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012024-09-30xbrli:sharesiso4217:USDiso4217:USDxbrli:sharesispc:leasexbrli:pureispc:segmentTable of Contentsâ€‹â€‹UNITED STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549FORMÂ 10-Q(Mark One)â€‹â€‹â˜’QUARTERLY REPORT PURSUANT TO SECTIONÂ 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934â€‹For the Quarterly Period Ended September 30, 2024â€‹â€‹â˜TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934â€‹For the transition period from ___ to ___Commission File No. 001-40501iSpecimenÂ Inc.(Exact name of registrant as specified in its charter)â€‹DelawareÂ Â Â Â 27-0480143(State or other jurisdiction of incorporationor organization)â€‹(I.R.S. Employer Identification No.)â€‹8 Cabot Road, Suite 1800, Woburn, Massachusetts 01801(Address of principal executive offices)Â (Zip Code)â€‹(781) 301-6700(Registrantâ€™s telephone number,Â including area code)â€‹450 Bedford Street, Lexington, Massachusetts 02420(Former name, former address and former fiscal year, if changed since last report)â€‹Securities registered pursuant to SectionÂ 12(b)Â of the Act:â€‹Title of Each ClassÂ Â Â Â Trading Symbol(s)Â Â Â Â Name of Each Exchange on Which RegisteredCommon Stock, par value $0.0001 per shareâ€‹ISPCâ€‹The Nasdaq Stock Market LLCâ€‹Indicate by check mark whether the registrant (1)Â has filed all reports required to be filed by SectionÂ 13 or 15(d)Â of the Securities Exchange Act of 1934 during the preceding 12Â months (or for such shorter period that the registrant was required to file such reports), and (2)Â has been subject to such filing requirements for the past 90Â days. â˜’YesÂ â˜NoÂ â€‹Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to RuleÂ 405 of Regulation S-T (Â§232.405 of this chapter) during the preceding 12Â months (or for such shorter period that the registrant was required to submit such files). â˜’ Yes â˜ Noâ€‹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 definitions of â€œlarge accelerated filer,â€ â€œaccelerated filer,â€ â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in RuleÂ 12b-2 of the Exchange Act.â€‹Large accelerated filer â˜â€‹Accelerated filer â˜Non-accelerated filer â˜’â€‹Smaller reporting company â˜’â€‹â€‹Emerging growth company â˜’â€‹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 SectionÂ 13(a)Â of the Exchange Act. â˜â€‹Indicate by check mark whether the registrant is a shell company (as defined in RuleÂ 12b-2 of the Exchange Act). Yes â˜ No â˜’â€‹As of November 4, 2024, there were 962,637 shares of common stock, par value $0.0001 per share, issued and outstanding.â€‹â€‹â€‹â€‹â€‹Table of ContentsiSPECIMEN INC.FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2024TABLE OF CONTENTS

INFORMATIONâ€‹ITEMÂ 1.Legal Proceedings41ITEMÂ 1A.Risk Factors41ITEM 2.Unregistered Sales of Equity Securities and Use of Proceeds41ITEM 3.Defaults Upon Senior Securities41ITEM 4.Mine Safety Disclosures41ITEM 5.Other Information42ITEM 6.Exhibits43SIGNATURES44â€‹â€‹â€‹2Table of ContentsPART I â€“ FINANCIAL INFORMATIONItem 1. Financial Statementsâ€‹â€‹iSpecimenÂ Inc.Condensed Balance Sheetsâ€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Â Â Â â€‹â€‹Â Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹SeptemberÂ 30,Â 2024â€‹DecemberÂ 31,Â 2023â€‹ASSETSâ€‹(Unaudited)â€‹â€‹â€‹â€‹Current assets:Â â€‹Â Â Â â€‹Â Â â€‹Cash and cash equivalentsâ€‹$ 1,751,854â€‹$ 2,343,666â€‹Available-for-sale securitiesâ€‹â€‹ â€”â€‹â€‹ 2,661,932â€‹Accounts receivable â€“ unbilled â€‹Â 1,654,019â€‹Â 2,212,538â€‹Accounts receivable, net of allowance for doubtful accounts of $639,116 and $520,897 at September 30,Â 2024 and DecemberÂ 31,Â 2023, respectivelyâ€‹Â 974,383â€‹Â 728,388â€‹Prepaid expenses and other current assets â€‹Â 277,579â€‹Â 292,079â€‹Total current assets â€‹Â 4,657,835â€‹Â 8,238,603â€‹Property and equipment, net â€‹Â 102,803â€‹Â 127,787â€‹Internally developed software, net â€‹Â 5,357,188â€‹Â 6,323,034â€‹Other intangible assets, net â€‹â€‹ 764,589â€‹â€‹ 908,255â€‹Operating lease right-of-use assetâ€‹â€‹ 342,107â€‹â€‹ 193,857â€‹Security depositsâ€‹Â 39,701â€‹Â 27,601â€‹Total assets â€‹$ 11,264,223â€‹$ 15,819,137â€‹LIABILITIES AND STOCKHOLDERSâ€™ EQUITY â€‹Â Â Â â€‹Â Â Â â€‹Current liabilities:â€‹Â Â Â â€‹Â Â Â â€‹Accounts payableâ€‹$ 4,055,332â€‹$ 3,925,438â€‹Accrued expenses â€‹Â 1,022,373â€‹Â 1,540,607â€‹Senior note payable, net of debt discountâ€‹â€‹ 864,425â€‹â€‹ â€”â€‹Operating lease current obligationâ€‹â€‹ 42,513â€‹Â 167,114â€‹Deferred revenue â€‹Â 283,571â€‹Â 415,771â€‹Total current liabilities â€‹Â 6,268,214â€‹Â 6,048,930â€‹Operating lease long-term obligationâ€‹Â 281,437â€‹Â 29,130â€‹Total liabilities â€‹Â 6,549,651â€‹Â 6,078,060â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Commitments and contingencies (See Note 9)â€‹Â Â Â â€‹Â Â Â â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Stockholdersâ€™ equity â€‹Â â€‹â€‹Â â€‹â€‹Common stock, $0.0001 par value, 200,000,000 shares authorized, 831,373 issued and 829,823 outstanding at September 30,Â 2024 and 455,719 issued and 454,169 outstanding at DecemberÂ 31,Â 2023â€‹Â 83â€‹Â 45â€‹Additional paid-in capital â€‹Â 70,530,467â€‹Â 69,105,176â€‹Treasury stock, 1,550 shares, at costâ€‹Â (172)â€‹Â (172)â€‹Accumulated other comprehensive incomeâ€‹â€‹ â€”â€‹â€‹ 840â€‹Accumulated deficit â€‹Â (65,815,806)â€‹Â (59,364,812)â€‹Total stockholdersâ€™ equity â€‹Â 4,714,572â€‹Â 9,741,077â€‹Total liabilities and stockholdersâ€™ equityâ€‹$ 11,264,223â€‹$ 15,819,137â€‹â€‹â€‹See accompanying notes to these unaudited condensed financial statements.Reflects retroactive effect of a 1-for-20 reverse stock split on September 13, 2024.3Table of ContentsiSpecimenÂ Inc.Condensed Statements of Operations and Comprehensive Loss(Unaudited)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended SeptemberÂ 30,Â â€‹Nine Months Ended September 30,â€‹â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023â€‹Revenue â€‹$ 2,661,936â€‹$ 2,777,751â€‹$ 7,815,608â€‹$ 7,353,090â€‹Operating expenses: â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Cost of revenue â€‹Â 1,554,159â€‹Â 1,392,534â€‹â€‹ 3,978,557â€‹â€‹ 3,393,079â€‹Technology â€‹Â 754,730â€‹Â 921,580â€‹â€‹ 2,578,624â€‹â€‹ 2,599,086â€‹Sales and marketing â€‹Â 631,625â€‹Â 897,433â€‹â€‹ 2,380,515â€‹â€‹ 2,972,757â€‹Supply development â€‹Â 84,972â€‹Â 186,176â€‹â€‹ 420,322â€‹â€‹ 801,038â€‹Fulfillment â€‹Â 449,142â€‹Â 471,735â€‹â€‹ 1,293,185â€‹â€‹ 1,363,427â€‹General and administrative â€‹Â 892,712â€‹Â 1,102,373â€‹â€‹ 4,051,994â€‹â€‹ 4,522,028â€‹Total operating expenses â€‹Â 4,367,340â€‹Â 4,971,831â€‹â€‹ 14,703,197â€‹â€‹ 15,651,415â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Loss from operations â€‹Â (1,705,404)â€‹Â (2,194,080)â€‹â€‹ (6,887,589)â€‹â€‹ (8,298,325)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Other income, netâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Interest expenseâ€‹Â (7,364)â€‹â€‹ (4,465)â€‹â€‹ (16,303)â€‹â€‹ (11,535)â€‹Interest incomeâ€‹Â 1,235â€‹â€‹ 67,362â€‹â€‹ 40,896â€‹â€‹ 292,506â€‹Other income (expense), netâ€‹Â 271,680â€‹â€‹ 20,082â€‹â€‹ 412,002â€‹â€‹ (9,173)â€‹Total other income, netâ€‹Â 265,551â€‹Â 82,979â€‹â€‹ 436,595â€‹â€‹ 271,798â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net loss â€‹$ (1,439,853)â€‹$ (2,111,101)â€‹$ (6,450,994)â€‹$ (8,026,527)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Other comprehensive income (loss):â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ Net lossâ€‹$ (1,439,853)â€‹$ (2,111,101)â€‹$ (6,450,994)â€‹$ (8,026,527)â€‹Unrealized gain (loss) on available-for-sale securities â€‹â€‹ â€”â€‹â€‹ (47)â€‹â€‹ (840)â€‹â€‹ 641â€‹Total other comprehensive income (loss)â€‹â€‹ â€”â€‹â€‹ (47)â€‹â€‹ (840)â€‹â€‹ 641â€‹Comprehensive lossâ€‹$ (1,439,853)â€‹$ (2,111,148)â€‹$ (6,451,834)â€‹$ (8,025,886)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net loss per share - basic and diluted â€‹$ (2.10)â€‹$ (4.66)â€‹$ (11.30)â€‹$ (17.78)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weighted average shares of common stock outstanding - basic and dilutedâ€‹Â 687,141â€‹â€‹ 453,267â€‹â€‹ 570,693â€‹â€‹ 451,487â€‹â€‹See accompanying notes to these unaudited condensed financial statements.Reflects retroactive effect of a 1-for-20 reverse stock split on September 13, 2024.â€‹â€‹â€‹4Table of ContentsiSpecimenÂ Inc.Condensed Statements of Changes in Stockholdersâ€™ Equity (Unaudited)â€‹Nine Months Ended September 30, 2024â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AccumulatedÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Additionalâ€‹Other â€‹â€‹â€‹â€‹Totalâ€‹â€‹CommonÂ Stockâ€‹Treasury Stockâ€‹Â Paid-InÂ â€‹Comprehensiveâ€‹AccumulatedÂ â€‹Stockholders'â€‹Â Â Â Â SharesÂ Â Â Â AmountÂ Â Â Â SharesÂ Â Â Â AmountÂ Â Â Â CapitalÂ Â Â Â IncomeÂ Â Â Â DeficitÂ Â Â Â EquityBalance at December 31, 2023Â 454,169â€‹$ 45â€‹ 1,550â€‹$ (172)â€‹$ 69,105,176â€‹$ 840â€‹$ (59,364,812)â€‹$ 9,741,077Stock-based compensation expenseÂ â€”â€‹â€‹ â€”â€‹ â€”â€‹Â â€”â€‹Â 45,871â€‹Â â€”â€‹Â â€”â€‹Â 45,871Vesting of restricted stockâ€‹ 438â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹â€‹ 48,054â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 48,054Repurchase of common stock purchase warrants exercisable under PIPE Warrantsâ€‹ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹â€‹ (52,500)â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (52,500)Issuance of common stock in connection with At the Market Offering Agreementâ€‹ 18,899â€‹Â 2â€‹ â€”â€‹Â â€”â€‹â€‹ 138,485â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 138,487Offering costs in connection with At the Market Offering Agreementâ€‹ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹â€‹ (204,845)â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (204,845)Unrealized loss on available-for-sale securitiesâ€‹ â€”â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (799)â€‹â€‹ â€”â€‹â€‹ (799)Net lossÂ â€”â€‹Â â€”â€‹â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â (2,902,117)â€‹Â (2,902,117)Balance at March 31, 2024â€‹ 473,506â€‹$ 47â€‹ 1,550â€‹$ (172)â€‹$ 69,080,241â€‹$ 41â€‹$ (62,266,929)â€‹$ 6,813,228Stock-based compensation expenseâ€‹ â€”â€‹â€‹ â€”â€‹ â€”â€‹Â â€”â€‹Â 34,834â€‹Â â€”â€‹Â â€”â€‹Â 34,834Vesting of restricted stockâ€‹ 1,178â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹â€‹ 44,803â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 44,803Issuance of common stock in connection with At The Market Offering Agreementâ€‹ 180,105â€‹Â 18â€‹ â€”â€‹Â â€”â€‹â€‹ 1,355,909â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 1,355,927Offering costs in connection with At The Market Offering Agreementâ€‹ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹â€‹ (50,443)â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (50,443)Unrealized loss on available-for-sale securitiesâ€‹ â€”â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (41)â€‹â€‹ â€”â€‹â€‹ (41)Net lossâ€‹ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â (2,109,024)â€‹Â (2,109,024)Balance at June 30, 2024Â 654,789â€‹$ 65â€‹ 1,550â€‹$ (172)â€‹$ 70,465,344â€‹$ â€”â€‹$ (64,375,953)â€‹$ 6,089,284Stock-based compensation expenseâ€‹ â€”â€‹â€‹ â€”â€‹ â€”â€‹Â â€”â€‹Â 20,302â€‹Â â€”â€‹Â â€”â€‹Â 20,302Vesting of restricted stockâ€‹ 296â€‹Â â€‹â€‹ â€”â€‹Â â€”â€‹â€‹ 44,839â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 44,839Reverse stock split adjustmentâ€‹ 174,738â€‹â€‹ 18â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (18)â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”Net lossâ€‹ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹Â (1,439,853)â€‹Â (1,439,853)Balance at September 30, 2024Â 829,823â€‹$ 83â€‹ 1,550â€‹$ (172)â€‹$ 70,530,467â€‹$ â€”â€‹$ (65,815,806)â€‹$ 4,714,572â€‹See accompanying notes to these unaudited condensed financial statements.Reflects retroactive effect of a 1-for-20 reverse stock split on September 13, 2024.5Table of ContentsiSpecimenÂ Inc.Condensed Statements of Changes in Stockholdersâ€™ Equity (Unaudited)â€‹Nine Months Ended September 30, 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹AccumulatedÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Additionalâ€‹Other â€‹â€‹â€‹â€‹Totalâ€‹â€‹CommonÂ Stockâ€‹Treasury Stockâ€‹Paid-InÂ â€‹Comprehensiveâ€‹AccumulatedÂ â€‹Stockholdersâ€™â€‹Â Â SharesÂ Â Â AmountÂ Â Â Â Â Â SharesÂ Â Â Â AmountÂ Â Â Â Â Â CapitalÂ Â Â Â Incomeâ€‹Deficit Â Â Â Â EquityBalance at December 31, 2022â€‹ 446,290â€‹$ 45â€‹ 1,550â€‹$ (172)â€‹$ 68,574,621â€‹$ â€”â€‹$ (48,265,324)â€‹$ 20,309,170Stock-based compensation expenseâ€‹ â€”â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 54,608â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 54,608Vesting of restricted stockâ€‹ 1,439â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 65,949â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 65,949Issuance of common stock through exercise of stock optionsâ€‹ 3,387â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 67,736â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 67,736Unrealized gain on available-for-sale securitiesâ€‹ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹Â 18,843â€‹â€‹ â€”â€‹â€‹ 18,843Net loss â€‹ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹Â â€”â€‹Â â€”â€‹â€‹ (2,431,812)â€‹Â (2,431,812)Balance at March 31, 2023Â 451,116â€‹$ 45â€‹ 1,550â€‹$ (172)â€‹$ 68,762,914â€‹$ 18,843â€‹$ (50,697,136)â€‹$ 18,084,494Stock-based compensation expenseÂ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹Â 29,829â€‹â€‹ â€”â€‹â€‹ â€”â€‹Â 29,829Vesting of restricted stockâ€‹ 1,890â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 94,868â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 94,868Issuance of common stock through exercise of stock optionsâ€‹ 158â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 3,153â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 3,153Unrealized loss on available-for-sale securitiesâ€‹ â€”â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (18,155)â€‹â€‹ â€”â€‹â€‹ (18,155)Net lossÂ â€”â€‹Â â€”â€‹â€”â€‹Â â€”â€‹Â â€”â€‹â€‹ â€”â€‹â€‹ (3,483,614)â€‹Â (3,483,614)Balance at June 30, 2023â€‹ 453,164â€‹$ 45â€‹ 1,550â€‹$ (172)â€‹$ 68,890,764â€‹$ 688â€‹$ (54,180,750)â€‹$ 14,710,575Stock-based compensation expenseÂ â€”â€‹Â â€”â€‹ â€”â€‹Â â€”â€‹Â 49,394â€‹â€‹ â€”â€‹â€‹ â€”â€‹Â 49,394Vesting of restricted stockâ€‹ 539â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 56,899â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ 56,899Unrealized loss on available-for-sale securitiesâ€‹ â€”â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”â€‹â€‹ â€”â€‹â€‹ (47)â€‹â€‹ â€”â€‹â€‹ (47)Net lossÂ â€”â€‹Â â€”â€‹â€”â€‹Â â€”â€‹Â â€”â€‹â€‹ â€”â€‹â€‹ (2,111,101)â€‹Â (2,111,101)Balance at September 30, 2023â€‹ 453,703â€‹$ 45â€‹ 1,550â€‹$ (172)â€‹$ 68,997,057â€‹$ 641â€‹$ (56,291,851)â€‹$ 12,705,720â€‹See accompanying notes to these unaudited condensed financial statementsReflects retroactive effect of a 1-for-20 reverse stock split on September 13, 2024.