SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

OR

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

For the transition period from to

Commission file number 001-40747

authID

authID Inc.
(Exact name of registrant as specified in its charter)

Delaware	46-2069547
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1580 North Logan Street, Suite 660, Unit 51767,
Denver, CO 80203
(Address of principal executive offices) (zip code)

516-274-8700
(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock par value $0.0001 per share	AUID	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.

☒ Yes ☐ No

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

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

Class	Outstanding at August 5, 2024
Common Stock, par value $0.0001	10,920,851 shares
Documents incorporated by reference:	None

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in this report, in Part I. Item 1A. Risk Factors also appear in our Annual Report on Form 10-K for the year ended December 31, 2023 and our other filings with the Securities and Exchange Commission. Some examples of risk factors which may affect our business are as follows:

- our lack of significant revenues, positive cash flow and history of losses,
- market acceptance of our products and competition;
- our ability to attract and retain customers for existing and new products;
- our ability to effectively maintain and update our technology and product and service portfolio;
- our reliance on third party software and developers;
- breaches of network or IT security and presentation attacks;
- our ability to hire and retain key personnel and additional talent;
- our ability to raise capital under acceptable terms;
- our ability to maintain listing of our common stock on the Nasdaq Capital Market;
- our ability to adequately protect our intellectual property, or the loss of some of our intellectual property rights through costly litigation or administrative proceedings;
- our ability to operate in non-US markets;
- the impact of the wars in Ukraine and the Middle East;
- stock price and market volatility and the risk of securities litigation;
- legislation and government regulation; and
- general economic conditions, inflation and access to capital.

Other sections of this report include additional factors which could adversely impact our business and financial performance. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms “authID” the “Company,” “we,” “our,” “us,” and similar terms refer to authID Inc., a Delaware corporation and its subsidiaries.

The information which appears on our website www.authID.ai is not part of this report.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash	$ 14,407,393	$ 10,177,099
Accounts receivable, net	192,667	91,277
Deferred contract costs	156,735	157,300
Other current assets, net	771,755	476,004
Contract assets	201,610	-
Total current assets	15,730,160	10,901,680
Intangible Assets, net	255,171	327,001
Goodwill	4,183,232	4,183,232
Total assets	$ 20,168,563	$ 15,411,913
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 998,040	$ 1,408,965
Deferred revenue	243,772	131,628
Commission liability	46,612	124,150
Accrued severance liability	325,000	-
Convertible debt, net	232,654	-
Total current liabilities	1,846,078	1,664,743
Non-current Liabilities:		
Convertible debt, net	-	224,424
Accrued severance liability	-	325,000
Total liabilities	$ 1,846,078	$ 2,214,167
Commitments and Contingencies (Note 7)		
Stockholders' Equity:		
Common stock, $0.0001 par value, 150,000,000 and 250,000,000 shares authorized; 10,920,851 and 9,450,220 shares issued and outstanding as of June 30, 2024 and December 31, 2023 respectively	1,092	945
Additional paid in capital	184,164,638	172,714,712
Accumulated deficit	(165,849,353)	(159,530,535)
Accumulated comprehensive income	6,108	12,624
Total stockholders' equity	18,322,485	13,197,746
Total liabilities and stockholders' equity	$ 20,168,563	$ 15,411,913

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenues, net	280,438	37,142	437,816	74,998
Operating Expenses:				
General and administrative	2,169,160	2,016,908	4,231,521	2,839,662
Research and development	1,392,103	703,590	2,597,071	824,228
Depreciation and amortization	44,004	76,019	87,412	152,036
Total operating expenses	3,605,267	2,796,517	6,916,004	3,815,926
Loss from continuing operations	(3,324,829)	(2,759,375)	(6,478,188)	(3,740,928)
Other Income (Expense):				
Interest expense, net	(10,369)	(282,109)	(23,507)	(1,082,182)
Interest income	73,957	1,160	182,877	1,160
Loss on debt extinguishment	-	(380,741)	-	(380,741)
Conversion expense	-	(7,476,000)	-	(7,476,000)
Other income (expense), net	63,588	(8,137,690)	159,370	(8,937,763)
Loss from continuing operations before income taxes	(3,261,241)	(10,897,065)	(6,318,818)	(12,678,691)
Income tax expense	-	(3,255)	-	(3,255)
Loss from continuing operations	(3,261,241)	(10,900,320)	(6,318,818)	(12,681,946)
Gain from discontinued operations	-	5,694	-	3,439
Gain on sale of discontinued operations	-	216,069	-	216,069
Total gain from discontinued operations	-	221,763	-	219,508
Net loss	$ (3,261,241)	$ (10,678,557)	$ (6,318,818)	$ (12,462,438)
Net Loss Per Share - Basic and Diluted				
Continuing operations	$ (0.34)	$ (2.16)	$ (0.67)	$ (3.09)
Discontinued operations	-	$ 0.04	-	$ 0.05
Weighted Average Shares Outstanding - Basic and Diluted:	9,501,691	5,046,514	9,475,956	4,108,372

