increase in Other revenue was primarily driven by our the launch of new payroll, retail, and other prepaid card disbursement programs. The decrease in Pharma revenue was primarily due to the end of our pharma prepaid programs in 2022, offset by the launch of new pharma patient affordability programs.

Cost of revenues for the six nine months ended June 30, 2023 September 30, 2023 increased $3,397,577 $4,618,004 compared to the same period in the prior year. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production and postage costs, customer service, program management, application integration setup, and sales and commission expense. Cost of revenues increased during the six nine months of 2023 primarily due to the increase in cardholder usage activity and associated network expenses such as interchange and ATM costs, an increase in plastics, collateral and postage expenses related to new plasma donations and changes to collateral materials, the increase in network expenses related to our pharma patient affordability business, and the increase in customer service expenses associated with wage inflation pressures and the overall growth in our business, offset by a decline in sales commissions related to the restructuring of an agreement in the first quarter of 2022.

Gross profit for the six nine months ended June 30, 2023 September 30, 2023 increased $967,349 $1,550,819 compared to the same period in the prior year resulting from the increase in Plasma revenue, the restructuring of an agreement mentioned above, and the beneficial impact of a variable cost structure as many of the plasma transaction costs are provided by third parties who charge us based on the number of transactions that occurred during the period. The increase in gross profit was offset by the termination of our pharma prepaid business in 2022, price increases by many of our third party service providers, a new direct network connection with Mastercard, and an increase in customer service expenses mentioned above. The decrease in gross margin resulted from the aforementioned factors.

SG&A for the six nine months ended June 30, 2023 September 30, 2023 increased $1,353,187 $1,662,939 compared to the same period in the prior year and consisted primarily of an increase in compensation and benefits of approximately $1,688,000 $2,072,000 due to continued hiring to support the Company's growth, a tight labor market and increased personnel insurance benefit costs, an increase in stock based compensation expense of approximately $391,000, $534,000, an increase in outside professional services for technologies and telecom of approximately $206,000, and an increase in non-IT outside professional services of approximately $117,000, and an increase in all other operating expenses of approximately $13,000. $171,000. This increase was offset by an increase of approximately $856,000 $1,247,000 in capitalized platform development costs. costs, a decrease in all other operating expenses of approximately $20,000, and an increase in the reclass of customer care expenses of approximately $53,000 into cost of revenues.

Depreciation and amortization expense for the six nine months ended June 30, 2023 September 30, 2023 increased $410,666 $716,960 compared to the same period in the prior year. The increase in depreciation and amortization expense was primarily due to continued capitalization of development costs and equipment purchases related to the continued enhancements to our processing platform.

For the six nine months ended June 30, 2023 September 30, 2023 we recorded a loss from operations of $1,389,683 $799,251 representing a decline decrease of $796,504 $829,080 compared to the same period last year related to the aforementioned factors.

Other income for the six nine months ended June 30, 2023 September 30, 2023 increased $1,100,501 $1,450,541 related to an increase in interest rates and the associated interest income received on higher average bank account balances at our sponsor bank.

We recorded an income tax expense of $59,667 $164,819 for the six nine months ended June 30, 2023 September 30, 2023 which equates to an effective tax rate of (29.2%) 16.5% primarily as a result of the full valuation on our deferred tax asset, assets in both the current and prior period and the tax benefit related to our stock-based compensation expense and the pretax loss during the period. compensation. We recorded an income tax expense of $28,813 $64,996 for the six nine months ended June 30, 2022 September 30, 2022, which equates to an effective tax rate of 17.1(5.7%)% primarily as a result of the full valuation on our deferred tax asset, the tax benefit related to our stock-based compensation expense and the pretax loss during the period.

The net loss income for the six nine months ended June 30, 2023 September 30, 2023 was $264,286, $836,318, an improvement of $273,143 $521,638 compared to the net loss income of $537,429 $314,680 for the six nine months ended June 30, 2022 September 30, 2022. The overall change in net loss income relates to the aforementioned factors.

Key Performance Indicators and Non-GAAP Measures

Management reviews a number of metrics to help us monitor the performance of and identify trends affecting our business. We believe the following measures are the primary indicators of our quarterly and annual revenues:

Gross Dollar Volume Loaded on Cards – Cards: Represents the total dollar volume of funds loaded to all of our prepaid card programs. Our gross dollar volume loaded on cards was $405 million $448 million and $375 $462 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. We use this metric to analyze the total amount of money moving into our prepaid card programs.