â€‹6Table of ContentsiSpecimenÂ Inc.Condensed Statements of Cash Flows(Unaudited)â€‹â€‹â€‹â€‹â€‹â€‹Nine Months Ended September 30,â€‹â€‹Â Â Â Â 2024Â Â Â Â 2023â€‹CASH FLOWS FROM OPERATING ACTIVITIES:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net loss â€‹$ (6,450,994)â€‹$ (8,026,527)â€‹Adjustments to reconcile net loss to net cash used in operating activities:â€‹Â â€‹â€‹Â â€‹â€‹Stock-based compensation expenseâ€‹Â 238,703â€‹Â 351,547â€‹Amortization of internally developed software â€‹Â 1,553,939â€‹Â 1,429,182â€‹Amortization of other intangible assetsâ€‹â€‹ 143,666â€‹â€‹ 6,383â€‹Depreciation of property and equipment â€‹Â 48,607â€‹Â 99,125â€‹Bad debt expense â€‹Â 205,764â€‹Â 243,053â€‹Amortization of discount and debt issuance costs on senior note payableâ€‹â€‹ 4,445â€‹â€‹ â€”â€‹Non-cash interest income related to accretion of discount on available-for-sale securitiesâ€‹â€‹ (28,976)â€‹â€‹ (147,170)â€‹Loss from sales of available-for-sale securitiesâ€‹â€‹ 680â€‹â€‹ â€”â€‹Loss on disposal of property and equipmentâ€‹â€‹ 58â€‹â€‹ â€”â€‹Change in operating assets and liabilities: â€‹Â â€‹â€‹Â â€‹â€‹Accounts receivable â€“ unbilled â€‹Â 558,519â€‹Â 902,355â€‹Accounts receivable â€‹Â (451,759)â€‹Â (350,781)â€‹Prepaid expenses and other current assets â€‹Â 14,500â€‹Â (20,179)â€‹Operating lease right-of-use assetâ€‹â€‹ 112,876â€‹â€‹ (49,113)â€‹Security depositsâ€‹â€‹ (12,100)â€‹â€‹ â€”â€‹Tax credit receivableâ€‹â€‹ â€”â€‹â€‹ 128,541â€‹Accounts payable â€‹Â 129,894â€‹Â (178,899)â€‹Accrued expenses â€‹Â (518,234)â€‹Â (503,278)â€‹Operating lease liabilityâ€‹â€‹ (108,420)â€‹â€‹ 48,495â€‹Deferred revenue â€‹Â (132,200)â€‹Â (85,425)â€‹Net cash used in operating activities â€‹Â (4,691,032)â€‹Â (6,152,691)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹CASH FLOWS FROM INVESTING ACTIVITIES:â€‹Â â€‹â€‹Â â€‹â€‹Capitalization of internally developed software â€‹Â (588,093)â€‹Â (3,501,206)â€‹Capitalization of other intangible assetsâ€‹â€‹ â€”â€‹â€‹ (191,500)â€‹Purchase of property and equipmentâ€‹â€‹ (23,681)â€‹â€‹ (19,478)â€‹Purchase of leasehold improvements included in operating lease right-of-use assetâ€‹â€‹ (25,000)â€‹â€‹ â€”â€‹Purchase of available-for-sale securitiesâ€‹â€‹ (460,932)â€‹â€‹ (10,143,156)â€‹Proceeds from sales and maturities of available-for-sale securitiesâ€‹â€‹ 3,150,320â€‹â€‹ 7,350,000â€‹Net cash provided by (used in) investing activities â€‹Â 2,052,614â€‹Â (6,505,340)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹CASH FLOWS FROM FINANCING ACTIVITIES:â€‹Â Â Â â€‹Â Â Â â€‹Proceeds from issuance of senior note payableâ€‹â€‹ 1,000,000â€‹â€‹ â€”â€‹Proceeds from exercise of stock optionsâ€‹â€‹ â€”â€‹â€‹ 70,889â€‹Proceeds from issuance of common stock in connection with At the Market Offering Agreementâ€‹â€‹ 1,494,414â€‹â€‹ â€”â€‹Payment of debt issuance costs in connection with senior note payableâ€‹â€‹ (140,020)â€‹â€‹ â€”â€‹Payment of offering costs in connection with the issuance of common stock in connection with At the Market Offering Agreementâ€‹â€‹ (255,288)â€‹â€‹ â€”â€‹Repurchase of common stock purchase warrants exercisable under PIPE warrantsâ€‹â€‹ (52,500)â€‹â€‹ â€”â€‹Net cash provided by financing activities â€‹Â 2,046,606â€‹Â 70,889â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net decreases in cash and cash equivalentsâ€‹Â (591,812)â€‹Â (12,587,142)â€‹Cash and cash equivalents at beginning of period â€‹Â 2,343,666â€‹Â 15,308,710â€‹Cash and cash equivalents at end of period â€‹$ 1,751,854â€‹$ 2,721,568â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Supplemental disclosure of cash flow information:â€‹â€‹Â â€‹â€‹Â â€‹â€‹Cash paid for interestâ€‹$ 14,358â€‹$ 11,535â€‹Supplemental disclosure of non-cash investing and financing activities:â€‹â€‹â€‹â€‹â€‹â€‹Non-cash amounts of lease liabilities arising from obtaining right-of-use assetsâ€‹$ 321,805â€‹$ 166,357â€‹Non-cash adjustment to reduce lease liabilities and right-of-use assets due to lease terminationâ€‹$ 85,679â€‹$ â€”â€‹Stock issuance costs included in accounts payable and accrued expensesâ€‹$ 7,023â€‹$ â€”â€‹â€‹See accompanying notes to these unaudited condensed financial statements.â€‹â€‹7Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹â€‹1.NATURE OF BUSINESS AND BASIS OF PRESENTATIONBusinessiSpecimenÂ Inc. (â€œiSpecimenâ€ or the â€œCompanyâ€) was incorporated in 2009 under the laws of the state of Delaware. The Company has developed and launched a proprietary online marketplace platform that connects medical researchers who need access to subjects, samples, and data, with hospitals, laboratories, and other organizations who have access to them. iSpecimen is a technology-driven company founded to address a critical challenge: how to connect life science researchers who need human biofluids, tissues, and living cells (â€œbiospecimensâ€) for their research, with biospecimens available (but not easily accessible) in healthcare provider organizations worldwide. The Companyâ€™s proprietary platform, the iSpecimen Marketplace platform, was designed to solve this problem and transform the biospecimen procurement process to accelerate medical discovery. The Company is headquartered in Woburn, Massachusetts and its principal market is North America. The Company operates as one operating and reporting segment.Basis of PresentationThe accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (â€œGAAPâ€) as determined by Financial Accounting Standards Board (â€œFASBâ€) Accounting Standards Codification (â€œASCâ€) for interim financial information, and, pursuant to the rules and regulations of Article 10 of Regulation S-X of the Securities Act of 1933, as amended (the â€œSecurities Actâ€), published by the Securities and Exchange Commission (â€œSECâ€) for interim financial statements. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited condensed financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results of operations for the periods presented. They may not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these unaudited condensed financial statements should be read in conjunction with the Companyâ€™s audited financial statements and notes thereto contained in the Companyâ€™s Annual Report on Form 10-K for theÂ year ended DecemberÂ 31, 2023.ReclassificationsCertain reclassifications have been made to the Companyâ€™s prior year amounts to conform to the current year presentation.Reverse Stock SplitOn October 9, 2023, the Company received a notification from Nasdaq that its Common Stock failed to maintain a minimum bid price of $1.00 over the previous 30 consecutive business days as required by the Listing Rules of The Nasdaq Stock Market.On July 19, 2024, the Companyâ€™s stockholders approved a proposal to amend the Companyâ€™s Fourth Amended and Restated Certificate of Incorporation (the â€œCertificate of Incorporationâ€) to effect a reverse stock split of the Companyâ€™s issued and outstanding shares of common stock, as well as any shares of common stock held by the Company in treasury, at a ratio in the range from 1-for-10 to 1-for-20.On August 19, 2024, the Companyâ€™s board of directors approved a one-for-twenty (1:20) reverse stock split of the Companyâ€™s issued and outstanding shares of common stock (the â€œReverse Stock Splitâ€). On September 13, 2024, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to the Companyâ€™s Certificate of Incorporation to effect the Reverse Stock Split. The Reverse Stock Split became effective on September 13, 2024, and the Companyâ€™s common stock began trading on a split-adjusted basis on Nasdaq on September 16, 2024.On October 1, 2024, the Company received a notification from Nasdaq that the Staff has determined that for the last 11 consecutive business days, from September 16, 2024 to September 30, 2024, the closing bid price of the Companyâ€™s Common Stock was $1.00 per share or greater. Accordingly, the Company has regained compliance with Listing Rule 5559(a)(2). 8â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹Except as otherwise indicated, all references to the Companyâ€™s common stock, share data, per share data and related information has been adjusted for the Reverse Stock Split ratio of 1-for-20 as if they had occurred at the beginning of the earliest period presented. The Reverse Stock Split combined each 20 shares of our outstanding common stock and treasury shares into one share of common stock without any change in the par value per share, and the Reverse Stock Split correspondingly adjusted, among other things, the exercise rate of our warrants and options into the Companyâ€™s common stock. No fractional shares were issued in connection with the Reverse Stock Split, and any fractional shares resulting from the Reverse Stock Split were rounded up to the nearest whole share.Going Concern Uncertainty and Managementâ€™s PlanThe Company has recognized recurring losses since inception. As of September 30, 2024, the Company had negative working capital ofâ€‰$1,610,379, an accumulated deficit of $65,815,806, cash and cash equivalents and short-term investments of $1,751,854, and accounts payable and accrued expenses ofâ€‰$5,077,705. Since inception, the Company has relied upon raising capital and its revenues to finance operations.The future success of the Company is dependent on its ability to successfully obtain additional working capital and/or to ultimately attain profitable operations. During the year ended December 31, 2023, the Company began initiating efforts to decrease its capital and operational expenditures by cutting costs and right sizing the Company through reductions in workforce while streamlining operations and rationalizing resources to focus on key market opportunities. The reductions in workforce since January 1, 2023 through September 30, 2024, cumulatively resulted in an estimated reduction in monthly compensation costs of approximately 70% and technology costs of approximately 70% by the end of September 30, 2024 when compared to January 1, 2023. While the Company plans to improve its sales and revenues, the Company is taking steps to significantly reduce and manage expenditures to improve its financial position and ensure continued funding of operations. However, as certain elements of the Companyâ€™s operating plan are not within the Companyâ€™s control, the Company is unable to assess their probability of success. In the nine months ended September 30, 2024, the Company engaged in raising capital through debt financing as discussed in Note 7 and subsequently, through public equity as discussed in Note 13. The Company may be unsuccessful in increasing its revenues or contain its operating expenses, or it may be unable to raise additional capital on commercially favorable terms. The Companyâ€™s failure to generate additional revenues or contain operating costs would have a negative impact on the Companyâ€™s business, results of operations and financial condition and the Companyâ€™s ability to continue as a going concern. If the Company does not generate enough revenue to provide an adequate level of working capital, its business plan will be scaled down further.These conditions raise substantial doubt regarding the Companyâ€™s ability to continue as a going concern for a period of one year from the date these unaudited condensed financial statements are issued. Managementâ€™s plan to mitigate the conditions that raise substantial doubt includes generating additional revenues, deferring certain projects and capital expenditures and eliminating certain future operating expenses for the Company to continue as a going concern. However, there can be no assurance that the Company will be successful in completing any of these options. As a result, managementâ€™s plans cannot be considered probable and thus do not alleviate substantial doubt about the Companyâ€™s ability to continue as a going concern.The accompanying unaudited condensed financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The unaudited condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESThe Companyâ€™s significant accounting policies and recent accounting standards are summarized in NoteÂ 2 to the Companyâ€™s Annual Report on Form 10-K for theÂ year ended DecemberÂ 31, 2023. There were no significant changes to these accounting policies during the nine months ended September 30, 2024.9â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹Use of EstimatesThe preparation of the Companyâ€™s unaudited condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company utilizes certain estimates in the determination of the deferred tax valuation allowances, revenue recognition, stock-based compensation, allowance for doubtful accounts, accrued expenses, and the useful lives of internally developed software and sequenced data. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. Actual results could differ from such estimates.Investments The Companyâ€™s investments are considered to be available-for-sale and are recorded at fair value. Unrealized gains and losses are included in accumulated other comprehensive income. Purchases and sales of securities are reflected on a trade-date basis. Realized gains or losses are released from accumulated other comprehensive income and into earnings on the statement of operations, and amortization of premiums and accretion of discounts on the U.S treasury bills are recorded in interest expense or income, respectively. â€‹The Company continually monitors the difference between its cost basis and the estimated fair value of its investments. The Companyâ€™s accounting policy for impairment recognition requires other-than-temporary impairment charges to be recorded when it determines that it is more likely than not that it will be unable to collect all amounts due according to the contractual terms of the fixed maturity security or that the anticipated recovery in fair value of the equity security will not occur in a reasonable amount of time. Impairment charges on investments are recorded based on the fair value of the investments at the measurement date or based on the value calculated using a discounted cash flow model. Credit-related impairments on fixed maturity securities that the Company does not plan to sell, and for which it is not more likely than not to be required to sell, are recognized in net income. Any non-credit related impairment is recognized as a component of other comprehensive income. Factors considered in evaluating whether there is a decline in value include: the length of time and the extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; and the likelihood that it will be required to sell the investment.Fair Value MeasurementsFair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:â—Level 1Â â€" Valuations based on quoted prices for identical assets and liabilities in active markets.â—Level 2Â â€" Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.â—Level 3Â â€" Valuations based on unobservable inputs reflecting the Companyâ€™s own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.For certain financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate their fair values as of September 30, 2024 and DecemberÂ 31, 2023, respectively, because of their short-term nature. Available-for-sale securities are recorded at fair value and as level 1 investments.10â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹Revenue Recognition and Accounts ReceivableThe Company recognizes revenue using the five-step approach as follows: (1)Â identify the contract with the customer, (2)Â identify the performance obligations in the contract, (3)Â determine the transaction price, (4)Â allocate the transaction price to the performance obligations in the contract and (5)Â recognize revenue when (or as) the Company satisfies the performance obligations.The Company generates revenue by procuring various specimens from hospitals, laboratories, and other supply sites, for the Companyâ€™s customers using the Companyâ€™s proprietary software, the iSpecimen Marketplace, to identify, locate, and ultimately validate the required specimens to the Companyâ€™s customersâ€™ requested specifications. The Companyâ€™s performance obligation is to procure a specimen meeting the customerâ€™s specification(s)Â from a supplier, on a â€œbest effortsâ€ basis, for the Companyâ€™s customer at the agreed price per specimen as indicated in the customerâ€™s contract with the Company. The Company does not currently charge suppliers or customers for the use of the Companyâ€™s proprietary software. Each customer will execute a material and data use agreement with the Company or agree to online purchase terms, each of which includes terms such as specimen and data use, shipment terms, payment, and cancellation terms. These are then supplemented by purchase orders that specify specimen requirements including detailed inclusion/exclusion criteria, quantities to be collected, and pricing. Collectively, these customer agreements represent the Companyâ€™s contracts with its customers. Generally, contracts have fixed unit pricing. For certain specimen orders, a refundable customer deposit may be required prior to order fulfillment depending on project set-up requirements, which is presented as deferred revenue. The Company expects to recognize the deferred revenue as revenue within the next twelveÂ months.Specimen collections occur at supply sites within the Companyâ€™s network. â€œCollectionâ€ is when the specimen has been removed, or â€œcollectedâ€ from the patient or donor. A specimen is often collected specifically for a particular Company order. Once collected, the specimen is assigned by the supplier to the Company and control of the specimen passes to the Company. â€œAccessionâ€ is the process whereby a collected specimen and associated data are registered and assigned in the iSpecimen Marketplace to a particular customer order, which can occur while a specimen is at the supplier site or while at the Company site and it is when control of the specimen passes to the customer. Suppliers may ship specimens to the Company or directly to the customer if specimens must be delivered within a short time period (less than 24 hours after collection) or shipping to the Company is not practical.The Company has evaluated principal versus agent considerations as part of the Companyâ€™s revenue recognition policy. The