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net Loss	$ (3,261,241)	$ (10,678,557)	$ (6,318,818)	$ (12,462,438)
Foreign currency translation loss	(10,594)	(132,071)	(6,516)	(156,137)
Comprehensive loss	$ (3,271,835)	$ (10,810,628)	$ (6,325,334)	$ (12,618,575)

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Deficit	Income	Total
Balances, March 31, 2024	9,450,220	$ 945	$ 173,437,683	$ (162,588,112)	$ 16,702	$ 10,867,218
Stock-based compensation	-	-	725,704	-	-	725,704
Sale of common stock for cash, net of offering costs	1,464,965	146	10,001,252	-	-	10,001,398
Cashless stock option exercise	5,666	1	(1)	-	-	-
Net Loss	-	-	-	(3,261,241)	-	(3,261,241)
Foreign currency translation	-	-	-	-	(10,594)	(10,594)
Balances, June 30, 2024	10,920,851	$ 1,092	$ 184,164,638	$ (165,849,353)	$ 6,108	$ 18,322,485
Balances, December 31, 2023	9,450,220	$ 945	$ 172,714,712	$ (159,530,535)	$ 12,624	$ 13,197,746
Stock-based compensation	-	-	1,448,675	-	-	1,448,675
Sale of common stock for cash, net of offering costs	1,464,965	146	10,001,252	-	-	10,001,398
Cashless stock option exercise	5,666	1	(1)	-	-	-
Net loss	-	-	-	(6,318,818)	-	(6,318,818)
Foreign currency translation	-	-	-	-	(6,516)	(6,516)
Balances, June 30, 2024	10,920,851	$ 1,092	$ 184,164,638	$ (165,849,353)	$ 6,108	$ 18,322,485
Balances, March 31, 2023	3,247,957	$ 325	$ 137,881,276	$ (141,914,040)	$ 131,863	$ (3,900,576)
Stock-based compensation	-	-	1,055,690	-	-	1,055,690
Warrants issued for services	-	-	438,000	-	-	438,000
Shares issued in lieu of interest	43,348	4	165,147	-	-	165,151
Conversion of convertible notes into common stock	2,348,347	235	15,331,776	-	-	15,332,011
Conversion of credit facility borrowings into common stock	245,634	24	899,976	-	-	900,000
Sale of common stock for cash, net of offering costs	1,989,676	198	6,383,443	-	-	6,383,641
Net loss	-	-	-	(10,678,557)	-	(10,678,557)
Foreign currency translation	-	-	-	-	(132,071)	(132,071)
Balances, June 30, 2023	7,874,962	$ 786	$ 162,155,308	$ (152,592,597)	$ (208)	$ 9,563,289
Balances, December 31, 2022	3,179,789	$ 318	$ 140,257,448	$ (140,130,159)	$ 155,929	$ 283,536
Stock-based compensation	-	-	(1,542,902)	-	-	(1,542,902)
Warrants issued for services	-	-	438,000	-	-	438,000
Shares issued in lieu of interest	111,516	11	387,567	-	-	387,578
Conversion of convertible notes into common stock	2,348,347	235	15,331,776	-	-	15,332,011
Conversion of credit facility borrowings into common stock	245,634	24	899,976	-	-	900,000
Sale of common stock for cash, net of offering costs	1,989,676	198	6,383,443	-	-	6,383,641
Net loss	-	-	-	(12,462,438)	-	(12,462,438)
Foreign currency translation	-	-	-	-	(156,137)	(156,137)
Balances, June 30, 2023	7,874,962	$ 786	$ 162,155,308	$ (152,592,597)	$ (208)	$ 9,563,289

See notes to condensed consolidated financial statements.