Conversion Rates on Gross Dollar Volume Loaded on Cards – Cards: Equals revenues, gross profit or net loss income conversion rates of gross dollar volume loaded on cards which are calculated by taking our total revenues, gross profit or net loss, income, respectively, as a numerator and dividing by the gross dollar volume loaded on cards as a denominator. As we derive a number of our financial results from cardholder fees, we utilize these metrics as an indication of the amount of money that is added to cards and will eventually be converted to revenues, gross profit and net income (loss). income. Our total revenue conversion rates for the three months ended June 30, 2023 September 30, 2023 and 2022 were 2.73% 2.77% or 273 277 basis points ("bps"), and 2.29% or 229 bps, respectively, of gross dollar volume loaded on cards. Our total gross profit conversion rates for the three months ended June 30, 2023 September 30, 2023 and 2022 were 1.39% 1.41% or 139 141 bps, and 1.25% 1.24% or 125 124 bps, respectively, of gross dollar volume loaded on cards. Our net loss income conversion rates for the three months ended June 30, 2023 September 30, 2023 and 2022 were (0.01%) 0.25% or (1) bp, 25 bps, and (0.06%) 0.18% or (6) 18 bps, respectively, of gross dollar volume loaded on cards.

Management also reviews key performance indicators, such as revenues, gross profit, operational expenses as a percent of revenues, and cardholder participation. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a financial tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment and investment in new card programs. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income (loss), earnings (loss) per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

"EBITDA" is defined as earnings before interest, income taxes, and depreciation and amortization expense and "Adjusted EBITDA" reflects the adjustment to EBITDA to exclude stock-based compensation expense. A reconciliation of net loss income to Adjusted EBITDA is provided in the table below.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Reconciliation of Adjusted EBITDA to net loss:								
Net loss	$ (104,156)	$ (228,034)	$ (264,286)	$ (537,429)				
Reconciliation of Adjusted EBITDA to net income:								
Net income					$1,100,604	$ 852,109	$ 836,318	$ 314,680
Income tax provision	58,137	26,916	59,667	28,813	105,152	36,183	164,819	64,996
Interest income, net	(600,867)	(70,227)	(1,185,064)	(84,563)	(615,324)	(265,284)	(1,800,388)	(349,847)
Depreciation and amortization	958,001	713,180	1,803,017	1,392,351	1,045,177	738,883	2,848,194	2,131,234
EBITDA	311,115	441,835	413,334	799,172	1,635,609	1,361,891	2,048,943	2,161,063
Stock-based compensation	830,426	488,287	1,448,670	1,057,789	709,750	566,205	2,158,420	1,623,994
Adjusted EBITDA	$ 1,141,541	$ 930,122	$ 1,862,004	$ 1,856,961	$2,345,359	$1,928,096	$ 4,207,363	$3,785,057

Liquidity and Capital Resources

The following table sets forth the major sources and uses of cash:

	Six Months Ended June 30, (Unaudited) 2023	Six Months Ended June 30, (Unaudited) 2022	Nine Months Ended September 30, (Unaudited) 2023	Nine Months Ended September 30, (Unaudited) 2022
Net cash provided by operating activities	$ 151,348	$ 16,399,465	$ 4,180,064	$30,954,307
Net cash used in investing activities	(3,044,110)	(1,575,209)	(4,999,986)	(2,584,009)
Net cash used in financing activities	(968,067)	–	(1,118,284)	–
Net increase in cash and restricted cash	$ (3,860,829)	$ 14,824,256	$(1,938,206)	$28,370,298

Comparison of Six Nine months Ended June 30, 2023 September 30, 2023 and 2022

During the six nine months ended June 30, 2023 September 30, 2023 and 2022, we financed our operations through internally generated funds.

Cash provided by operating activities decreased $16,248,117 $26,774,243 for the six nine months ended June 30, 2023 September 30, 2023, as compared to the same period in the prior year. The decrease is primarily due to changes in cash flows from operating assets and liabilities, particularly decreases in customer card funding of $17,507,204 $29,942,096 related to the termination of our plasma prepaid business and timing of customer deposits for plasma and pharma patient affordability programs and an increase in accounts receivable of $2,973,641. $1,958,062. These cash flow decreases were partially offset by cash flow increases of $621,264 $486,629 primarily related to the collection of employee retention credits in the current year, increase in accounts payable and accrued liabilities of $2,621,446, $2,705,880, an improvement in net loss income from operations of $273,143, $521,638, an increase in stock-based compensation of $390,881, $534,426, and an increase in depreciation and amortization of $410,666. $716,690. The changes in accounts receivable and accounts payable are primarily related to the growth in our pharma patient affordability business as we are invoiced by third party service providers at the end of the period and are due monies from our pharma patient affordability customers to cover these amounts due at the end of the period.