Company has concluded that it acts as principal in the arrangement as it manages the procurement process from beginning to end and determines which suppliers will be used to fulfill an order, usually takes physical possession of the specimens, sets prices for the specimens, and bears the responsibility for customer credit risk.The Company recognizes revenue over time, as the Company has created an asset with no alternative use to the Company, which has an enforceable right to payment for performance completed to date. At contract inception, the Company reviews a contract and related order upon receipt to determine if the specimen ordered has an alternative use by the Company. Generally, specimens ordered do not have an alternative future use to the Company and the performance obligation is satisfied when the related specimens are accessioned. The Company uses an output method to recognize revenue for specimens with no alternative future use. The output is measured based on the number of specimens accessioned. In the rare circumstances where specimens do have an alternative future use, the Company's performance obligation is satisfied at the time of shipment.Customers are generally invoiced upon shipment. Depending on the quantity of specimens ordered, it may take several accounting periods to completely fulfill a purchase order. In other words, there can be multiple invoices issued for a single purchase order, reflecting the specimens being accessioned over time. However, specimens are generally shipped as soon as possible after they have been accessioned.Once a specimen that has no alternative future use and for which the Company has an enforceable right to payment has been accessioned, the Company records the offset to revenue in accounts receivable â€" unbilled. Once the specimen has been shipped and invoiced, a reclassification is made from accounts receivable - unbilled to accounts receivable.11â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹Customers are generally given fourteenÂ days from the receipt of specimens to inspect the specimens to ensure compliance with specifications set forth in the purchase order documentation. Customers are entitled to either receive replacement specimens or receive reimbursement of payments made for such specimens. The Company has a nominal history of returns for nonacceptance of specimens delivered. When this occurs, the Company gives the customer a credit for the returns. The Company has not recorded a returns allowance.The following table summarizes the Companyâ€™s revenue for the three and nine months ended September 30:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three months ended SeptemberÂ 30,Â â€‹Nine months ended SeptemberÂ 30,Â â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â 2024Â Â Â Â 2023Specimens - contracts with customersâ€‹$ 2,626,907â€‹$ 2,640,301â€‹$ 7,754,338â€‹$ 6,874,786Shipping and otherâ€‹Â 35,029â€‹Â 137,450â€‹â€‹ 61,270â€‹â€‹ 478,304Revenueâ€‹$ 2,661,936â€‹$ 2,777,751â€‹$ 7,815,608â€‹$ 7,353,090â€‹The Company carries its accounts receivable at the invoiced amount less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable to determine if an allowance for doubtful accounts is necessary based on the current expected credit loss model. Receivables are written off when deemed uncollectible, with any future recoveries recorded as income when received. As of September 30, 2024 and DecemberÂ 31, 2023, the Company had an allowance for doubtful accounts of $639,116 and $520,897, respectively.The Company applies the practical expedient to account for shipping and handling activities as fulfillment cost rather than as a separate performance obligation. Shipping and handling costs incurred are included in cost of revenue.Internally Developed Software, NetThe Company capitalizes certain internal and external costs incurred during the application development stage of internal-use software projects until the software is ready for its intended use. Amortization of the asset commences when the software is complete and placed into service and is recorded in operating expenses. The Company amortizes completed internal-use software over its estimated useful life of five years on a straight-line basis. Costs incurred during the planning, training and post-implementation stages of the software development life cycle are classified as technology costs and are expensed to operations as incurred.Other Intangible Assets, NetThe Company procures data generated from sequencing of Formalin-Fixed Paraffin-Embedded (â€œFFPEâ€) blocks from a third-party sequencer which the Company licenses to its customers with the sale of FFPE blocks at an additional cost. The sequenced data is also organized to form a database of research content that is available for sale through a subscription model. The Company has determined that the sequenced data is an intangible asset and capitalizes the cost to procure the sequenced data. The sequenced data is amortized to cost of revenue over an estimated useful life of five years on a straight-line basis. The costs paid to the third-party sequencer are the only costs capitalized and all other related costs are expensed to operations as incurred.Impairment of Long-Lived AssetsManagement reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss is recognized when expected cash flows are less than the assetâ€™s carrying value. Long-lived assets consist of property and equipment, internal-use software and other intangible assets. No impairment charges were recorded for the nine months ended September 30, 2024 and 2023.12â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹Debt Issuance CostsDebt issuance costs are recorded net against the related debt and amortized to interest expense over the life of the related debt. Stock-Based CompensationThe Company records stock-based compensation for options granted to employees, non-employees, and to members of the board of directors for their services to the Company based on the grant date fair value of awards issued, and the expense is recorded on a straight-line basis over the requisite service period. Forfeitures are recognized when they occur.The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of stock options. The use of the Black-Scholes-Merton option pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected life of the option, risk-free interest rates and expected dividend yields of the common stock. The Company has concluded that its historical share option exercise experience does not provide a reasonable basis upon which to estimate expected term. Therefore, the expected term was determined according to the simplified method, which is the average of the vesting tranche dates and the contractual term. Due to the lack of Company-specific historical and implied volatility data, the estimate of expected volatility is primarily based on the historical volatility of a group of similar companies that are publicly traded. For these analyses, companies with comparable characteristics are selected, including enterprise value and position within the industry, and with historical share price information sufficient to meet the expected life of the stock-based awards. The Company computes the historical volatility data using the daily closing prices for the selected companiesâ€™ shares during the equivalent period of the calculated expected term of its stock-based awards.The risk-free interest rate is determined by reference to U.S. Treasury zero-coupon issues with remaining maturities similar to the expected term of the options. The Company has not paid, and does not anticipate paying, cash dividends on shares of its common stock.The fair value of the Companyâ€™s common stock is equal to the closing price on the specified grant date.Restricted Stock Units (â€œRSUsâ€) The Company recognizes stock-based compensation expense from RSUs ratably over the specified vesting period. The fair value of RSUs is determined to be the closing share price of the Companyâ€™s common stock on the grant date.Common Stock WarrantsThe Company accounts for common stock warrants as either equity instruments or liabilities, depending on the specific terms of the warrant agreement. The warrants shall be classified as a liability if 1) the underlying shares are classified as liabilities or 2) the entity can be required under any circumstances to settle the warrant by transferring cash or other assets. The measurement of equity-classified non-employee stock-based payments is generally fixed on the grant date and are considered compensatory. Net Loss Per ShareBasic net loss per share is calculated by dividing the net loss applicable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is calculated by adjusting the weighted-average number of shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. Therefore, basic and diluted net loss per share applicable to common stockholders were the same for all periods presented.13â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹The table below provides information on shares of the Companyâ€™s common stock issuable upon vesting and exercise, as of September 30:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹2024Â Â Â Â 2023Shares issuable upon vesting of RSUsâ€‹ 1,921â€‹ 6,490Shares issuable upon exercise of stock optionsâ€‹ 17,206â€‹ 15,075Shares issuable upon exercise of PIPE Warrant (defined below) to purchase common stockâ€‹ â€"â€‹ 65,625Shares issuable upon exercise of Lender Warrant (defined below) to purchase common stockâ€‹ 625â€‹ 625Shares issuable upon exercise of Underwriter Warrant (defined below) to purchase common stockâ€‹ 4,500â€‹ 4,500â€‹Recently Adopted Accounting Standards In AugustÂ 2020, the FASB issued ASU No.Â 2020-06, Accounting for Convertible Instruments and Contracts in an Entityâ€™s Own Equity (â€œASU 2020-06â€), which simplifies an issuerâ€™s accounting for convertible instruments by reducing the number of accounting models that require separate accounting for embedded conversion features. ASU 2020-06 also simplifies the settlement assessment that entities are required to perform to determine whether a contract qualifies for equity classification and makes targeted improvements to the disclosures for convertible instruments and earnings-per-share (EPS) guidance. This update will be effective for the Companyâ€™s fiscalÂ years beginning after DecemberÂ 15, 2023, and interim periods within those fiscalÂ years. Early adoption is permitted, but no earlier than fiscalÂ years beginning after DecemberÂ 15, 2020, and interim periods within those fiscalÂ years. Entities can elect to adopt the new guidance through either a modified retrospective method of transition or a fully retrospective method of transition. The Company adopted this new standard as of January 1, 2024. ASU 2020-06 did not have a material impact on the Companyâ€™s unaudited condensed financial statements.â€‹3.AVAILABLE-FOR-SALE SECURITIESThe Companyâ€™s U.S. Treasury bills that were classified as available-for-sale securities fully matured during the nine months

ended September 30, 2024. There were no available-for-sale securities as of September 30, 2024. The balance of amortized cost, gross unrealized gains and losses, and fair value for available-for-sale securities as of December 31, 2023 is as
follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹DecemberÂ 31,Â 2023â€‹â€‹â€‹â€‹â€‹Grossâ€‹Grossâ€‹â€‹â€‹â€‹â€‹Amortizedâ€‹unrealizedâ€‹unrealizedâ€‹â€‹â€‹â€‹Â Â Â Â cost
Â Â Â Â gainsâ€‹lossesâ€‹Fair valueAvailable-for-sale securities:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹U.S. Treasury Bills â€‹$ 2,661,092â€‹$ 36,138â€‹$ (35,298)â€‹$ 2,661,932 Total Available-for-sale securitiesâ€‹$ 2,661,092â€‹$ 36,138â€‹$ (35,298)â€‹$ 2,661,932â€‹The Company recorded $680 of realized losses in the nine months ended September 30, 2024. The Company did not have any realized gains or losses in the nine months ended September 30, 2023. â€‹14â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial
Statementsâ€‹4.PROPERTY AND EQUIPMENT, NETProperty and equipment, net consisted of the following at the dates
indicated:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹SeptemberÂ 30,Â â€‹DecemberÂ 31,Â â€‹Â Â Â Â 2024Â Â Â Â 2023Websiteâ€‹$ 285,377â€‹$ 285,377Computer equipment and purchased
softwareâ€‹Â 91,332â€‹Â 96,037Equipmentâ€‹Â 19,291â€‹Â 35,449Furniture and fixturesâ€‹Â 26,982â€‹Â 87,184Leasehold improvementsâ€‹Â 4,781â€‹Â 68,471Total property and
equipmentâ€‹Â 427,763â€‹Â 572,518Accumulated depreciationâ€‹Â (324,960)â€‹Â (444,731)Total property and equipment, netâ€‹$ 102,803â€‹$ 127,787â€‹Depreciation expense for
property and equipment was $16,506 and $23,399 for the three months ended September 30, 2024 and 2023, respectively, and $48,607Â and $99,125 for the nine months ended September 30,
2024 and 2023, respectively.â€‹5.INTERNALLY DEVELOPED SOFTWARE, NETDuring the nine months ended September 30, 2024 and 2023, the Company capitalized $588,093 and $3,501,206,
respectively, of internally developed software costs in connection with the development and continued enhancement of the technology platform and web interfaces. Capitalized costs primarily
consist of payroll and payroll-related costs for the Companyâ€™s employees. The Company recognized $478,384 and $494,353 of amortization expense associated with capitalized internally
developed software costs during the three months ended September 30, 2024 and 2023, respectively. The Company recognized $1,553,939 and $1,429,182 of amortization expense associated
with capitalized internally developed software costs during the nine months ended September 30, 2024 and 2023, respectively. Accumulated amortization associated with capitalized internally
developed software costs as of September 30, 2024 and December 31, 2023 was $8,518,694 and $6,964,755, respectively.â€‹6. OTHER INTANGIBLE ASSETS, NETDuring the nine months
ended September 30, 2024, the Company did not sequence any FFPE blocks and therefore did not capitalize any sequenced data as other intangible assets. The Company licenses to its
customers, at an additional cost, the sequenced data associated with the sequenced FFPE blocks with the sale of said FFPE blocks. The sequenced data is also organized to form a database of
research content that is available for sale to the Companyâ€™s customers through a subscription model. Amortization expense associated with the capitalized sequenced data was $47,889 for
the three months ended September 30, 2024 and $143,666 for the nine months ended September 30, 2024. Amortization expense associated with the capitalized sequenced data was $6,383 for
the three and nine months ended September 30, 2023.â€‹7. DEBT FINANCINGâ€‹On September 19, 2024, the Company entered into a Note Purchase Agreement (the â€œPurchase
Agreementâ€) with a lender (the â€œLenderâ€). Pursuant to the provisions of the Purchase Agreement, the Lender agreed to provide a loan to the Company in the amount of $1,000,000 (the
â€œLoanâ€) and the Company agreed to issue to the Lender a promissory note in the principal amount of $1,000,000 payable within 12 months after the date of issuance, with interest accruing
and payable at a rate of 18% per annum (the â€œNoteâ€). The Purchase Agreement contains customary representations and warranties and obligates the Lender to provide an additional loan to
the Company, 15â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹in the form of a revolving line of credit of up to $1,000,000, upon our initial filing
of a Registration Statement for an underwritten or best-efforts public offering for gross proceeds of at least $5,000,000. On September 25, 2024, the Company and the Lender closed the
transactions (â€œClosingâ€) described in the Purchase Agreement, the Lender provided funds to the Company in the net amount of $959,980 and the Company issued the Note to the Lender in
the principal amount of $1,000,000. WestPark served as the placement agent in connection with the Loan and was paid a placement agent fee in the amount of $40,020 for its services.The
outstanding principal balance on the Note was $1,000,000Â as of September 30, 2024.â€‹Interest expense on the Note totaled $2,500 for the three month period ended September 30,
2024.â€‹Debt issuance costs related to the Note totaled $140,020 which comprised of placement agent fee of $40,020 and legal costs of $100,000. The debt issuance cost will be amortized over
the loan term of 12 months. The amortization expense which is included in interest expense on the statement of operations, totaled $1,945Â for the three months ended September 30, 2024.