authID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,318,818)	$ (12,462,438)
Adjustments to reconcile net loss with cash flows from operations:		
Stock-based compensation	1,448,675	(1,542,902)
Depreciation and amortization expense	87,412	152,036
Amortization of debt discounts and issuance costs	8,230	689,305
Non-cash recruiting fees	-	438,000
Shares issued in lieu of interest	-	387,578
Gain from sale of discontinued operation	-	(216,069)
Loss on debt extinguishment	-	380,741
Conversion expense	-	7,476,000
Changes in operating assets and liabilities:		
Accounts receivable	(101,390)	219,684
Deferred contract costs	(76,973)	-
Other current assets	(497,379)	(136,564)
Accounts payable and accrued expenses	(411,552)	63,546
Deferred revenue	112,144	(22,211)
Other accrued liabilities	-	290,000
Adjustments relating to discontinued operations	-	110,064
Net cash flows from operating activities	(5,749,651)	(4,173,230)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of intangible assets	(15,582)	-
Net cash flows from investing activities	(15,582)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock, net of offering costs	10,001,398	6,383,641
Credit facility drawdown, net of issuance costs	-	543,760
Net cash flows from financing activities	10,001,398	6,927,401
Effect of Foreign Currencies	(5,871)	(12,206)
Net Change in Cash	4,230,294	2,741,965
Cash, Beginning of the Period	10,177,099	3,237,106
Cash, Beginning of the Period - Discontinued Operations	-	2,703
Cash, End of the Period - Discontinued Operations	-	-
Cash, End of the Period	$ 14,407,393	$ 5,981,773
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 15,276	$ -
Cash paid for income taxes - discontinued operations	$ -	$ 364
Cash paid for income taxes	$ -	$ 3,255
Cash paid for income taxes - discontinued operations	$ -	$ 1,254
Schedule of Non-cash Investing and Financing Activities:		
Conversion of convertible note payable and accrued interest to common stock	$ -	$ 7,856,011
Conversion of credit facility borrowings into common stock	$ -	$ 900,000
Warrants for services with the sale of common stock	$ 877,392	$ 725,889
Cashless option and warrant exercises	$ 1	$ -

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

In the opinion of Management, the accompanying unaudited condensed consolidated financial statements are prepared in accordance with instructions for Form 10-Q, include all adjustments (consisting only of normal recurring accruals) which we considered as necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for future periods or the full year.

The condensed consolidated financial statements include the accounts of authID Inc. and its wholly-owned subsidiaries MultiPay S.A.S., ID Solutions, Inc., FIN Holdings Inc., Ipsidy Enterprises Limited and authID Gaming Inc. (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Going Concern

As of June 30, 2024, the Company had an accumulated deficit of approximately $165.8 million. For the three and six months ended June 30, 2024, the Company earned revenue from continuing operations of approximately $0.3 million and $0.4 million, used approximately $2.8 million and $5.7 million to fund its operations, and incurred a net loss of approximately $3.3 million and $6.3 million.

The continuation of the Company as a going concern is dependent upon financial support from the Company's stockholders, the ability of the Company to obtain additional debt or equity financing to continue operations, the Company's ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition, and acquiring new clients to generate revenues and cash flows. In June 2024, the Company raised approximately $10.0 million after expenses from existing and new stockholders through the sale of Common Stock pursuant to a registered direct offering. Going forward, the Company plans to raise additional funds to support its operations and investments as it seeks to create a sustainable organization. Our growth-oriented business plan to offer products to our customers will require continued capital investment and there is no guarantee that such financing will be available, or available on acceptable terms.

There is no assurance that the Company will ever be profitable. These unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern. As there can be no assurance that the Company will be able to achieve positive cash flows (become cash flow positive) and raise sufficient capital to maintain operations, there is substantial doubt about the Company's ability to continue as a going concern.

Reclassification

Certain prior year expenses have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the previously reported loss from continuing operations and management does not believe that this reclassification is material to the consolidated financial statements taken as a whole. Specifically, for the three and six months ended June 30, 2023, we reclassified approximately $64,000 and $93,000, respectively, in expenses from research and development expenses to general and administrative expenses.

Net Loss per Common Share

The Company computes net loss per share in accordance with FASB ASC 260, “Earnings per Share”. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the statement of operations. Basic EPS is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible notes and stock warrants, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options, warrants and conversion of convertible notes. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive. The following potentially dilutive securities were excluded from the calculation of diluted loss per share for the three and six months ended June 30, 2024 and 2023 because their effect was antidilutive:

Security	**2024**	**2023**
Convertible notes payable	8,277	8,277
Warrants	697,446	497,895
Stock options	1,852,819	1,561,070
	2,558,542	2,067,242

Revenue Recognition

Software License – The Company recognizes revenue based on the identified performance obligations over the performance period for fixed consideration and / or variable fees generated. Variable fees are typically earned over time based on monthly users, transaction volumes or a monthly flat fee rate. We allocate the selling price in a contract which has multiple performance obligations based on the contract selling price that we believe represents a fair market price for the service rendered based on estimated standalone selling price. Transaction fees are billed monthly and are constrained to transactions incurred within the month.

For contracts with minimum annual fees, the Company generally recognizes the amount of revenue ratably over the contract year and records contract assets for the amount in excess of monthly contract billings relating to variable contract consideration. For certain contracts, the Company enters into an agreement which stipulates a minimum annual fee which is generally due at the end of the contract year, in excess of the amount of monthly billings. The Company may also require milestone payments of the minimum annual fee. The amount of any billed fees in excess of revenue recognized is recorded as deferred revenue.