Cash used in investing activities increased $1,468,901 $2,415,977 for the six nine months ended June 30, 2023 September 30, 2023 as compared to the same period in the prior year. The change between periods was primarily attributed to an increase in the capitalization of internally developed software as we continue to invest in our technology platform.

Cash used in financing activities increased $968,067 $1,118,284 for the six nine months ended June 30, 2023 September 30, 2023 as compared to the same period in the prior year. The change between periods was primarily attributed to the repurchase of 319,558 394,558 shares of the company's common stock at a weighted average price of $3.06 $2.86 per share.

Our significant contractual cash requirements also include ongoing payments for lease liabilities. For additional information regarding our cash commitments and contractual obligations, see "Note 4 – LEASE" in the notes to the accompanying consolidated financial statements.

Sources of Liquidity

We believe that our available cash on hand, excluding restricted cash, at June 30, 2023 September 30, 2023 of $7,670,677, $9,936,627, along with our forecast for revenues and cash flows for the remainder of 2023 and for 2024, through the first quarter of 2025, will be sufficient to sustain our operations for the next eighteen months. In light of the recent bank failures, we continue to monitor the health and soundness of our bank relationships through publicly available information. Based on recent SEC filings, we have not discovered any issues that would cause us to alter our relationships.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 2 of the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Our estimates are based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures. Procedures

Disclosure controls and procedures means controls and other procedures that are designed to ensure that the information we are required to disclose 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 Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2023September 30, 2023. Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of June 30, 2023September 30, 2023, the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2023September 30, 2023, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

The Company has been named as a defendant in three complaints filed in the United States District Court for the District of Nevada: Yilan Shi v. Paysign, Inc. et. al., filed on March 19, 2020 ("Shi"), Lorna Chase v. Paysign, Inc. et. al., filed on March 25, 2020 ("Chase"), and Smith & Duvall v. Paysign, Inc. et. al., filed on April 2, 2020 (collectively, the "Complaints" or "Securities Class Action"). Smith & Duvall v. Paysign, Inc. et. al. was voluntarily dismissed on May 21, 2020. On May 18, 2020, the Shi plaintiffs and another entity called the Paysign Investor Group each filed a motion to consolidate the remaining Shi and Chase actions and to be appointed lead plaintiff. The Complaints are putative class actions filed on behalf of a class of persons who acquired the Company's common stock from March 19, 2019 through March 31, 2020, inclusive. The Complaints generally allege that the Company, Mark R. Newcomer, and Mark Attinger violated Section 10(b) of the Exchange Act, and that Messrs. Newcomer and Attinger violated Section 20(a) of the Exchange Act, by making materially false or misleading statements, or failing to disclose material facts, regarding the Company's internal control over financial reporting and its financial statements. The Complaints seek class action certification, compensatory damages, and attorney's fees and costs. On December 2, 2020, the Court consolidated Shi and Chase as In re Paysign, Inc. Securities Litigation and appointed the Paysign Investor Group as lead plaintiff. On January 12, 2021, Plaintiffs filed an Amended Complaint in the consolidated action. Defendants filed a Motion to Dismiss the Amended Complaint on March 15, 2021, which Plaintiffs opposed via an opposition brief filed on April 29, 2021, to which Defendants replied on June 1, 2021. On February 9, 2023, the Court granted in part and denied in part Defendants' Motion to Dismiss. As of the date of this filing, the Company cannot give any meaningful estimate of likely outcome or damages.

The Company has also been named as a nominal defendant in two stockholder derivative actions in the United States District Court for the District of Nevada. The first derivative action is entitled Andrzej Toczek, derivatively on behalf of Paysign, Inc. v. Mark R. Newcomer, et al. and was filed on September 17, 2020. This action alleges violations of Section 14(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, and waste, largely in connection with the failure to correct information technology controls over financial reporting alleged in the Securities Class Action, thereby causing the Company to face exposure in the Securities Class Action. The complaint also alleges insider trading violations against certain individual defendants. On December 16, 2020, the Court approved a stipulation staying the action until the Court in the consolidated Securities Class Action issues a ruling on the Motion to Dismiss. The second derivative action is entitled John K. Gray, derivatively on behalf of Paysign, Inc. v. Mark Attinger, et al. and was filed on May 9, 2022. This action involves the same alleged conduct raised in the Toczek action and asserts claims for breach of fiduciary duty in connection with financial reporting, breach of fiduciary duty in connection with alleged insider trading against certain individual defendants, and unjust enrichment. On June 3, 2022, the Court approved a stipulation staying the action until the Court in the consolidated Securities Class Action issues a ruling on the Motion to Dismiss. On May 10, 2023, the Toczek and Gray actions were consolidated. The Company anticipates filing motions to dismiss given the ruling on the Motion to Dismiss in the consolidated cases. As of the date of this filing, the Company cannot give any meaningful estimate of likely outcome or damages.