Unamortized debt issuance costs on the Note totaled $138,075 at September 30, 2024.â€‹On October 31, 2024, the Company paid off the outstanding principal balance of $1,000,000 and
accrued interest of $18,000 on the Note.â€‹8. FAIR VALUE MEASUREMENTSâ€‹As of September 30, 2024, the Company did not have any assets or liabilities measured at fair value on a
recurring basis. The following table sets forth the Companyâ€™s assets to be measured at fair value on a recurring basis and their respective classification within the fair value hierarchy as of
December 31, 2023:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Fair Value at DecemberÂ 31,Â 2023â€‹ â€‹Total â€‹Level 1 â€‹Level 2 â€‹Level
3Assets:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Available-for-sale securitiesâ€‹$ 2,661,932â€‹$ 2,661,932â€‹$ â€”â€‹$ â€”Total Assetsâ€‹$ 2,661,932â€‹$ 2,661,932â€‹$ â€”â€‹$
â€”â€‹â€‹9.COMMITMENTS AND CONTINGENCIESLeasesOn July 2, 2024, the Company entered into a new operating lease (the â€œWoburn Leaseâ€) of office space in Woburn,
Massachusetts (the â€œWoburn Premisesâ€) for a term of five years and two months, commencing on September 1, 2024, and terminating on October 30, 2029. The Company has a one-time
option to extend the term of the Woburn Lease for one additional term of five years, provided that the Company is not in arrears in any payment of rent, the payment of any outstanding invoice,
or otherwise in default. On June 28, 2024, the Company exercised a termination option included in the lease agreement of its former office space in Lexington, Massachusetts, and terminated
the lease effective August 31, 2024. Right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. ASC
842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. The
Company used the interest rate of 8% stated in the lease agreement to discount its real estate lease liabilities. There are no material residual guarantees associated with any of the
Companyâ€™s leases, and there are no significant restrictions or covenants included in the Companyâ€™s lease agreements. There was no sublease rental income for the three and nine months
ended September 30, 2024, and the Company is not the lessor in any lease arrangement, and there were no related-party lease agreements. 16â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to
Unaudited Condensed Financial Statementsâ€‹â€‹Lease Costsâ€‹The table below presents certain information related to the lease costs for the Companyâ€™s operating lease for the nine
months ended September 30, 2024:â€‹â€‹â€‹â€‹â€‹Operating lease expense â€‹$ 120,099Short-term lease expenseâ€‹Â â€”Total lease cost â€‹$ 120,099â€‹Lease Position as of September 30,
2024â€‹Right-of-use lease assets and lease liabilities for the Companyâ€™s operating lease as of September 30, 2024 were recorded in the balance sheet as
follows:â€‹â€‹â€‹â€‹â€‹Assetsâ€‹â€‹â€‹Operating lease right-of-use assets â€‹$ 342,107Total lease assets â€‹$ 342,107â€‹â€‹â€‹â€‹Liabilities â€‹â€‹â€‹Current liabilities:â€‹â€‹â€‹ Operating
lease liability â€“ current portionâ€‹$ 42,513Non-current liabilities: â€‹â€‹â€‹ Operating lease liability â€“ net of current portionâ€‹â€‹ 281,437 Total lease liabilityâ€‹$ 323,950â€‹17â€‹Table of
ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹Lease Terms and Discount Rateâ€‹The table below presents certain information related to the weighted
average remaining lease term and the weighted average discount rate for the Companyâ€™s operating lease as of September 30, 2024:â€‹â€‹â€‹â€‹â€‹Weighted average remaining lease term
(in years) â€“ operating leaseâ€‹â€‹ 5.08Weighted average discount rate â€“ operating leaseÂ â€‹8.00%â€‹Undiscounted Cash Flowsâ€‹Future lease payments included in the measurement of
lease liabilities on the balance sheet are as follows:â€‹â€‹â€‹â€‹â€‹2024 (excluding the nine months ended September 30, 2024) â€‹$ 18,1842025â€‹â€‹ 66,6742026â€‹â€‹ 76,3722027â€‹â€‹
80,1902028â€‹â€‹ 84,200Thereafterâ€‹â€‹ 73,675Total future minimum lease paymentsâ€‹â€‹ 399,295 Less effect of discounting â€‹â€‹ (75,345)Present value of future minimum lease
paymentsâ€‹$ 323,950â€‹Rent expense for the three months ended September 30, 2024 and 2023 amounted to $28,467 and $41,078, respectively. Rent expense for the nine months ended
September 30, 2024 and 2023 amounted to $120,099 and $125,735, respectively.Cash Flows â€‹Supplemental cash flow information related to the operating lease for the nine months ended
September 30, 2024 was as follows: â€‹â€‹â€‹â€‹â€‹Non-cash operating lease expense (operating cash flow) â€‹$ 112,876Change in operating lease liabilities (operating cash flow)â€‹$
(108,420)â€‹Sales Tax PayableThe majority of the Companyâ€™s customers are researchers, universities, hospitals, and not-for-profit entities that were believed by the Company to have a sales
and use tax exemption that generally excludes them from paying sales taxes. The main types of specimens the Company sells are blood, blood plasma, human tissue, human parts, and human
bodily fluids and only a few of these products are typically not taxable in some states regardless of the buyerâ€™s tax exemption status. The Company historically has not collected sales tax in
states where it had sales. Had the Company contemporaneously collected and remitted sales tax for all customers and in all jurisdictions where it would have been required, there would have
been no material impact on the Companyâ€™s unaudited condensed financial statements.As a result of an entity-wide risk assessment process that commenced in the second quarter of 2023,
the Company engaged external tax consultant advisors to complement internal resources and efforts to provide support in assessing the appropriate sales tax treatment associated with the
Companyâ€™s products for all prior years in which the Company had generated revenue, to assist with the facilitation and tracking of Voluntary Disclosure Agreements (â€œVDAsâ€) in
jurisdictions where a potential tax liability may exist and to assist with 18â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹the implementation of a
sales tax software platform solution for the calculation, communication, collection, and remittance of sales tax for all non-exempt future sales. From the Companyâ€™s inception through the
filing date of this Quarterly Report, the Company now believes that an obligation to collect and remit sales tax existed for certain of its sales of products to certain of its customers. The
Company has analyzed its product sales, on an invoice-by-invoice and customer-by-customer basis, to determine which products are subject to sales tax in each jurisdiction, and determining
which of its customers are exempt from sales tax, and which customers who were not exempt from sales tax have already paid compensating use tax to the appropriate jurisdiction. Part of this
process includes requesting and obtaining exemption letters or representations from its customers or proof of payment of their compensating use tax. As the Company continues to make
progress on this project, certain customers have notified the Company that they are not exempt from the payment of sales tax and have not remitted use tax and the Company has started to
invoice such customers for past sales tax due. Â As of December 31, 2023, the Company had established and accrued a reliable point estimate with a maximum potential of the sales tax liability
of approximatelyÂ $707,000Â and the related interests and penalties of approximatelyÂ $215,000Â in accrued expenses on the balance sheet. The estimated liability represents the estimated
tax liability for sales made to customers who have notified the Company that they are not exempt from sales taxes and customers who have not responded to Companyâ€™s request to provide a
sales exemption letter. As of December 31, 2023, the Company had also recovered approximatelyÂ $359,000Â of prior taxes from certain customers who do not have a sales tax exemption.
During the year ended December 31, 2023, the Company recognized a loss of approximatelyÂ $564,000Â in its statement of operations and comprehensive loss related to the sales tax liability.
The Company continued to pursue nonresponsive customers with the expectation that over time, further exemption letters or representations will be received that will reduce the liability.In the
nine months ended September 30, 2024, the Company received additional sales tax exemption letters or representations from customers. In addition to this, the Company received confirmation
from certain tax jurisdictions in which it had previously accrued a potential tax liability that its specimens are exempt from tax in those jurisdictions, therefore, the Company reversed the
accrued liability associated with those jurisdictions. The Company also registered in certain states and commenced the filing and remittance of sales taxes. These factors contributed to the
reduction of the sales tax liability to approximately $407,000 and the related interests and penalties to approximately $144,000 as of September 30, 2024.As of September 30, 2024, the
Company had recovered approximately $491,000 of prior taxes from certain customers who do not have a sales tax exemption. The Company did not recognize any additional loss in its
statement of operations and comprehensive loss related to the sales tax liability during the nine months ended September 30, 2024. The Company commenced VDA filings with certain tax
jurisdictions in the third quarter of 2024, during which it started remitting its sales tax obligations.Legal ProceedingsFrom time to time the Company is involved in litigation, claims, and other
proceedings arising in the ordinary course of business. Such litigation and other proceedings may include, but are not limited to, actions relating to employment law and misclassification,
intellectual property, commercial or contractual claims, or other consumer protection statutes. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties
and unfavorable resolutions could occur. As of September 30, 2024, there was a legal dispute filed against the Company.â€‹Resignation of Chief Information Officer and Filing of Demand for
ArbitrationOn July 25, 2024, Benjamin Bielak, the Companyâ€™s Chief Information Officer, until his resignation on July 14, 2024, initiated a Demand for Arbitration against the Company with
the American Arbitration Association, pursuant to the dispute resolution provisions contained 19â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹in
Mr. Bielakâ€™s employment agreement. The terms and conditions of Mr. Bielakâ€™s employment with the Company were governed by his employment agreement.â€‹In his Demand for
Arbitration Mr. Bielak claims that the Company failed to provide him with certain bonus payments allegedly due to him for work performed in 2023 and 2024. Mr. Bielak also claims that the
Company failed to provide him with severance payments allegedly due pursuant to the provisions of his employment agreement. The total amount of Mr. Bielakâ€™s claim for alleged damages
is $586,800 plus attorneysâ€™ fees and interest.â€‹The Company believes that Mr. Bielakâ€™s claims are without legal or factual basis, and intends to vigorously defend these claims. An
arbitrator has been selected, however, a schedule for the arbitration is yet to be set as of November 7, 2024.â€‹10.STOCKHOLDERSâ€™ EQUITYThe Companyâ€™s authorized capital is
250,000,000 shares, of which (1) 200,000,000 shares are common stock, par value $0.0001 per share and (2) 50,000,000 shares are preferred stock, par value $0.0001 per share, which may, at
the sole discretion of the Companyâ€™s board of directors, be issued in one or more series.At the Market Offering On March 5, 2024, the Company put in place an At the Market Offering
Agreement (the â€œATM Agreementâ€) which allowed the Company to issue and sell shares of its common stock, having an aggregate offering price of up to $1,500,000 (the â€œATM
Sharesâ€), from time to time through the Sales Agent. During the nine months ended September 30, 2024, the Company sold 199,004 ATM Shares for gross proceeds of approximately
$1,494,000 under the ATM Agreement. The Company incurred offering costs of approximately $255,000, resulting in net proceeds of approximately $1,239,000.â€‹Stock Optionsâ€‹During the
nine months ended September 30, 2023, the Company issued 3,545 shares of common stock for cash exercises of options of $70,889. There were no options exercises during the nine months
ended September 30, 2024.WarrantsUnderwriter WarrantsIn connection with the Company's underwriting agreement with ThinkEquity, a division of Fordham Financial Management, Inc.
(â€œThinkEquityâ€) and the representative of the Companyâ€™s IPO underwriters, the Company entered into a warrant agreement to purchase up to 4,500 shares of common stock to several
affiliates of ThinkEquity (the â€œUnderwriter Warrantsâ€). The Underwriter Warrants are exercisable at a per share exercise price of $200.00 and are exercisable at any time and from time to
time, in whole or in part, during the four- and one-half year period commencing 180 days from the effective date of the IPO registration statement. The Underwriter Warrants became
exercisable on or after December 16, 2021 (six months from the effective date of the offering) and expire on June 15, 2026. Upon issuance of the Underwriter Warrants, as partial compensation
for its services as an underwriter, the fair value of approximately $0.4 million was recorded as equity issuance costs in the year ended December 31, 2021. As of September 30, 2024, the
Underwriter Warrants had not been exercised, and had a weighted average exercise price of $200 per share and a remaining weighted average time to expiration of 1.71 years. 20â€‹Table of
ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹Lender WarrantIn connection with the loan agreement entered into with Western Alliance Bank (the
â€œLenderâ€) on August 13, 2021, the Company issued a warrant (the â€œLender Warrantâ€) to the Lender to purchase 625 shares of common stock of the Company. The Lender Warrant is
exercisable at a per share exercise price of $160.00 and is exercisable at any time on or after August 13, 2021 through August 12, 2031. The Company determined that the Lender Warrant was
equity-classified. As of September 30, 2024, the Lender Warrant had not been exercised, and had a weighted average exercise price of $160 per share and a remaining weighted average time to
expiration of 6.87 years.PIPE WarrantsOn December 1, 2021, the Company completed a private placement (the â€œPIPEâ€) in which the Company issued warrants (the â€œPIPE Warrantsâ€)
to purchase up to an aggregate of 65,625 shares of common stock. These PIPE Warrants have an exercise price of $260.00 per share and are immediately exercisable upon issuance and will
expire on the five and one-half-year anniversary of the issuance date. â€‹OnÂ FebruaryÂ 13, 2024, the Company entered into certain warrant repurchase and termination agreements with the
holders of the PIPE Warrants to repurchase the PIPE Warrants for a purchase price equal to $0.04 multiplied by the number of shares of common stock issuable pursuant to such PIPE
Warrants. In connection with such repurchases, all past, current and future obligations of the Company relating to the PIPE Warrants were released, discharged and are of no further force or
effect.â€‹A summary of total warrant activity during the nine months ended September 30, 2024 is as
follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹WeightedÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹Â Averageâ€‹â€‹â€‹â€‹Weightedâ€‹Remainingâ€‹â€‹Warrants

â€‹Â Averageâ€‹ContractualÂ Termâ€‹Â Â Â Â OutstandingÂ Â Â Â ExerciseÂ PriceÂ Â Â Â inÂ YearsBalance at DecemberÂ 31,Â 2023Â 70,750â€‹$ 255.30Â 3.47GrantedÂ â€”â€‹â€‹ â€”Â â€”ExercisedÂ â€”â€‹â€‹ â€”Â â€”Repurchased Â (65,625)â€‹â€‹ â€”Â â€”Balance at SeptemberÂ 30,Â 2024Â 5,125â€‹$ 195.12Â 2.34â€‹â€‹11.STOCK-BASED COMPENSATIONStock Incentive Plans2021 PlanIn March 2021, the Company adopted the iSpecimen Inc. 2021 Stock Incentive Plan, which was subsequently amended in June 2021 and then on May 25, 2022 (the â€œ2021 Planâ€). The 2021 Plan was adopted to enhance the Companyâ€™s ability to attract, retain and motivate employees, officers, directors, consultants, and advisors by providing such persons with equity ownership opportunities and performance-based incentives. The 2021 Plan authorizes options, restricted stock, RSUs and other stock-based awards. The Company's board of directors, or any committee to which the board of directors delegates such authority, has the sole discretion in administering, interpreting, amending, or accelerating the 2021 Plan. Awards may be made under the 2021 Plan for up to 30,400 shares of the Company's common stock, and the 2021 Plan was made effective with the completion of the IPO. â€‹On May 24, 2023, at the Companyâ€™s annual meeting of stockholders, the stockholders approved an amendment to the 2021 Plan to increase the number of shares under the 2021 Plan from 30,400 shares of common stock to 93,475 shares of common stock.21â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹â€‹During the nine months ended September 30, 2024 and 2023,Â 5,521 andÂ 9,157Â equity awards were granted under the 2021 Plan, respectively. During the three months ended September 30, 2024 and 2023, 754 and 977 equity awards were granted under the 2021 Plan, respectively. As of September 30, 2024, there were 67,224 shares of common stock available for future grants under the 2021 Plan.â€‹2013 PlanThe iSpecimen Inc. 2013 Stock Incentive Plan (the â€œ2013 Planâ€) was adopted on April 12, 2013 and subsequently amended on July 29, 2015. The aggregate number of shares of common stock that may be issued pursuant to the 2013 Plan was 85,679.