Any usage-based fees in excess of the minimum contract amount are charged to the customer and allocated to the annual period in which they are earned under the contract. At the beginning of each annual period in the contract, the Company estimates the variable amounts for the annual period subject to the constrained variable consideration (usage-based fees) and recognizes that amount on a time-elapsed basis over the annual period. At each reporting date within an annual period, the Company reassesses its estimate of the excess variable amounts for the annual period and updates the amount recognized on a time-elapsed basis over the remainder of the annual period.

The Company had deferred revenue contract liabilities of approximately $244,000 and $132,000 as of June 30, 2024 and December 31, 2023, respectively, for certain revenue that will be earned in future periods. All deferred revenue contract liabilities as of June 30, 2024 are expected to be earned over the next twelve months.

Concentration of Revenue and Accounts Receivable

For the six months ended June 30, 2024, two customers represented 59% of revenue, respectively. For the six months ended June 30, 2023, one customer represented 47% of revenue. For the three months ended June 30, 2024, three customers represented 76% of revenue, respectively. For the three months ended June 30, 2023, one customer represented 51% of revenue. As of June 30, 2024, three customers accounted for 80% respectively, of accounts receivable. As of December 31, 2023, two customers accounted for 67%, respectively, of accounts receivable.

Remaining Performance Obligations

As of June 30, 2024, the Company's Remaining Performance Obligation (RPO) was $4.24 million, of which $0.24 million is held as deferred revenue and $4.00 million is related to other non-cancellable contracted amounts. The Company expects approximately 36% of the RPO to be recognized as revenue over the next twelve months ending June 30, 2025 based on contractual commitments and expected usage patterns. However, the amount and timing of revenue recognition are generally dependent upon customers' future consumption, which is inherently variable at customers' discretion. Furthermore, the Company does not have sufficient historical information to estimate the recognition of revenue due to its current operations and has approximated such amount based on discussions with the contracted parties.

Deferred Contract Costs – We defer the portion of sales commission that is considered a cost of obtaining a new contract with a customer and amortize these deferred costs over the period of benefit. We expense the remaining sales commissions as incurred. The following table summarizes deferred contract cost activity for the six months ended June 30, 2024:

	Deferred Contract Costs
Carrying Value at December 31, 2023	$ 157,300
Additions	8,294
Amortization	(8,859)
Carrying Value at June 30, 2024	$ 156,735

NOTE 2 – OTHER CURRENT ASSETS

Other current assets consisted of the following at June 30, 2024 (unaudited) and December 31, 2023:

	June 30, 2024	December 31, 2023
Prepaid insurance	$ 310,205	$ 184,492
Prepaid third party services	461,550	291,512
	$ 771,755	$ 476,004

NOTE 3 – INTANGIBLE ASSETS, NET (OTHER THAN GOODWILL)

The Company's intangible assets primarily consist of acquired and developed software that is being amortized over their estimated useful lives as indicated below. The following is a summary of activity related to intangible assets for the six months ended June 30, 2024 (unaudited):

	Acquired and Developed Software	Patents	Total
Useful Lives	5 Years	10 Years	
Carrying Value at December 31, 2023	$ 212,798	$ 114,203	$ 327,001
Additions	-	15,582	15,582
Amortization	(78,585)	(8,827)	(87,412)
Carrying Value at June 30, 2024	$ 134,213	$ 120,958	$ 255,171

The following is a summary of intangible assets as of June 30, 2024 (unaudited):

	Acquired and Developed Software	Patents	Total
Cost	$ 1,734,662	$ 180,196	$ 1,914,858
Accumulated amortization	(1,600,449)	(59,238)	(1,659,687)
Carrying Value at June 30, 2024	$ 134,213	$ 120,958	$ 255,171

Amortization expense totaled approximately $87,000 and $152,000 for the six months ended June 30, 2024, and 2023, respectively.

Future expected amortization of intangible assets is as follows:

2024 (Remainder of the Year)	$ 87,595
2025	70,889
2026	20,786
2027	18,019
2028	18,019
Thereafter	39,863
	$ 255,171

There were no impairment indicators noted with respect to Company's long-lived assets, including intangible assets, as of June 30, 2024.

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of June 30, 2024 (unaudited) and December 31, 2023:

	June 30, 2024	December 31, 2023
Trade payables	$ 248,907	$ 235,606
Accrued payroll and related obligations	97,168	707,317
Insurance Premium Liability	245,542	104,226
Other accrued expenses	406,423	361,816
	$ 998,040	$ 1,408,965

NOTE 5 – RELATED PARTY TRANSACTIONS

Board of Directors

On February 15, 2024, Mr. Joe Trelin tendered his resignation as Chairman and a Director of the Company, effective immediately. On February 20, 2024, the board of directors of the Company (the "Board") accepted his resignation and agreed to vest the unvested portion of an option granted to Mr. Trelin on June 28, 2023, amounting to 6,511 shares.