The Company has also been named as a nominal defendant in a stockholder derivative action in state court in Clark County, Nevada, filed on October 2, 2023, entitled Simone Blanchette, derivatively on behalf of Paysign, Inc. v. Mark Newcomer, et al. That complaint makes substantially the same allegations as made in the consolidated Toczek and Gray actions discussed above, and also contains a claim that the individual defendants violated Section 10(b) and Rule 10b-5 promulgated thereunder. On that basis, on October 10, 2023, the defendants filed a Notice of Removal of the case to federal court. As of the date of this filing, the Company cannot give any meaningful estimate of likely outcome or damages.

ITEM 1A. RISK FACTORS.

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Issuer Purchases of Equity Securities

During the quarter ended June 30, 2023 September 30, 2023, we issued, pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, a total of 74,000 540,000 shares of common stock for restricted stock awards previously earned and vested to certain directors, consultants and employees and the exercise of stock options. employees.

The following table sets forth certain information relating to the purchases of our common stock by us and any affiliated purchasers within the meaning of Rule 10b-18(a)(3) under the Exchange Act during the three months ended June 30, 2023 September 30, 2023.

Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2023 - April 30, 2023	–	$ –	–	$ 4,333,982
May 1, 2023 - May 31, 2023	23,058	2.69	23,058	4,272,167
June 1, 2023 - June 30, 2023	96,500	2.59	96,500	4,022,982
Total	119,558	$ 2.61	119,558	$ 4,022,982

Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2023 - July 31, 2023	–	$ –	–	$ 4,022,333
August 1, 2023 - August 31, 2023	75,000	2.00	75,000	3,872,116
September 1, 2023 - September 30, 2023	–	–	–	3,872,116
Total	75,000	$ 2.00	75,000	$ 3,872,116

(1) On March 21, 2023, our board of directors authorized a stock repurchase program to repurchase up to $5 million of our common stock, subject to certain conditions, in the open market, in privately negotiated transactions, or by other means in compliance with Rule 10b-18 under the Exchange Act. The program is expected to be completed within 36 months from the commencement date.

ITEM 5. OTHER INFORMATION

During the quarter ended June 30, 2023 September 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (in each case, as defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS.

10.11	Paysign, Inc. 2023 Equity Incentive Plan (1)
31.1*	Rule 13a-14(a)/15d-14(a) Certifications
31.2*	Rule 13a-14(a)/15d-14(a) Certifications
32.1*	Section 1350 Certifications
32.2*	Section 1350 Certifications
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in iXBRL, and included in exhibit 101).

*** Filed herewith.**

(1) Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 9, 2023 (File Number 001-38623).

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.

PAYSIGN, INC.

Date: August 9, 2023 November 8, 2023	*/s/ Mark Newcomer*
	By: Mark Newcomer, Chief Executive Officer (principal executive officer)
Date: August 9, 2023 November 8, 2023	*/s/ Jeff Baker*
	By: Jeff Baker, Chief Financial Officer (principal financial and accounting officer)

Exhibit 31.1

CERTIFICATION

I, Mark Newcomer, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023 September 30, 2023 (the "report") of Paysign, 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 registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 9, 2023 November 8, 2023	*/s/ Mark Newcomer*
	Mark Newcomer Chief Executive Officer (principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Jeff Baker, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2023 September 30, 2023 (the "report") of Paysign, 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 registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 9, 2023 November 8, 2023	*/s/ Jeff Baker*
	Jeff Baker Chief Financial Officer (principal financial and accounting officer)

Exhibit 32.1

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Mark Newcomer, the Chief Executive Officer of Paysign, Inc., a Nevada corporation (the "Company"), does do hereby certify, to the best of my knowledge, that:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2023 September 30, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Mark Newcomer

Mark Newcomer
Chief Executive Officer
(principal executive officer)

Date: August 9, 2023 November 8, 2023

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Paysign, 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 the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Jeff Baker, the Chief Financial Officer of Paysign, Inc., a Nevada corporation (the "Company"), does do hereby certify, to the best of my knowledge, that:

1. The Quarterly Report on Form 10-Q for the period ended June 30, 2023 September 30, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Jeff Baker

Jeff Baker
Chief Financial Officer
(principal financial and accounting officer)

Date: August 9, 2023 November 8, 2023

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Paysign, 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 the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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