â€‹NoÂ equity awards were granted under the 2013 Plan during the nine months ended September 30, 2024 and 2023. According to the 2013 Plan, which was adopted by the Companyâ€™s board of directors on April 12, 2013, no awards shall be granted under the 2013 Plan after the completion of ten years from the date on which the 2013 Plan was adopted by the Companyâ€™s board of directors. Therefore, as of April 13, 2023, no further shares had been granted under the 2013 Plan.Stock OptionsDuring the nine months ended September 30, 2024 and 2023, the Company granted 5,521 and 9,115 stock options, respectively. The following assumptions were used to estimate the fair value of stock options granted using the Black-Scholes-Merton option pricing model during the nine months ended September 30:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ â€‹2024 â€‹2023â€‹Assumptions:Â Â Â Â Â Â â€‹Risk-free interest rate Â 3.49% â€“ 4.56%â€‹3.75% â€“ 4.52%â€‹Expected term (in years)Â 0.27 â€“ 4.00â€‹0.61 â€“ 4.00â€‹Expected volatility Â 57.28% â€“58.71%â€‹59.17% â€“ 59.95%â€‹Expected dividend yieldÂ â€”â€‹â€”â€‹A summary of stock option activity under the 2021 Plan and 2013 Plan is as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weightedâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ AverageÂ â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹WeightedÂ â€‹RemainingÂ Â â€‹â€‹â€‹Optionsâ€‹Averageâ€‹ContractualÂ TermÂ Â AggregateÂ â€‹Â Â Â Â OutstandingÂ Â Â Â ExerciseÂ PriceÂ Â Â Â inÂ YearsÂ ValueBalance at DecemberÂ 31,Â 2023Â 14,830â€‹$ 43.47Â 8.53â€‹$ â€”Granted Â 5,521â€‹â€‹ 7.30â€‹ â€”â€‹â€‹ â€”ExercisedÂ â€”â€‹â€‹ â€”â€‹ â€”â€‹â€‹ â€”Cancelled/forfeited Â (3,145)â€‹â€‹ 24.70â€‹ â€”â€‹â€‹ â€”Balance at SeptemberÂ 30,Â 2024Â 17,206â€‹$ 35.30Â 6.41â€‹$ â€”â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Options exercisable at SeptemberÂ 30,Â 2024Â 10,591â€‹$ 46.05Â 5.43â€‹$ â€”â€‹The aggregate intrinsic value in the table above represents the difference between the Company's stock price as of the balance sheet date and the exercise price of each in-the-money option on the last day of the period. No stock options were exercised during the nine months ended September 30, 2024. The aggregate intrinsic value of stock options exercised was $48,494 during the nine months ended September 30, 2023.22â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹â€‹The weighted average grant date fair value of stock options issued in the nine months ended September 30, 2024 and 2023 was $2.15 and $10.68, respectively. The following table sets forth the recorded stock options compensation expense of the Company during the three and nine months ended September 30:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended September 30,â€‹Nine Months Ended September 30,Operating expenses: â€‹2024â€‹2023â€‹2024Â Â Â Â 2023Technologyâ€‹$ 160â€‹$ â€”â€‹$ 3,363â€‹$ 5,106Sales and marketingâ€‹â€‹ 524â€‹â€‹ 509â€‹â€‹ 1,355â€‹â€‹ 2,007Supply developmentâ€‹Â 265â€‹Â â€”â€‹Â 696â€‹Â 820Fulfillment â€‹â€‹ 943â€‹â€‹ 1,037â€‹â€‹ 1,812â€‹â€‹ 2,362General and administrativeâ€‹â€‹ 7,748â€‹â€‹ 23,797â€‹â€‹ 39,949â€‹â€‹ 78,680Total stock options expenseâ€‹$ 9,640â€‹$ 25,343â€‹$ 47,175â€‹$ 88,975â€‹As of September 30, 2024 and 2023, a total of $51,788 and $139,090 of unamortized compensation expense is being recognized over the remaining requisite service period of 2.15 and 2.72 years, respectively. â€‹There were no stock options exercises during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, the Company received proceeds of $70,889 from the exercise of stock options.Restricted Stock UnitsA summary of RSUs activity under the 2021 Plan and 2013 Plan is as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Weighted â€‹â€‹RSUsâ€‹Average Grantâ€‹Â Â Â Â Outstandingâ€‹Date Fair ValueUnvested Balance at DecemberÂ 31,Â 2023Â 5,630â€‹$ 113.09Granted Â â€”â€‹â€‹ â€”Vested Â (1,743)â€‹â€‹ 117.80ForfeitedÂ (1,966)â€‹â€‹ 110.04Unvested Balance at SeptemberÂ 30,Â 2024Â 1,921â€‹$ 111.14â€‹The Company recorded RSUs compensation expense during the three and nine months ended September 30 as follows:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended September 30,â€‹Nine Months Ended September 30,Operating expenses: â€‹2024â€‹2023â€‹2024Â Â Â Â 2023Technologyâ€‹$ 7,575â€‹$ 27,152â€‹$ 57,351â€‹$ 94,805Sales and marketingâ€‹â€‹ 11,657â€‹â€‹ 16,763â€‹â€‹ 37,074â€‹â€‹ 47,577Supply developmentâ€‹Â â€”â€‹Â 356â€‹Â 277â€‹Â 3,180Fulfillmentâ€‹â€‹ 15,440â€‹â€‹ 12,092â€‹â€‹ 33,168â€‹â€‹ 51,144General and administrativeâ€‹â€‹ 20,829â€‹â€‹ 24,587â€‹â€‹ 63,658â€‹â€‹ 65,866Total RSU expenseâ€‹$ 55,501â€‹$ 80,950â€‹$ 191,528â€‹$ 262,572â€‹As of September 30, 2024 and 2023, the total unrecognized stock-based compensation expense related to unvested RSUs was $191,528 and $688,510, and it is expected to be recognized on a straight-line basis over a weighted average period of approximatelyÂ 1.18Â and 2.11 years, respectively.23â€‹Table of ContentsiSpecimenÂ Inc.NotesÂ to Unaudited Condensed Financial Statementsâ€‹â€‹12.INCOME TAXESAs of September 30, 2024 and December 31, 2023, the Company had federal net operating loss carryforwards of approximately $56,500,000 and $50,800,000, respectively, of which approximately $13,000,000Â expires at various periods through 2037 and approximately $43,500,000Â and $37,800,000, respectively, can be carried forward indefinitely. As of September 30, 2024 and December 31, 2023, the Company had state net operating loss carryforwards of approximately $33,300,000Â and $31,100,000, respectively, that expire at various periods through 2044, respectively. As of September 30, 2024 and December 31, 2023, the Company had federal and state tax credits of approximately $2,142,000Â and $2,058,300, respectively, available for future periods that expire at various periods through 2044. The Company has recorded a full valuation allowance against net deferred income tax assets due to a history of losses generated since inception.Due to changes in ownership provisions of the Internal Revenue Code of 1986 (the â€œIRCâ€), the availability of the Company's net operating loss carryforwards may be subject to annual limitations under Section 382 of the IRC against taxable income in the future period, which could substantially limit the eventual utilization of such carryforwards.â€‹13. SUBSEQUENT EVENTâ€‹Securities Offering on Form S-1 and Material Definitive Agreementâ€‹On October 29, 2024, the Company entered into a placement agency agreement (the â€œPlacement Agency Agreementâ€) with WestPark Capital, Inc. (the â€œPlacement Agentâ€), and a securities purchase agreement (the â€œPurchase Agreementâ€) with investorsÂ pursuant to which the Company agreed to issue and sell, in aÂ â€œreasonableÂ best effortsâ€ public offeringÂ (the â€œOfferingâ€) (i) 132,814 Â shares (the â€œSharesâ€)Â of the Companyâ€™s common stock, par value $0.0001 per share (the â€œCommon Stockâ€) at an offering price of $2.999 per share, and (ii) pre-funded warrants to purchase up to 1,533,852 shares of Common Stock (the â€œPre-Funded Warrantsâ€) at an offering price of $3.00 per Share, less $0.0001 per Pre-Funded Warrant, for aggregate gross proceeds of $4,998,464 (or $4,999,998 assuming the full exercise of the Pre-Funded Warrants), before deducting placement agent fees and other offering expenses.Â As part of its compensation for acting as Placement Agent for the Offering, the Company paid the Placement Agent a cash fee of 4.0% of the aggregate gross proceeds plus reimbursement of certain expenses and legal fees.Â The Company intends to use the net proceeds of the offering for repayment of outstanding debt, potential acquisitions of assets or investments in businesses, products and technologies, and for marketing and advertising services. The remainder of the net proceeds will be used for working capital purposes.The Offering closed on October 31, 2024. The securities sold in the Offering were offered and sold pursuant to a registration statement onÂ Form S-1 (File No. 333-282736), which was filed with the Securities and Exchange Commission (the â€œCommissionâ€) on October 18, 2024, and subsequently declared effective by the Commission on October 29, 2024.Â On October 31, 2024, the Company entered into an Investor Relations Agreement (the â€œIR Agreementâ€) with IR Agency LLC (the â€œConsultantâ€). Under the IR Agreement, the Consultant will provide marketing and advertising services to promote the Company to the financial community. In consideration for these services, the Company paid the Consultant a fee, for an initial term of one month, after which it may be extended by mutual agreement, of Two Million U.S. Dollars ($2,000,000), paid in cash via bank wire transfer. Either party may terminate the IR Agreement at any time by providing written notice. The IR Agreement is governed by New Jersey law, with jurisdiction in federal and state courts located in New Jersey. A copy of the IR Agreement was filed as Exhibit 10.3 to the Current Report on Form 8-K on October 31, 2024.â€‹â€‹â€‹24â€‹Table of Contentsâ€‹Item 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of OperationsReferences in this report (the â€œQuarterly Reportâ€) to â€œwe,â€ â€œusâ€ or the â€œCompanyâ€ refer to iSpecimen Inc. The following discussion and analysis of the Companyâ€™s financial condition and results of operations should be read in conjunction with the unaudited condensed financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.Special Note Regarding Forward-Looking StatementsThis Quarterly Report includes â€œforward-looking statementsâ€ within the meaning of Section 27A of the Securities Act of 1933, as amended (the â€œSecurities Actâ€), and Section 21E of the Securities Exchange Act of 1934, as amended (the â€œExchange Actâ€), that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Quarterly Report including, without limitation, statements in this â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ regarding the Companyâ€™s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as â€œexpect,â€ â€œbelieve,â€ â€œanticipate,â€ â€œintend,â€ â€œestimate,â€ â€œseekâ€ and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect managementâ€™s current beliefs, based on information currently available. A number of factors could cause actual events, performance, or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the â€œRisk Factorsâ€ section of the Companyâ€™s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the â€œSECâ€) on March 13, 2024. The Companyâ€™s securities filings can be accessed on the EDGAR section of the SECâ€™s website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.OverviewWe were incorporated in 2009 under the laws of the state of Delaware. Our mission is to accelerate life science research and development via a single global marketplace platform, the iSpecimen Marketplace, which connects researchers to subjects, specimens, and associated data. We are headquartered in Lexington, Massachusetts. We operate as one operating and reporting segment.In addition to creating a single global platform where both specimen providers and researchers can connect, the platform automates the process of searching for and selecting specimens for research. The platform taps into healthcare provider data to gain insights into the available samples in biobanks or laboratories, or to gain insights into the patient populations to support specimen collections directly from research subjects. The platform receives de-identified data from electronic medical records, laboratory information systems, and other healthcare data sources of available specimens and research subjects and harmonizes the data across all participating organizations.Researchers can search this data using our intuitive, web-based user interface to obtain specimens more efficiently. They can instantly find the specific specimens they need for their studies, request quotes for these specimens or for custom collections directly from research subjects, place orders, and track and manage their specimens and associated data across projects.â€‹Biospecimen providers also gain efficiencies using the iSpecimen Marketplace, not only because the platform provides instant access to a large researcher base, but because the technology orchestrates the bioprocurement workflow from specimen request to fulfillment. Specimen providers can access intuitive dashboards to view requests, create proposals, and track and manage their orders. â€‹Finally, the platform helps with administrative and reporting functions for researchers, suppliers, and our internal personnel, including user and compliance management.â€‹The iSpecimen Marketplace is composed of four major functional areas: search, workflow, data, and administrative reporting. As capital is made available to do so, we continue to invest in the evolution of these areas to improve engagement with the platform and liquidity across it. Our core business objective is to retain and grow both researcher and supplier usage of our platform to support biospecimen 25â€‹Table of Contentsâ€‹procurement, as well as to position our Company to explore other adjacent business opportunities that can benefit from the use of the iSpecimen Marketplace.â€‹The iSpecimen Marketplace currently supports the supply chain management and bioprocurement process for specimens and associated data. We generate revenue by procuring various specimens from hospitals, laboratories, and other supply sites comprising our network, and delivering them to our medical research customers using our proprietary software to identify and locate the required specimens. Costs paid to acquire specimens from hospitals and laboratories generally vary depending upon the sample type, collection requirements, and data provided. We generally operate in a â€œjust in timeâ€ fashion, meaning we procure specimens from our suppliers and distribute specimens to our customers after we obtain an order for specimens from a research client. Generally, we do not speculatively purchase and bank samples in anticipation of future, unspecified needs. We believe our approach offers many advantages over a more traditional inventory-based supplier business model where biorepositories take inventory risks, and where inventory turnover and cash conversion cycles can be lengthy.â€‹Private Placement Offeringâ€‹On December 1, 2021, we closed on a private placement offering (â€œPIPEâ€) for gross proceeds of approximately $21 million, before deducting approximately $1.4 million for underwriting discounts and commissions and estimated offering expenses, for (i) an aggregate of 87,500 shares of common stock and (ii) warrants, which are exercisable for an aggregate of up to 65,625 shares of common stock, all of which were repurchased by us on February 13, 2024, and are no longer outstanding. â€‹At the Market Offeringâ€‹On March 5, 2024, we entered into an At the Market Offering Agreement (the â€œATM Agreementâ€) with Rodman & Renshaw LLC as agent (the â€œSales Agentâ€) pursuant to which we may issue and sell shares of our common stock, having an aggregate offering price of up to $1,500,000 (the â€œATM Sharesâ€), from time to time through the Sales Agent (the â€œATM Offeringâ€). The ATM Shares, when issued, were registered pursuant to our shelf registration statement onÂ Form S-3 (File No 333-265976), which became effective on July 12, 2022. We sold the ATM Shares, from time to time, pursuant to the ATM Agreement, in transactions that were â€œat the market offeringsâ€ as defined in Rule 415(a)(4) promulgated under the Securities Act.Â During the nine months ended September 30, 2024, we issued 199,004 shares of common stock for gross proceeds of approximately $1,494,000 under the ATM Agreement. In connection with the ATM Offering, we incurred offering costs of approximately $255,000, resulting in net proceeds of approximately $1,239,000.â€‹Reverse Stock Splitâ€‹On October 9, 2023, we received a notification from Nasdaq that our Common Stock failed to maintain a minimum bid price of $1.00 over the previous 30 consecutive business days as required by the Listing Rules of The Nasdaq Stock Market.On JulyÂ 19, 2024, our stockholders approved a proposal to amend our Fourth Amended and Restated Certificate of Incorporation to effect a reverse stock split of our issued and outstanding shares of common stock, as well as any shares of common stock held by the Company in treasury, at a ratio in the range from 1-for-10 to 1-for-20.â€‹On AugustÂ 19, 2024, our board of directors approved a one-for-twenty (1:20) reverse stock split of our issued and outstanding shares of common stock. On SeptemberÂ 13, 2024, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to effect the Reverse Stock Split. The Reverse Stock Split became effective on SeptemberÂ 13, 2024, and our common stock began trading on a split-adjusted basis on Nasdaq on SeptemberÂ 16, 2024.â€‹On October 1, 2024, we received a notification from Nasdaq that the Staff has determined that for the last 11 consecutive business days, from September 16, 2024 to September 30, 2024, the closing bid price of our Common Stock was $1.00 per share or greater. Accordingly, we regained compliance with Listing Rule 5559(a)(2).â€‹Except as otherwise indicated, all references to our common stock, share data, per share data and related information have been adjusted for the Reverse Stock Split ratio of 1-for-20 as if they had occurred at the beginning of the earliest period presented. The Reverse Stock Split combined each 20 shares of our outstanding common stock and treasury shares into one share of common 26â€‹Table of Contentsâ€‹stock without any change in the par value per share, and the Reverse Stock Split correspondingly adjusted, among other things, the exercise rate of our warrants and options into our common stock. No fractional shares were issued in connection with the Reverse Stock Split, and any fractional shares resulting from the Reverse Stock Split were rounded up to the nearest whole share.â€‹Debt Financingâ€‹On SeptemberÂ 19, 2024, we entered into a Note Purchase Agreement with the Lender. Pursuant to the provisions of the Purchase Agreement, the Lender agreed to provide a loan to us in the amount of $1,000,000 and we agreed to issue to the Lender a promissory note in the principal amount of $1,000,000 payable within 12Â months after the date of issuance, with interest accruing and payable at a rate of 18% per annum. The Purchase Agreement contains customary representations and warranties and obligates the Lender to provide an additional loan to us, in the form of a revolving line of credit of up to $1,000,000, upon our initial filing of a Registration Statement for an underwritten or best-efforts public offering for gross proceeds of at least $5,000,000. On SeptemberÂ 25, 2024, we and the Lender closed the transactions described in the Purchase Agreement, the Lender provided funds to the Company in the net amount of $959,980 and we issued the Note to the Lender in the principal amount of $1,000,000. WestPark served as the placement agent in connection with the Loan and was paid a placement agent fee in the amount of $40,020 for its services.â€‹On October 31, 2024, we paid off the outstanding principal balance of $1,000,000 and accrued interest of $18,000 on the Note.â€‹Securities Offering on Form S-1â€‹On October 29, 2024, we entered into a placement agency agreement (the â€œPlacement Agency Agreementâ€) with WestPark Capital, Inc. (the â€œPlacement Agentâ€), and a securities purchase agreement (the â€œPurchase Agreementâ€) with investorsÂ pursuant to which we agreed to issue and sell, in aÂ â€œreasonableÂ best effortsâ€ public offeringÂ (the â€œOfferingâ€) (i) 132,814 Â shares (the â€œSharesâ€)Â of our common stock, par value $0.0001 per share (the â€œCommon Stockâ€) at an offering price of $2.999 per share, and (ii) pre-funded warrants to purchase up to 1,533,852 shares of Common Stock (the â€œPre-Funded Warrantsâ€) at an offering price of $3.00 per Share, less $0.0001 per Pre-Funded Warrant, for aggregate gross proceeds of $4,998,464 (or $4,999,998 assuming the full exercise of the Pre-Funded Warrants), before deducting placement agent fees and other offering expenses.Â As part of its compensation for acting as Placement Agent for the Offering, we paid the Placement Agent a cash fee of 4.0% of the aggregate gross proceeds plus reimbursement of certain expenses and legal fees.