On March 25, 2024, Mr. Kunal Mehta was appointed as a Director of the Company, upon the standard terms for non-employee Directors. On May 20, 2024, Mr. Mehta was granted an option to purchase 13,282 shares of common stock at an exercise price of $7.78 per share. 12,500 of the shares vest annually in equal amounts over a three-year period commencing in 2025 and 782 shares vested monthly in equal amounts over a three-month period commencing March 2024.

Commercial Agreements

On June 6, 2023, the Company entered into a services agreement with The Pipeline Group, Inc. (“TPG”). Ken Jisser, a director of the Company, is the founder and CEO of TPG, a technology-enabled services company that aims to deliver business results for companies looking to build a predictable and profitable pipeline. As of June 30, 2024, the Company held a balance of approximately $117,000 in prepaid expenses related to this service agreement. In June 2024, the agreement with TPG was renewed for an additional year at a reduced fee rate of $70,000 per month. Total expense incurred under this contract during the three and six months ended June 30, 2024 was approximately $285,000 and $542,000, respectively. Total expense incurred under this contract during the three and six months ended June 30, 2023 was approximately $67,000 and $99,000, respectively.

Employment Agreement

Since June 2023, the Company has employed Dale Daguro, the brother of our CEO, Rhon Daguro as a VP Sales. Dale Daguro’s employment is at will and may be terminated at any time, with or without cause. On July 12, 2023, Dale was granted an option to purchase 25,000 shares of common stock at an exercise price of $7.36 and on December 21, 2023 he was granted a further option to purchase 4,000 shares of common stock at an exercise price of $9.25 per share. Dale’s compensation is commensurate with other executives employed by the Company at a similar level of seniority and experience. During the six months ended June 30, 2024, Dale Daguro earned approximately $148,000 in base salary and sales commission.

Issuance of Common Stock

On June 27, 2024, Michael Thompson, a Director of the Company purchased 12,254 shares of the Company’s common stock at an aggregate price of $100,000, as part of the Company’s Registered Direct offering (See Note 6 – Stockholders’ Equity).

NOTE 6 – STOCKHOLDERS’ EQUITY

Common Stock

On June 27, 2024, pursuant to Securities Purchase Agreements in a Registered Direct Offering, the Company issued 1,464,965 shares of common stock for cash gross proceeds of approximately $11.0 million (or approximately $10.0 million, net of offering costs).

During the six months ended June 30, 2024 the Company issued 5,666 shares of common stock, upon the cashless exercise of a stock option.

During the six months ended June 30, 2023, shares of common stock were issued as a result of the following transactions:

- On May 26, 2023, pursuant to Securities Purchase Agreements, the Company issued 1,989,676 shares of common stock for cash gross proceeds of approximately $7.3 million (or approximately $6.4 million, net of offering costs).

- On May 26, 2023, pursuant to a Securities Purchase Agreement, Mr. Garchik capitalized the outstanding principal balance of $900,000 under the Initial Promissory Note, into 245,634 shares of common stock.

- On May 26, 2023, pursuant to an exchange agreement with Holders of Convertible Notes payable, the Company issued 2,348,347 shares of common stock in exchange for Convertible Notes in the gross principal amount of approximately $8.9 million (approximately $7.9 million, net of debt issuance costs and discount). In addition, the Company recorded approximately $7.5 million of expense on conversion of convertible notes.

- The Company issued 111,516 shares of common stock for approximately $388,000 of interest accrued under the Convertible Notes and Credit Facility.

Warrants

On June 27, 2024, in connection with their placement agent services, the Company issued 102,547 common stock warrants to Madison Global Partners, LLC, with a term of 5 years and an exercise price of $7.50 per share.

During the six months ended June 30, 2023, warrants were issued as a result of the following transactions:

- On May 26, 2023, in connection with their placement agent services, the Company issued 156,712 common stock warrants to Madison Global Partners, LLC, with a term of 5 years and an exercise price of $3.664 per share.

- On May 12, 2023, in connection with certain recruitment services, the Company issued 187,500 common stock warrants to Madison III, LLC with a term of 5 years and an exercise price of $3.164 per share.

The following is a summary of the Company's warrant activity for the six months ended June 30, 2024 (unaudited):

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding, December 31, 2023	598,267	$	11.89	3.9 Years
Granted	102,547	$	7.50	5.0 Years
Exercised/Cancelled	(3,368)	$	21.12	-
Outstanding, June 30, 2024	697,446	$	11.20	3.7 Years

Stock Options

During the six months ended June 30, 2024, the Company granted Mr. Kunal Mehta 13,282 options to purchase common stock at an exercise price of $7.78 per share. During the six months ended June 30, 2024, the Company also granted a total of 100,000 options to certain new employees at exercise prices ranging from $9.05 to $9.61 per share.

During the six months ended June 30, 2024 the Company agreed to accelerate the vesting of 6,511 options for Mr. Joe Trelin under the terms of his resignation with an exercise price of $5.48 per share. These accelerated options would not otherwise have vested prior to termination of service according to their Service conditions. Therefore, the Company recalculated the fair value of these options as of his resignation date of February 20, 2024 using the Black Scholes method.

The Company determined the grant date fair value of options granted for the six months ended June 30, 2024, using the Black Scholes Method, as applicable, with the following assumptions:

Expected volatility	122 – 123%
Expected term	5 years
Risk free rate	3.80% - 4.46%
Dividend rate	0.00%

Activity related to stock options for the six months ended June 30, 2024 (unaudited), is summarized as follows:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Contractual Term (Yrs.)		Aggregate Intrinsic Value
Outstanding at December 31, 2023	1,796,743	$	25.20	6.5	$	3,630,733
Granted	113,282	$	9.19	10.0	$	15,540
Exercised	(15,625)	$	5.48	-	$	-
Forfeited/cancelled	(41,581)	$	24.88	6.5	$	-
Outstanding as of June 30, 2024	1,852,819	$	24.43	6.2	$	4,583,031
Exercisable as of June 30, 2024	1,227,820	$	29.32	5.1	$	2,422,237

The following table summarizes stock option information as of June 30, 2024 (unaudited):

Exercise Price	Outstanding	Weighted Average Contractual Term (Yrs.)	Exercisable
$2.64 – $5.00	342,628	8.8	193,339
$5.01 – $10.00	651,381	9.1	269,719
$10.01 – $15.00	43,078	2.4	43,078
$15.01 – $20.00	252,084	1.3	252,084
$20.01 – $121.28	563,648	3.8	469,600
	1,852,819	6.2	1,227,820

During the six months ended June 30, 2024, the Company recognized approximately $1.5 million of stock option-based compensation expense. As of June 30, 2024, there was approximately $1.8 million of unrecognized compensation costs related to stock options outstanding that will be expensed through 2027.

On May 24, 2024, the Board of Directors adopted the 2024 Equity Incentive Plan (the "2024 Plan"). On June 26, 2024, the stockholders approved and ratified the 2024 Plan and the allocation of 395,000 shares of Common Stock to the 2024 Plan, in addition to the remaining shares not allocated to awards under the 2021 Equity Incentive Plan and any shares, which become available as a result of the forfeiture, or cancellation of any previous awards. As of June 30, 2024, there were 444,115 shares allocated to and available for issuance of awards under the 2024 Plan but no such awards have yet been granted.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time the Company is a party to various legal or administrative proceedings arising in the ordinary course of our business. While any litigation contains an element of uncertainty, we have no reason to believe that the outcome of such proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

Leases

The Company has no remaining lease agreements as of July 2023.

NOTE 8 – SUBSEQUENT EVENTS

In July 2024, the Company evaluated the rollout timelines for several customers who have delayed go-live adoption dates due to their respective corporate processes and timelines. The Company has come to a verbal agreement with one customer (who comprises $1.3 million of the Company's RPO) to modify the terms of their contract to defer the timing of their minimum payment obligations by approximately 12 months. The Company expects this modification agreement to be finalized during the quarter ending September 30, 2024, resulting in a reduction in the future periodic recognition of the revenue associated with this performance obligation through the end of the initial contract period, December 31, 2027. The proposed modification is not expected to affect the overall RPO associated with this customer's contract.

In August 2024, the Board adopted a new policy on compensation for non-employee directors, which is summarized as follows

Each non-employee director will receive:

- Total annual compensation equal to $125,000, payable in cash and equity.
- Annual cash compensation of $8,000, or $10,000 if they are a committee chair, payable quarterly in arrear.
- Annual equity compensation of $117,000 by way of an option grant to purchase common stock. The number of shares which will be the subject of each grant shall be determined by reference to the Black Scholes value of the grant based on the closing price of the common stock, as reported by the NASDAQ Stock Market (or such other principal securities exchange or market system on which the common stock is then listed,) on the date of the Annual Meeting, at which the director is re-elected by the stockholders to serve on the Board. Each stock option shall be a non-qualified stock option with a term of 10 years and shall become fully vested on the first anniversary of the grant date, with equal monthly vesting over a 12 month period, provided that such non-employee director remains as a director of the Company during such 12 month period. Each such option shall have an exercise price equal to the closing price of the common stock, as reported by the NASDAQ Stock Market, on the grant date. The grant date may be deferred in accordance with the Company's Policy on Granting Equity Awards, if the Annual Meeting is held during a closed trading window.