Â We intend to use the net proceeds of the offering for repayment of outstanding debt, potential acquisitions of assets or investments in businesses, products and technologies, and for marketing and advertising services. The remainder of the net proceeds will be used for working capital purposes.â€‹The Offering closed on October 31, 2024. The securities sold in the Offering were offered and sold pursuant to a registration statement onÂ Form S-1 (File No. 333-282736), which was filed with the Securities and Exchange Commission (the â€œCommissionâ€) on October 18, 2024, and subsequently declared effective by the Commission on October 29, 2024.â€‹Impact of the Current Economyâ€‹The Companyâ€™s financial performance is subject to global economic conditions and their impact on levels of spending by our customer research organizations, particularly discretionary spending for procurement of specimens used for research. Economic recessions may have adverse consequences across industries, including the health and biospecimen industries, which may adversely affect our business and financial condition. We increased our allowance for doubtful accounts in accounts receivables by $289,898Â during the year ended December 31, 2023 due to certain boutique life sciences customers either lacking liquidity or having filed for bankruptcy. We have enhanced procedures related to our credit check process for new and existing customers to mitigate the risk to future collectability of receivables.â€‹Changes in general market, economic and political conditions in domestic and foreign economies or financial markets, including fluctuation in stock markets resulting from, among other things, trends in the economy and inflation, as are being currently experienced, may result in a reduction in researchersâ€™ demand for specimens due to the research organizationâ€™s inability to obtain funding.â€‹To further address the current market conditions, we have taken steps, which include but are not limited to, reevaluating our pricing in order to be more competitive, creating campaigns to highlight and fast-track high demand items, enhancing internal team 27â€‹Table of Contentsâ€‹communications to accelerate the sales cycle, moving to a new line of business structure organized by our internal categorization of biospecimen suppliers capabilities to increase efficiency in operations, implementation of next day quotes to increase conversion ratios of quotes to purchase orders, and initiation of efforts to decrease expenditures through reductions in our workforce.â€‹We believe that our business will continue to be resilient through a continued industry-wide economic slowdown in life science research, and that we will continue to work on improving our liquidity to address our financial obligations and alleviate possible adverse effects on our business, financial condition, results of operations or prospects.â€‹Impact of the Russian-Ukrainian War on Our Operations Our business was negatively impacted during the first half of 2022 by the ongoing war between Russia and Ukraine. At the start of the war, we had approximately $1Â million of purchase orders that were slated to be fulfilled by our supply network in Ukraine and Russia. This supply network was shut down at the start of the war. Ukrainian suppliers were disabled due to war conditions and evacuations and some of our Russian suppliers were disabled by sanctions. While we mobilized to shift these purchase orders to other suppliers in the network, the process of specimen collections from other supply sites took time, which caused a delay in the fulfillment of such purchase orders. Alternate suppliers do not have the same favorable unit economics or specimen collection rates,Â and this also impacted our margins. Additionally, key resources were diverted from operations to resolving the re-fulfillment issues caused by the conflict.â€‹As of September 30, 2024, our supply sites in Russia that had not been under sanctions were accessible and our supply sites in Ukraine were mostly reopened. However, logistics and transportation of specimens out of the country of Ukraine remains challenging and not as economically feasible as they were prior to the beginning of the war. Due to the uncertainty caused by the ongoing war, Ukrainian and Russian suppliers may again become inaccessible to us. Therefore, as long as the uncertainty continues, our policy is to ensure at a purchase order level that an order is not solely sourced from the two countries. The short and long-term implications of the war are difficult to predict as of the date of this Quarterly Report. The imposition of more sanctions and countersanctions may have an adverse effect on the economic markets generally and could impact our business and the businesses of our supply partners, especially those in Ukraine and Russia. Because of the highly uncertain and dynamic nature of these events, it is not currently possible to estimate the impact of the war on our business and the companies from which we obtain supplies and distribute specimens.â€‹Known Trends, Demands, Commitments, Events or Uncertainties Impacting Our BusinessChief Executive Officer Initiativesâ€‹The Companyâ€™s mission remains to accelerate life sciences research and development, pursuant to a single global marketplace platform. Executive management of the Company continues to review the Companyâ€™s structure, processes, and resources to evaluate and identify areas for improvement, and has been focused on creating and ensuring a runway for growth and scale for the business. Throughout the year ended December 31, 2023 through the nine months ended September 30, 2024, we have initiated efforts to decrease our capital and operational expenditures by cutting costs and right sizing the Company through reductions in our workforce while streamlining operations and rationalizing our resources to focus on key market opportunities. As a result, we began to experience significant decreases in expenditures starting in the second half of 2023. The reductions in workforce since January 1, 2023 through the end of September 30, 2024 has resulted in an estimated reduction in compensation costs of approximately 70% and technology costs of approximately 70% by the end of September 30, 2024 when compared to January 1, 2023. During the year ended December 31, 2023, we performed operational process improvement activities to increase collaboration within and between departments. We moved to a line of business structure organized by our internal categorization of biospecimen suppliersâ€™ capabilities, which has increased efficiency in our operations and throughout the Company. We continue to see benefits from this move.We completed the implementation of a next day quote system in the third quarter of 2023 and we continue to see positive results in 2024, as evidenced by increased conversion ratios of quotes to purchase orders of 41%. Previously, it took an extended number of days to complete a feasibility study in order to provide a customer quote, which negatively impacted the time to convert a quote to a purchase order.28â€‹Table of Contentsâ€‹While we are committed to developing our technology, we are investing at a significantly lower level in 2024 when compared to 2023 and prior years, while we focus on growing our revenues through key market opportunities and assessing our capital raise prospects.Â During the nine months ended September 30, 2024 and 2023, we capitalized approximately $588,000 and $3,501,000, respectively,Â of internally developed software costs.Â These investments have resulted in multiple process improvements, streamlining workflows and providing deeper insights into orders for all users of our marketplace.We have shifted our focus from high volume to high value suppliers that meet our newly defined costs, quality and speed requirements. We established business criteria that focus on supplier capabilities and revenue growth strategies as well as technology criteria for integrating onto our iSpecimen Marketplace platform and participating with us. In the nine months ended September 30, 2024, we terminated 155 supplier agreements and are in the final stages of what we call our â€œsupplier network refresh projectâ€. This has resulted in fewer key suppliers, supported by our lean workforce and processes more effectively. We have been reengaging our suppliers in a more meaningful manner which assisted us in the implementation of our next day quote system. We now have a key supplier program whereby we proactively engage with the suppliers to promote our business through marketing campaigns and supplier organizationsâ€™ offerings.Going forward, we will leverage the hard work detailed above to support a sales overhaul. As we wrap up several operationally focused projects, we will now be re-organizing the commercial end of the business. This starts with a new account-based sales approach and the introduction of an outbound sales team to ensure we are meeting our customers and prospects where they are. We are also bringing marketing and sales closer to enable the same efficiencies within the commercial organization, the same way that our line of business realignment brought to the operational side of the business this past year. This refined approach and tighter internal integration will continue to accelerate our next day quote program and deepen customer relationships for increased predictability.Our strategic business intelligence initiatives have enabled us to understand our market and business better than ever before. We now have the capabilities to use data to know how and where to grow. We will continue adjusting the shape of the business toward our core competencies and the market. We can better use key insights from our sales data to understand market needs to assess areas where we lose deals today, through multiple lenses, in order to adjust our supplier network and marketing efforts accordingly. Conversely, this strategy will also allow us to assess areas where we win with an eye toward expanding deeper into those market niches or disease states.Following the completion of our supplier network refresh efforts, we will have a better than ever understanding of our key supplier capabilities, specifically focused on their pricing, quality, and speed. Using this information and the outputs of our strategic business intelligence capabilities, we will continue to be able to increase the speed of an opportunity through our sales funnel and our conversion ratios, which we believe will continue to grow our revenue. â€‹Components of Our Results of OperationsRevenueWe generate revenue by procuring various specimens from hospitals, laboratories, and other supply sites, for our medical research customers using our proprietary software, the iSpecimen Marketplace, to identify, locate, and ultimately validate the required specimens to our customersâ€™ requested specifications. The Companyâ€™s performance obligation is to procure a specimen meeting the customer specification(s)Â from a supplier, on a â€œbest effortsâ€ basis, for our customer at the agreed price per specimen as indicated in the customer contract with the Company. We do not currently charge suppliers or customers for the use of our proprietary software. Each customer will execute a material and data use agreement with the Company or agree to online purchase terms, each of which includes terms such as specimen and data use, shipment terms, payment and cancellation terms. These are then supplemented by purchase orders that specify specimen requirements including detailed inclusion/exclusion criteria, quantities to be collected, and pricing. Collectively, these customer agreements represent the Companyâ€™s contracts with its customer. Generally, contracts have fixed unit pricing. For certain specimen orders, a refundable customer deposit may be required prior to order fulfillment depending on project set-up requirements, presented as deferred revenue. The Company expects to recognize the deferred revenue within the next twelveÂ months.We recognize revenue over time, as we have created an asset with no alternative use and we have an enforceable right to payment for performance completed to date. At contract inception, we review a contract and related order upon receipt to determine if the specimen ordered has an alternative use to us. Generally, specimens ordered do not have an alternative future use to us and our performance 29â€‹Table of Contentsâ€‹obligation is satisfied when the related specimens are accessioned. We use an output method to recognize revenue for specimens with no alternative future use. The output is measured based on the number of specimens accessioned.Customers are typically invoiced upon shipment. Depending on the quantity of specimens ordered, it may take several accounting periods to completely fulfill a purchase order. In other words, there can be multiple invoices issued for a single purchase order, reflecting the specimens being accessioned over time. However, specimens are generally shipped as soon as possible after they have been accessioned.Cost of RevenueCost of revenue primarily consists of the purchase price to acquire specimens from hospitals and laboratories, inbound and outbound shipping costs, supply costs related to samples, payment processing and related transaction costs, costs paid to the supply sites to support sample collections, amortization of capitalized sequenced data costs and other assets related to sequenced data. Shipping costs upon receipt of products from suppliers are recognized in cost of revenue.TechnologyTechnology costs include consulting fees, payroll and related expenses for employees involved in the development and implementation of our technology, software license and system maintenance fees, outsourced data center costs, data management costs, amortization of internally developed software, and other expenses necessary to support technology initiatives. Collectively, these costs reflect the efforts we make to offer a wide variety of products and services to our customers. Technology and data costs are generally expensed as incurred.A portion of technology costs are related to research and development. Costs incurred for research and development are expensed as incurred, except for software development costs that are eligible for capitalization. Research and development costs primarily include salaries and related expenses, in addition to the cost of external service providers.Sales and MarketingSales and marketing costs primarily consist of payroll and related expenses for personnel engaged in marketing and selling activities, including salaries and sales commissions, travel expenses, public relations, and social media costs, ispecimen.com website development and maintenance costs, search engine optimization fees, advertising costs, direct marketing costs, trade shows and events fees, marketing and customer relationship management software, and other marketing-related costs.Supply DevelopmentWe have agreements with supply partners that allow us to procure specimens from them and distribute these samples to customers. Supply development costs primarily include payroll and related expenses for personnel engaged in the development and management of this supply network, related travel expenses, regulatory compliance costs to support the network, and other supply development and management costs.FulfillmentFulfillment costs primarily consist of those costs incurred in operating and staffing operations and customer service teams, including costs attributable to assess the feasibility of specimen requests, creating and managing orders, picking, packaging, and preparing customer orders for shipment, responding to inquiries from customers, and laboratory equipment and supplies.General and AdministrativeGeneral and administrative expenses primarily consist of costs for corporate functions, including payroll and related expenses for human resources, legal, finance, and executive teams, associated software licenses, facilities, and equipment expenses, such as depreciation and amortization expense and rent, outside legal expenses, insurance costs, and other general and administrative costs.30â€‹Table of Contentsâ€‹â€‹31â€‹Table of Contentsâ€‹Financial Operations Overview and Analysis for the Three and Nine Months Ended September 30, 2024 and 2023 (Unaudited)Comparison of the ThreeÂ Months Ended September 30, 2024 and 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Three Months Ended September 30,â€‹ChangeÂ â€‹â€‹2024â€‹2023â€‹Dollarsâ€‹PercentageÂ RevenueÂ Â Â Â $ 2,661,936Â Â Â Â $ 2,777,751Â Â Â Â $ (115,815)Â Â Â Â (4)%Operating expenses: â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ Cost of revenueâ€‹Â 1,554,159â€‹Â 1,392,534â€‹Â 161,625Â 12% Technologyâ€‹Â 754,730â€‹Â 921,580â€‹Â (166,850)Â (18)% Sales and marketingâ€‹Â 631,625â€‹Â 897,433â€‹Â (265,808)Â (30)% Supply development â€‹Â 84,972â€‹Â 186,176â€‹Â (101,204)Â (54)% Fulfillment â€‹Â 449,142â€‹Â 471,735â€‹Â (22,593)Â (5)% General and administrative â€‹Â 892,712â€‹Â 1,102,373â€‹Â (209,661)Â (19)% Total operating expenses â€‹Â 4,367,340â€‹Â 4,971,831â€‹Â (604,491)Â (12)%Loss from operationsâ€‹Â (1,705,404)â€‹Â (2,194,080)â€‹Â 488,676Â 22%Other income, netâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Interest expenseâ€‹Â (7,364)â€‹Â (4,465)â€‹Â (2,899)Â (65)%Interest incomeâ€‹Â 1,235â€‹Â 67,362â€‹Â (66,127)Â (98)%Other income (expense), netâ€‹â€‹ 271,680â€‹â€‹ 20,082â€‹â€‹ 251,598â€‹ 1,253%Total other income, netâ€‹Â 265,551â€‹Â 82,979â€‹Â 182,572Â 220%Net lossâ€‹$ (1,439,853)â€‹$ (2,111,101)â€‹â€‹ 671,248Â 32%â€‹RevenueRevenue decreased by approximately $116,000, or 4%, from approximately $2,778,000 for the three months ended September 30, 2023 to approximately $2,662,000 for the three months ended September 30, 2024. This was primarily due to a decrease in average selling price per specimen of $203, or 39%, from approximately $518 in the three months ended September 30, 2023 to approximately $315 in the three months ended September 30, 2024. The decrease in the average selling price per specimen was offset by an increase of 3,094, or 58%, in specimen count from 5,367 specimens in the three months ended September 30, 2023 to 8,461 specimens in the three months ended September 30, 2024. â€‹Cost of RevenueCost of revenue increased by approximately $162,000, or 12%, from approximately $1,393,000 for the three months ended September 30, 2023 to approximately $1,554,000 for the three months ended September 30, 2024, which was attributable to an approximately 58% increase in the number of specimens accessioned for the current period compared to the same period in the prior year, offset by an approximately $76, or 29%, decrease in the average cost per specimen.TechnologyTotal technologyÂ expenditures decreased by approximately $796,000, or 47%, from approximately $1,691,000 for the three months ended September 30, 2023 to approximately $895,000 for the three months ended September 30, 2024. Technology expenditures are either capitalized as internally developed software or expensed in the period incurred.