In accordance with this new policy, each non-employee director will receive an option grant of 15,627 shares, on the third day after the announcement of the Company's results for the period ended June 30, 2024, at an exercise price equal to the closing price of the common stock on the NASDAQ Stock Market on that day.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

As used in this "Management's Discussion and Analysis of Financial Condition and Results of Operation," except where the context otherwise requires, the term "we," "us," "our," "authID" or "the Company," refers to the business of authID Inc. and its subsidiaries.

Overview

authID ensures cyber-savvy enterprises "Know Who's Behind the Device"™ for every customer or employee login and transaction. Through its easy-to-integrate, patented, biometric identity platform, authID quickly and accurately verifies a user's identity, eliminating any assumption of 'who' is behind a device and preventing cybercriminals from taking over accounts. authID combines digital onboarding, biometric passwordless authentication and account recovery, with a fast, accurate, user-friendly experience – delivering identity verification in 700ms. Establishing a biometric root of trust for each user that is bound to their accounts, or provisioned devices, authID stops fraud at onboarding, eliminates password risks and costs, and provides the faster, frictionless, and more accurate user identity experience demanded by operators of today's digital ecosystems.

Our Platform

Our Verified™ cloud-based platform was developed with internally developed software as well as acquired and licensed technology and provides the following core services:

- Biometric Identity Verification
- Biometric Identity Authentication
- Account / Access Recovery
- FIDO Passkey binding

Biometric Identity Verification

Biometric identity verification establishes the trusted identity of a user based on a variety of ground truth sources, including government-issued identity documents such as national IDs, driver's licenses and passports or electronic machine-readable travel documents (or eMRTDs). Our Verified™ platform detects presentation attack and spoofing threats, evaluates the authenticity of security features present on a government-issued identity document, and biometrically matches the reference picture of the document with a live user's selfie (a photograph that the user has taken of themselves). Usually occurring at account opening or onboarding, identity verification ensures that the enterprise knows that the person interacting with the enterprise is who they say they are, in real time. authID's Proof™ identity verification product eliminates the need for costly and less accurate face-to-face, in-person ID checks and instead provides a verified identity in seconds. In a digital, online world of increasing fraud and security threats, Proof speeds up onboarding and offers our customers confidence in the identities of consumers, employees or third-party vendors.

Biometric Identity Authentication

Biometric identity authentication provides any organization with a secure, convenient solution to validate that an individual is the verified account owner for various purposes including passwordless login and performing specific transactions, or functions. The authID Verified product allows users to confirm their identity with their facial biometric by simply taking a selfie on a mobile phone or device of their choosing (as opposed to dedicated hardware). The solution includes a patented audit trail created for each transaction, containing the digitally signed transaction details, with proof of identity authentication and consent.

Account Access and Recovery

authID's Verified biometric identity authentication solution allows users to recover, via a facial biometric, account access that is lost or blocked due to expired credentials, lockouts, lost or stolen devices, or compromised accounts. Because the account owner's root of trust is established in the cloud, recovery is independent of any device or hardware. In this way, account recovery is instant, portable, and does not require the presence of or access to a previously provisioned device in order to secure access from a different device.

FIDO Passkey Binding

FIDO Passkey Binding enables enterprises and their users to bind biometrically verified user identities to FIDO2 passkeys, enabling strong authentication for device-based passwordless login and transaction authentication that is tied to a trusted identity. This solution establishes a digital chain of trust between biometrically verified individuals, their accounts, and their devices, thus eliminating passwords and protecting users and systems against fraud attacks.

Key Customer Benefits

Our solution allows our enterprise customers to:

- *Verify and Authenticate users.* Customers can use the authID platform not only to verify the identity of new users, but also to authenticate those users seamlessly on an ongoing basis to enable quick, secure logins and transaction authentications.

- *Benefit from high-speed processing*. Our solution returns a very low-latency response, key to enabling high-volume use cases (such as logins and high-value transactions) and providing a frictionless user experience.

- *Precisely and accurately identify their consumers and employees, giving the enterprise complete confidence in who is accessing their digital assets*

- *Provide a seamless user experience in terms of speed and self-guided flow, so that even users who are not tech-savvy are easily able to complete the identity verification and authentication processes*

- *Support a wide variety of devices*. Our cloud-based service is device agnostic and may be used to verify or authenticate users on any device with a camera, including shared devices, digital kiosks, etc.

- *Integrate quickly and easily.* We offer pre-integrated OIDC connections as well as integrations with several leading Identity and Access Management solutions.

- *Offer broad identity document coverage.* We can verify identities using a wide spectrum of government-issued documents from around the world.

Key Trends

We believe that our financial results will be impacted by several market trends in the identity verification and authentication markets, as well as expanding digital transformation efforts across a wide range of market segments. These trends include:

- growing concerns over identity theft, fraud and account takeover, resulting from the acceleration of digital transformation, for example online shopping and remote working and the growth in AI assisted fraud;

- the growth in the sharing economy; and

- the increase in electronic payments and alternative money transfer solutions provided by both bank and non-bank entities. The key drivers for these alternative payment methods are consumer demands for safe, convenient payment transactions, with less friction.