Â Technology expenditures capitalized as internallyÂ developed software costs decreased by approximately $630,000, or 82%, from approximately $769,000 for the three months ended September 30, 2023 to approximately $140,000 for the three months ended September 30, 2024 due to reductions in workforce stemming from our decision to invest in the software at a significantly lower level in 2024 when compared to 2023 and prior years. 32â€‹Table of Contentsâ€‹Product development and technology expense that were not eligible for capitalization decreased by approximately $167,000, or 18%, from approximately $922,000 for three months ended September 30, 2023 to approximately $755,000 for the three months ended September 30, 2024. The decrease was related to decreases in professional fees of approximately $88,000, decreases in headcount and payroll and related expenses of approximately $63,000, and amortization of internally developed software of approximately $16,000.Sales and Marketing ExpensesSales and marketing expenses decreased by approximately $266,000, or 30%, from approximately $898,000 for the three months ended September 30, 2023 to approximately $632,000 for the three months ended September 30, 2024. The decrease was primarily attributable to decreases in payroll and related expenses of approximately $205,000, external marketing expense of approximately $84,000, and general operating expenses related to sales and marketing of approximately $11,000, partially offset by an increase in advertising and promotions expense of approximately $34,000.Supply DevelopmentSupply development expenses decreased by approximately $101,000, or 54%, from approximately $186,000 for the three months ended September 30, 2023 to approximately $85,000 for the three months ended September 30, 2024. The decrease was primarily attributable to decreases in payroll and related expenses of approximately $62,000, professional fees of approximately $34,000, and general supply development expenses of approximately $5,000. â€‹FulfillmentFulfillment costs decreased by approximately $23,000, or 5%, from approximately $472,000 for the three months ended September 30, 2023 to approximately $449,000 for the three months ended September 30, 2024. The decrease was primarily attributable to decreases in professional fees of approximately $99,000 and general operating expenses related to fulfillment of approximately $10,000, partially offset by an increase in payroll and related expenses of approximately $86,000 for personnel engaged in pre-sales feasibility assessments and order fulfillment.General and Administrative ExpensesGeneral and administrative expenses decreased by approximately $209,000, or 19%, from approximately $1,102,000 for the three months ended September 30, 2023 to approximately $893,000 for the three months ended September 30, 2024. The decrease was attributable to decreases in compensation costs of approximately $172,000, general operating expenses of approximately $71,000, professional fees of approximately $20,000, utilities and facilities expenses of approximately $16,000, and depreciation and amortization of approximately $7,000, partially offset by increases in taxes and insurance of approximately $57,000 and bad debt expense of approximately $20,000. Other Income, netOther income, net, increased by approximately $183,000, or 220%, from approximately $83,000 for the three months ended September 30, 2023 to approximately $266,000 for the three months ended September 30, 2024. The increase in other income, net, was attributable to an increase in other income of approximately $252,000 which mainly consisted of noncash effect of a reversal of sales tax liability recognized in the prior year, partially offset by a decrease in interest income of approximately $66,000 and an increase in interest expense of approximately $3,000.â€‹33â€‹Table of Contentsâ€‹Comparison of the NineÂ Months Ended September 30, 2024 and 2023â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Nine Months Ended September 30â€‹ChangeÂ â€‹â€‹2024â€‹2023â€‹Dollarsâ€‹PercentageÂ RevenueÂ Â Â Â $ 7,815,608Â Â Â Â $ 7,353,090Â Â Â Â $ 462,518Â Â Â Â 6%Operating expenses: â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹ Cost of revenueâ€‹Â 3,978,557â€‹Â 3,393,079â€‹Â 585,478Â 17% Technologyâ€‹Â 2,578,624â€‹Â 2,599,086â€‹Â (20,462)Â (1)% Sales and marketingâ€‹Â 2,380,515â€‹Â 2,972,757â€‹Â (592,242)Â (20)% Supply development â€‹Â 420,322â€‹Â 801,038â€‹Â (380,716)Â (48)% Fulfillment â€‹Â 1,293,185â€‹Â 1,363,427â€‹Â (70,242)Â (5)% General and administrative â€‹Â 4,051,994â€‹Â 4,522,028â€‹Â (470,034)Â (10)% Total operating expenses â€‹Â 14,703,197â€‹Â 15,651,415â€‹Â (948,218)Â (6)%Loss from operationsâ€‹Â (6,887,589)â€‹Â (8,298,325)â€‹Â 1,410,736Â 17%Other income, netâ€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Interest expenseâ€‹Â (16,303)â€‹Â (11,535)â€‹Â (4,768)Â (41)%Interest incomeâ€‹Â 40,896â€‹Â 292,506â€‹Â (251,610)Â (86)%Other income (expense), netâ€‹â€‹ 412,002â€‹â€‹ (9,173)â€‹â€‹ 421,175â€‹ 4,591%Total other income, netâ€‹Â 436,595â€‹Â 271,798â€‹Â 164,797Â 61%Net lossâ€‹$ (6,450,994)â€‹$ (8,026,527)â€‹â€‹ 1,575,533Â 20%â€‹Revenueâ€‹Revenue increased by approximately $463,000, or 6%, from approximately $7,353,000 for the nine months ended September 30, 2023 to approximately $7,816,000 for the nine months ended September 30, 2024. This was primarily due to an increase of 942, or 5% in specimen count from 18,678 specimens in the nine months ended September 30, 2023 to 19,620 specimens in the nine months ended September 30, 2024. The average selling price per specimen also increased by approximately $4, or 1%, from approximately $394 in the nine months ended September 30, 2023 to $398 in the nine months ended September 30, 2024. â€‹Cost of Revenueâ€‹Cost of revenue increased by approximately $586,000, or 17%, from approximately $3,393,000 for the nine months ended September 30, 2023 to approximately $3,979,000 for the nine months ended September 30, 2024, which was attributable to a $21, or 12%, increase in the average cost per specimen and a 5% increase in the number of specimens accessioned during the nine months ended September 30, 2024 over the same period in the prior year.â€‹Technologyâ€‹Total technologyÂ expenditure decreased by approximately $2,933,000, or 48%, from approximately $6,100,000 for the nine months ended September 30, 2023 to approximately $3,167,000 for the nine months ended September 30, 2024. Technology expenditures are either capitalized as internally developed software or expensed in the period incurred.Technology expenditures capitalized as internallyÂ developed software costs decreased by approximately $2,913,000, or 83%, from approximately $3,501,000 for the nine months ended September 30, 2023 to approximately $588,000 for the nine months ended September 30, 2024 due to reductions in workforce stemming from our decision to invest in the software at a significantly lower level in 2024 when compared to 2023 and prior years.Product development and technology expense that were not eligible for capitalization decreased by approximately $20,000, or 1%, from approximately $2,599,000 for the nine months ended September 30, 2023 to approximately $2,579,000 for the nine months ended 34â€‹Table of Contentsâ€‹September 30, 2024. The period over period decrease was related to decreases in payroll and related expenses of approximately $136,000 and professional fees of approximately $9,000, partially offset by an increase in amortization of approximately $125,000.â€‹Sales and Marketing Expensesâ€‹Sales and marketing expenses decreased approximately $592,000, or 20%, from approximately $2,973,000 for the nine months ended September 30, 2023 to approximately $2,381,000 for the nine months ended September 30, 2024. The period over period decrease was primarily attributable to decreases in payroll and related expenses of approximately $434,000, external marketing expense of approximately $275,000, and general operating expenses related to sales and marketing of approximately $53,000, which were partially offset by increases in advertising and promotions expense of approximately $170,000.â€‹Supply Developmentâ€‹Supply development expenses decreased approximately $381,000, or 48%, from approximately $801,000 for the nine months ended September 30, 2023 to approximately $420,000 for the nine months ended September 30, 2024. The period over period decrease was primarily attributable to decreases in professional fees of approximately $218,000, payroll and related expenses of approximately $141,000, and general supply development expenses of approximately $22,000.â€‹Fulfillmentâ€‹Fulfillment costs decreased approximately $70,000, or 5%, from approximately $1,363,000 for the nine months ended September 30, 2023 to approximately $1,293,000 for the nine months ended September 30, 2024. The decrease was primarily attributable to decreases in professional fees of approximately $97,000 and general operating expenses related to fulfillment of approximately $34,000, which were partially offset by an increase in payroll and related expenses of approximately $61,000 for personnel engaged in pre-sales feasibility assessments and order fulfillment.General and Administrative Expensesâ€‹General and administrative expenses decreased approximately $470,000, or 10%, from approximately $4,522,000 for the nine months ended September 30, 2023 to approximately $4,052,000 for the nine months ended September 30, 2024. The period over period decrease was attributable to decreases in compensation costs of approximately $470,000, general operating expenses of approximately $175,000, depreciation and amortization of approximately $51,000, bad debt expense of approximately $37,000, utilities and facilities expenses of approximately $26,000, which were partially offset by increases in taxes and insurance of approximately $148,000 and professional fees of approximately $141,000.â€‹Other Income, netOther income, net, increased by approximately $165,000, or 61%, from approximately $272,000 for the nine months ended September 30, 2023 to approximately $437,000 for the nine months ended September 30, 2024. The increase in other income, net, was attributable to an increase in other income (expense) of approximately $421,000 which mainly consisted of noncash effect of a reversal of sales tax liability recognized in the prior year, offset by a decrease in interest income of approximately $252,000 and an increase in interest expense of approximately $5,000.35â€‹Table of Contentsâ€‹Liquidity and Capital Resourcesâ€‹Changeâ€‹â€‹ â€‹September 30,Â 2024 â€‹DecemberÂ 31,Â 2023 â€‹Dollars â€‹Percentage â€‹â€‹â€‹(unaudited)â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Balance Sheet Data:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Cash and cash equivalentsâ€‹$ 1,751,854â€‹$ 2,343,666â€‹$ (591,812)â€‹ (25)%Available-for-sale securitiesâ€‹â€‹ â€”â€‹â€‹ 2,661,932â€‹â€‹ (2,661,932)â€‹ (100)%Working capitalâ€‹â€‹ (1,610,379)â€‹â€‹ 2,189,673â€‹â€‹ (3,800,052)â€‹ (174)%Total assetsâ€‹â€‹ 11,264,223â€‹â€‹ 15,819,137â€‹â€‹ (4,554,914)â€‹ (29)%Total stockholders' equity â€‹â€‹ 4,714,572â€‹â€‹ 9,741,077â€‹â€‹ (5,026,505)â€‹ (52)%â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Nine Months Ended September 30,Â â€‹ChangeÂ â€‹â€‹Â Â Â Â 2024Â Â Â Â 2023Â Â Â Â DollarsÂ Â Â Â PercentageÂ Â Â Â Â Statement of Cash Flow Data:â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹â€‹Net cash flows used in operating activitiesâ€‹$ (4,691,032)â€‹$ (6,152,691)â€‹$ 1,461,659â€‹ 24%â€‹Net cash flows provided by (used in) investing activitiesâ€‹Â 2,052,614â€‹Â (6,505,340)â€‹Â 8,557,954Â 132%â€‹Net cash flows provided by financing activitiesâ€‹Â 2,046,606â€‹Â 70,889â€‹Â 1,975,717Â 2,787%â€‹Net decrease in cash and cash equivalentsâ€‹$ (591,812)â€‹$ (12,587,142)â€‹$ 11,995,330â€‹â€‹â€‹â€‹â€‹Capital ResourcesWe have had recurring losses since inception. As of September 30, 2024, our available cash and cash equivalents and available-for-sale securities totaled approximately $1,752,000, which represented a decrease of approximately $3,254,000 from approximately $5,006,000, as of December 31, 2023. We had negative working capital of approximately $1,610,000, an accumulated deficit of approximately $65,816,000, cash and cash equivalents of approximately $1,752,000, and accounts payable and accrued expenses ofâ€ ‰approximately $5,078,000. Our continued viability is dependent on the ability to successfully obtain additional working capital and/or ultimately attain profitable operations. During the year ended December 31, 2023, we began initiating efforts to decrease our capital and operational expenditures by cutting costs and right sizing the Company through reductions in workforce while streamlining operations and rationalizing resources to focus on key market opportunities. The reduction in workforce since January 1, 2023 through September 30, 2024, cumulatively resulted in an estimated reduction in monthly compensation costs of approximately 70% and technology costs of approximately 70% by the end of September 30, 2024 when compared to January 1, 2023. Â While we plan to improve our sales and revenues, we are taking steps to significantly reduce and manage expenditures to improve our financial position and ensure continued funding of operations. However, as certain elements of our operating plan are not within our control, we are unable to assess their probability. In the nine months ended September 30, 2024, we engaged in raising capital through debt financing as discussed in Note 7 and subsequently, through public equity as discussed in Note 13. We may be unsuccessful in increasing our revenues or contain our operating expenses, or we may be unable to raise additional capital on commercially favorable terms. Our failure to generate additional revenues or contain operating costs would have a negative impact on our business, results of operations and financial condition and our ability to continue as a going concern. If we do not generate enough revenue to provide an adequate level of working capital, our business plan will be scaled down further.â€‹These conditions raise substantial doubt regarding our ability to continue as a going concern for a period of one year after the date of this Quarterly Report. Managementâ€™s plan to mitigate the conditions that raise substantial doubt includes generating additional revenues, deferring certain projects and capital expenditures and eliminating certain future operating expenses for us to continue as a going concern. However, there can be no assurance that we will be successful in completing any of these options. As a result, managementâ€™s plans cannot be considered probable and thus do not alleviate substantial doubt about our ability to continue as a going concern.â€‹36â€‹Table of Contentsâ€‹Cash FlowsOperating ActivitiesFor the nine months ended September 30, 2024, net cash used in operating activities was approximately $4,691,000, which consisted of a net loss of approximately $6,451,000 offset by non-cash charges of approximately $2,167,000, which included approximately $1,554,000 related to amortization of internally developed software, approximately $239,000 in stock-based compensation, approximately $206,000 in bad debt expense, approximately $144,000 related to amortization of other intangible assets, approximately $49,000 related to depreciation of property and equipment, approximately $4,000 related to amortization of discount and debt issuance costs on the senior note payable, and approximately $1,000 of losses from sales of available-for-sale securities, which were partially offset by approximately $29,000 of accretion of discount on available-for-sale securities. Total changes in assets and liabilities of approximately $407,000 were attributable to an approximately $518,000 decrease in accrued expense, an approximately $452,000 increase in accounts receivable, an approximately $132,000 decrease in deferred revenue, an approximately $108,000 decrease in lease liability, and an approximately $12,000 increase in security deposits, offset by an approximately $558,000 decrease in accounts receivable-unbilled, an approximately $130,000 increase in accounts payable, an approximately $113,000 decrease in operating lease right-of-use asset, and an approximately $14,000 decrease in prepaid expenses and other current assets.For the nine months ended September 30, 2023, net cash used in operating activities was approximately $6,153,000, which consisted of a net loss of approximately $8,027,000 offset by non-cash charges of approximately $1,982,000, which included approximately $1,436,000 related to amortization of internally developed software, approximately $352,000 in stock-based compensation, approximately $243,000 in bad debt expense, and approximately $99,000 related to depreciation of property and equipment, offset by $147,000 of accretion of discount on available-for-sale securities. Total changes in assets and liabilities of approximately $108,000 were attributable to an approximately $503,000 decrease in accrued expenses, an approximately $351,000 increase in accounts receivable, an approximately $179,000 decrease in accounts payable, an approximately $85,000 decrease in deferred revenue, an approximately $49,000 increase in operating lease right-of-use asset, and an approximately $20,000 increase in prepaid expenses and other current assets, offset by an approximately $902,000 decrease in accounts receivable-unbilled, an approximately $129,000 decrease in tax credit receivable, and an approximately $48,000 increase in operating lease liability.Investing ActivitiesNet cash provided by investing activities was approximately $2,053,000 for the nine months ended September 30, 2024, which consisted of approximately $3,150,000 of proceeds from sales and maturities of available-for-sale securities, which were offset by approximately $588,000 of capitalization of internally developed software, approximately $461,000 of purchases of available-for-sale securities, approximately $25,000 of purchase of leasehold improvements, and approximately $24,000 of purchase of property and equipment. Net cash used in investing activities was approximately $6,505,000 for the nine months ended September 30, 2023, which consisted of approximately $10,143,000 of purchase of available-for-sale securities, approximately $3,693,000 of capitalization of internally developed software, and approximately $19,000 of purchase of property and equipment, offset by approximately $7,350,000 of proceeds from sale and maturities of available-for-sale securities.Financing ActivitiesNet cash provided by financing activities was approximately $2,047,000 for the nine months ended September 30, 2024, which consisted of approximately $1,494,000 of proceeds received from the issuance of common stock in connection with the ATM Offering, and $1,000,000 of proceeds received from the issuance of the senior note payable, offset by approximately $255,000 for the payment of offering costs in connection with the issuance of common stock in connection with the ATM Offering, approximately $140,000 for the payment of debt issuance costs in connection with the senior note payable, and approximately $53,000 for the repurchase of common stock exercisable under PIPE Warrants. 37â€‹Table of Contentsâ€‹Net cash provided by financing activities was approximately $71,000 for the nine months ended September 30, 2023, due to proceeds received from the exercise of stock options.Effects of Inflation and Supply Chain ShortagesOur operations are heavily reliant on specimen availability, and as a result, we often receive more requests than we can fulfill. While the Company is subject to these types of supply chain constraints that are specific to the specimen industry, we have not been materially affected by the more common supply chain issues currently affecting the economy, specifically surrounding transportation. Due to the small size of the packages that we ship, our carriers were able to continue making timely deliveries during the nine months ended September 30, 2024. However, there had been an increase in our shipping costs period over period during the nine months ended September 30, 2024. We have experienced negative effects of inflation in certain areas of our business due to the high rates of inflation in the worldâ€™s current economy. This inflation is affecting employee salaries, which account for a significant portion of our operating costs. Additionally, the costs of supplies have been affected by inflation; however, these costs are not significant to the Companyâ€™s results. Inflation has not had a significant impact on the cost of specimens due to our long-term contracts maintained with vendors, which include revenue sharing plans.Critical Accounting Policies and EstimatesWe have chosen accounting policies that we believe are appropriate to accurately and fairly report our operating results and financial condition in conformity with GAAP. We apply these accounting policies in a consistent manner. Our significant accounting policies are discussed in Note 2, â€œSummary of Significant Accounting Policies,â€ in our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.The application of critical accounting policies requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. These estimates and assumptions are based on historical experience and other market-specific or other relevant assumptions that we believe to be reasonable under the circumstances. We evaluate these estimates and assumptions on an ongoing basis. If actual results ultimately differ from previous estimates, the revisions are included in results of operations in the period in which the actual amounts become known. The critical accounting policies that involve the most significant management judgments and estimates used in preparation of our unaudited condensed financial statements or are the most sensitive to change from outside factors, are discussed in â€œPart II. Item 7. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operationsâ€ contained in the Companyâ€™s Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes in our critical accounting policies and procedures during the nine months ended September 30, 2024.JOBS Act Transition PeriodOn AprilÂ 5, 2012, the Jumpstart Our Business Startups Act of 2012 (the â€œJOBS Actâ€) was enacted. SectionÂ 107 of the JOBS

Act provides that an â€œemerging growth companyâ€ can take advantage of the extended transition period provided in SectionÂ 7(a)(2)(B)Â of the Securities Act for complying with new or revised accounting standards. In other words, an â€œemerging growth companyâ€ can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.We have elected not to â€œopt outâ€ of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we will adopt the new or revised standard at the time private companies adopt the new or revised standard and will do so until such time that we either (i)Â irrevocably elect to â€œopt outâ€ of such extended transition period or (ii)Â no longer qualify as an emerging growth company.We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an â€œemerging growth company,â€ we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditorâ€™s attestation report on our system of internal controls over financial reporting pursuant to SectionÂ 404(b)Â of the Sarbanes-Oxley Act of 2002 and (ii)Â complying with any requirement that may be 38â€‹Table of Contentsâ€‹adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditorâ€™s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an â€œemerging growth companyâ€ until the earliest of (i)Â the last day of the fiscalÂ year in which we have total annual gross revenues of $1.235 billion or more; (ii)Â December 31, 2026; (iii)Â the date on which we have issued more than $1 billion in nonconvertible debt during the previous threeÂ years; or (iv)Â the date on which we are deemed to be a large accelerated filer under the rulesÂ of the SEC.â€‹ItemÂ 3. Quantitative and Qualitative Disclosures About Market Risk.â€‹Not applicable for smaller reporting companies.â€‹Item 4. Controls and Procedures.Evaluation of Disclosure Controls and ProceduresDisclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SECâ€™s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended September 30, 2024, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. These controls and procedures are designed to provide reasonable assurance that the information required to be disclosed 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 SECâ€™s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, in a manner to allow timely decisions regarding required disclosures. Based on this evaluation, management has concluded that our disclosure controls and procedures were not effective as of September 30, 2024 due to the following material weakness in internal control over financial reporting: â—The Company did not design and maintain adequate controls to maintain appropriate documentation for the tax-exempt status of its customers, calculate and collect sales tax at point of sale, and subsequently report and remit in a timely manner to the relevant tax jurisdictions salesÂ taxÂ obligations.Notwithstanding the existence of the material weakness described above, management believes that the unaudited condensed financial statements included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations and cash flows as of and for the periods presented, in conformity with GAAP.Managementâ€™s Plan for RemediationThe material weakness described above was identified as a result of an entity-wide risk assessment process that commenced in the quarter ended June 30, 2023. The Company is in the process of implementing a remediation plan to improve our internal control over financial reporting and to remediate the related control deficiencies that led to the material weakness. In response to these deficiencies, management, with the oversight of the Audit Committee of the Board of Directors, has identified and implemented steps to remediate the material weakness.The Company began implementing the remediation plan during the second quarter of fiscal year 2023 and this remediation is ongoing as of the filing date of this Quarterly Report. The following remedial measures are designed to address the material weakness and to continue to improve our internal control over financial reporting.â—We have engaged external tax advisors to complement internal resources and efforts and provide support in assessing the appropriate sales tax treatment associated with the Companyâ€™s products for all prior years in which the Company had generated revenue.â—We have obtained sales tax exemption letters, representation letters or proof of payments of compensating use tax from our customers and we have started a collection effort of these sales taxes from certain customers who have notified the Company that they do not have a sales tax exemption letter.39â€‹Table of Contentsâ€‹â—We have begun implementing a sales tax software platform solution for the calculation, collection, and remittance of sales tax for all non-exempt future sales, and assisting with the collection and tracking of VDAs received from states where a potential sales tax liability may exist. â—We have begun designing and implementing enhanced policies, procedures and controls related to the calculation, communication, collection, and remittance of sales tax to relevant jurisdictions. â—We have begun filing VDAs and/or registrations for sales and use taxes in certain states, and the filing and remittance of past due and current periodic sales and use taxes.â—We have begun training appropriate personnel in the effective design and execution of our enhanced policies, procedures, and controls, including the importance of the ongoing, consistent effective execution of such procedures and controls.We are committed to the remediation of the material weakness and expect to successfully implement enhanced control processes. However, as we continue to evaluate, and work to improve our internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary. Therefore, we cannot assure you when we will be able to fully remediate such weakness, nor can we be certain that additional actions will not be required or what the costs may be of any such additional actions. Moreover, we cannot assure you that additional material weaknesses will not arise in the future.Changes in Internal Control Over Financial ReportingWe are in the process of implementing certain changes to our internal controls to remediate the material weakness described above. Except as noted above, there were no changes in the Companyâ€™s internal control over financial reporting during the nine months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Companyâ€™s internal control over financial reporting. â€‹â€‹40â€‹Table of Contentsâ€‹PART II - OTHER INFORMATIONâ€‹Item 1. Legal Proceedings.â€‹On July 25, 2024, Benjamin Bielak, the Companyâ€™s Chief Information Officer, until his resignation on July 14, 2024, initiated a Demand for Arbitration against the Company with the American Arbitration Association, pursuant to the dispute resolution provisions contained in Mr. Bielakâ€™s employment agreement. The terms and conditions of Mr. Bielakâ€™s employment with the Company were governed by his employment agreement.â€‹In his Demand for Arbitration Mr. Bielak claims that the Company failed to provide him with certain bonus payments allegedly due to him for work performed in 2023 and 2024. Mr. Bielak also claims that the Company failed to provide him with severance payments allegedly due pursuant to the provisions of his employment agreement. The total amount of Mr. Bielakâ€™s claim for alleged damages is $586,800 plus attorneysâ€™ fees and interest.â€‹The Company believes that Mr. Bielakâ€™s claims are without legal or factual basis, and intends to vigorously defend these claims. An arbitrator has not yet been selected, and a schedule for the arbitration has not yet been set.â€‹Item 1A. Risk Factors.There have been no material changes with respect to risk factors previously disclosed in the Companyâ€™sÂ Annual Report on Form 10-KÂ for the year ended December 31, 2023, filed with the SEC on March 13, 2024.Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.â€‹None.â€‹Item 3. Defaults Upon Senior Securities.â€‹None.Item 4. Mine Safety Disclosures.â€‹Not Applicable.â€‹41â€‹Table of Contentsâ€‹Item 5. Other Information.â€‹Board Committeesâ€‹On July 25, 2024, Andrew L. Ross resigned as a director of the Company. â€‹Pursuant to the Purchase Agreement, among other things, as a condition to Closing, three of the five directors serving on the board of directors of the Company (the â€œBoardâ€) resigned from the Board and were replaced by three new directors designated by the Lender, which became effective immediately upon Closing on September 25, 2024. The Company received letters of resignation from each of Steven Gullans and Theresa Mock, each as a member of the Board, and from Elizabeth A. Graham, as a member and the chairperson of the Board, effective upon Closing.Â â€‹Effective upon Closing on SeptemberÂ 25, 2024, Richard Paolone, Avtar Dhaliwal and Katharyn (Katie) Field were each appointed to serve on the Board with Ms.Â Field appointed as the chairperson of the Board. â€‹Also, effective upon Closing, each of Mr.Â Paolone and Ms.Â Field was appointed as a member of the Audit Committee of the Board, each of Mr.Â Paolone and Mr.Â Dhaliwal was appointed as a member of the Compensation Committee of the Board (the â€œCompensation Committeeâ€), with Mr.Â Paolone appointed as Chair of the Compensation Committee, and each of Mr.Â Dhaliwal and Ms.Â Field was appointed as a member of the Nominating and Corporate Governance Committee of the Board (the â€œNominating Committeeâ€), with Mr.Â Dhaliwal appointed as Chair of the Nominating Committee.â€‹The table below shows the approved composition of each standing committee of the Board of Directors:â€‹CommitteeChairMembersAudit CommitteeJohn L. Brooks IIIJohn L. Brooks III, Katharyn Field and Richard PaoloneCompensation CommitteeRichard PaoloneRichard Paolone, Avtar Dhaliwal and John L. Brooks IIINominating and Corporate Governance CommitteeAvtar DhaliwalAvtar Dhaliwal and Katharyn Fieldâ€‹Trading Arrangementsâ€‹During the quarterly period ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated any â€œRule 10b5-1 trading arrangementâ€ or any â€œnon-Rule 10b5-1 trading arrangement,â€ as each term is defined in Item 408 of Regulation S-K.â€‹42â€‹Table of Contentsâ€‹Item 6. Exhibits The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report.â€‹â€‹â€‹â€‹â€‹â€‹â€‹No.Description of Exhibit3.1Form of Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Companyâ€™s Current Report on Form 8-K filed with the SEC on September 11, 2024)4.1Senior Note, dated as of September 24, 2024 (incorporated by reference to Exhibit 4.1 of the Companyâ€™s Current Report on Form 8-K filed with the SEC on September 25, 2024)10.1Commercial Lease, dated July 2, 2024, between the Company and Cummings Properties, LLC (incorporated by reference to Exhibit 10.1 of the Companyâ€™s Current Report on Form 8-K filed with the SEC on July 3, 2024)10.2Notice of Lease Termination, dated June 28, 2024 (incorporated by reference to Exhibit 10.2 of the Companyâ€™s Current Report on Form 8-K filed with the SEC on July 3, 2024)10.3Note Purchase Agreement, dated as of SeptemberÂ 19, 2024 (incorporated by reference to Exhibit 10.1 of the Companyâ€™s Current Report on Form 8-K filed with the SEC on September 25, 2024)10.4FormÂ of Indemnification Agreement, by and between the Company and certain directors and executive officers (incorporated by reference to ExhibitÂ 10.3 of the Companyâ€™s FormÂ S-1/A (File No.Â 333-250198) filed with the SEC on DecemberÂ 31, 2020).31.1*Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 200231.2*Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 200232.1**Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002101.INS*Inline XBRL Instance Document101.CAL*Inline XBRL Taxonomy Extension Calculation Linkbase Document101.SCH*Inline XBRL Taxonomy Extension Schema Document101.DEF*Inline XBRL Taxonomy Extension Definition Linkbase Document101.LAB*Inline XBRL Taxonomy Extension Labels Linkbase Document101.PRE*Inline XBRL Taxonomy Extension Presentation Linkbase Document104*Cover Page Interactive Data Fileâ€“â€“the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.â€‹*Filed herewith.**Furnished.â€‹43â€‹Table of Contentsâ€‹SIGNATURESPursuant 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.â€‹â€‹iSpecimen Inc. â€‹â€‹â€‹â€‹â€‹â€‹Date: November 7, 2024By:/s/ Tracy Curleyâ€‹Name:Tracy Curleyâ€‹Title:Chief Executive Officer, Chief Financial Officer and Treasurer (Principal Executive Officer and Principal Financial and Accounting Officer)â€‹â€‹44â€‹EXHIBIT 31.1â€‹CERTIFICATION OF CHIEF EXECUTIVE OFFICERPURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002â€‹I, Tracy Curley, certify that:â€‹1.I have reviewed this Quarterly Report on Form 10-Q of iSpecimen Inc.;â€‹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;â€‹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 period presented in this report;â€‹4.I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:â€‹a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;â€‹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;â€‹c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report my 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; andâ€‹d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andâ€‹5.I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):â€‹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 registrantâ€™s ability to record, process, summarize and report financial information; andâ€‹b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.â€‹â€‹â€‹â€‹Date: November 7, 2024â€‹â€‹â€‹â€‹/s/ Tracy Curleyâ€‹Tracy Curleyâ€‹Chief Executive Officerâ€‹(Principal Executive Officer)â€‹EXHIBIT 31.2â€‹CERTIFICATION OF CHIEF FINANCIAL OFFICERPURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002â€‹I, Tracy Curley, certify that:â€‹1.I have reviewed this Quarterly Report on Form 10-Q of iSpecimen Inc.;â€‹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;â€‹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 period presented in this report;â€‹4.I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:â€‹a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;â€‹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;â€‹c)Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report my 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; andâ€‹d)Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andâ€‹5.I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performing the equivalent functions):â€‹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 registrantâ€™s ability to record, process, summarize and report financial information; andâ€‹b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.â€‹Date: November 7, 2024â€‹â€‹â€‹/s/ Tracy Curleyâ€‹Tracy Curleyâ€‹Chief Financial Officer and Treasurerâ€‹(Principal Accounting and Financial Officer)â€‹â€‹EXHIBIT 32.1â€‹CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002In connection with the Quarterly Report of iSpecimen Inc. (the â€œCompanyâ€) on Form 10-Q for the quarterly period ended September 30, 2024, as filed with the Securities and Exchange Commission (the â€œReportâ€), I, Tracy Curley, Chief Executive Officer, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C.

Â§1350, as added by Â§906 of the Sarbanes-Oxley Act of 2002, that:1.The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.ay 4, 200â€‹Date: November 7, 2024â€‹â€‹â€‹â€‹/s/ Tracy Curleyâ€‹Tracy Curleyâ€‹Chief Executive Officer, Chief Financial Officer and Treasurerâ€‹(Principal Executive Officer and Principal Financial Officer and Accounting Officer)â€‹