Our results are also impacted by the changes in levels of spending on identity verification, management and security methods, and thus, negative trends in the global economy and other factors which negatively impact such spending may negatively impact the growth in our revenue from those products. The global economy has been undergoing a period of political and economic uncertainty and stock markets are experiencing high levels of volatility, and it is difficult to predict how long this uncertainty and volatility will continue.

We plan to grow our business by increasing the use of our services by our existing customers, by adding new customers through our direct salesforce, channel partners and by expanding into new markets and innovation. If we are successful in these efforts, we would expect our revenue to continue to grow.

The Company was incorporated in the State of Delaware on September 21, 2011, and changed our name from Ipsidy Inc. to authID Inc. on July 18, 2022. Our corporate headquarters is located at 1580 North Logan Street, Suite 660, Unit 51767, Denver, CO 80203 and our main phone number is (516) 274-8700. Our website address is www.authid.ai. The information contained on, or that can be accessed through, our website is not incorporated by reference into this Form 10-Q and you should not consider information on our website to be part of this Form 10-Q.

Going Concern

The Company's unaudited condensed consolidated financial statements included in this Quarterly Report have been prepared in accordance with United States GAAP assuming the Company will continue on a going concern basis, which implies the Company will continue to meet its obligations and continue its operations for the next year following the issuance date of these financial statements.

As of June 30, 2024, the Company had an accumulated deficit of approximately $165.8 million. For the six months ended June 30, 2024, the Company earned revenue from continuing operations of approximately $0.4 million, used approximately $5.7 million to fund its operations, and incurred a net loss of approximately $6.3 million. The continuation of the Company as a going concern is dependent upon financial support from the Company's stockholders and noteholders, the ability of the Company to obtain additional debt or equity financing to continue operations, the Company's ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition and /or acquiring new clients to generate revenues and cash flows. In June 2024, the Company raised approximately $10.0 million after expenses from existing and new stockholders through the sale of Common Stock pursuant to a registered direct offering. Going forward, the Company plans to raise additional funds to support its operations and investments as it seeks to create a sustainable organization. Our growth-oriented business plan to offer products to our customers will require continued capital investment and there is no guarantee that such financing will be available, or available on acceptable terms.

There is no assurance that the Company will ever be profitable. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern. As there can be no assurance that the Company will be able to achieve positive cash flows (become cash flow profitable) and raise sufficient capital to maintain operations, there is substantial doubt about the Company's ability to continue as a going concern.

Adjusted EBITDA

This discussion includes information about Adjusted EBITDA that is not prepared in accordance with GAAP. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. A reconciliation of this non-GAAP measure is included below. Adjusted EBITDA is a non-GAAP financial measure that represents GAAP net income (loss) adjusted to exclude (1) interest expense and debt discount and debt issuance costs amortization expense, (2) interest income, (3) provision for income taxes, (4) depreciation and amortization, (5) stock-based compensation expense (stock options) and (6) loss on debt extinguishment, and conversion expense on exchange of Convertible Notes and certain other items management believes affect the comparability of operating results. Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period results. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management, and it will be a focus as we invest in and grow the business. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not include the impact of certain charges or gains resulting from matters we consider not to be indicative of our ongoing operations.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as a supplement to our GAAP results.

Reconciliation of Loss from Continuing Operations to Adjusted EBITDA Continuing Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Loss from continuing operations	$ (3,261,241)	$ (10,900,320)	$ (6,318,818)	$ (12,681,946)
Addback:				
Interest expense, net	10,369	282,109	23,507	1,082,182
Other income	(73,957)	(1,160)	(182,877)	(1,160)
Loss on debt extinguishment	-	380,741	-	380,741
Conversion expense	-	7,476,000	-	7,476,000
Severance cost	8,638	17,917	14,251	828,958
Depreciation and amortization	44,004	76,019	87,412	152,036
Non-cash recruiting fees	-	(54,000)	-	438,000
Taxes	-	3,255	-	3,255
Stock compensation	725,704	1,055,690	1,448,675	(1,542,902)
Adjusted EBITDA continuing operations (Non-GAAP)	$ (2,546,483)	(1,663,749)	(4,927,850)	(3,864,836)

Three and Six Months Ended June 30, 2024 and June 30, 2023 – Continuing Operations

Revenues, net

During the three and six months ended June 30, 2024, the Company's revenues were approximately $280,000 and $438,000, respectively, compared to approximately $37,000 and $75,000, respectively, in the three and six months ended June 30, 2023, principally due to the recognition of revenue from new customer contracts signed in the 2nd half of 2023.

General and administrative expenses

During the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023, general and administrative expense increased by approximately $0.2 million and $1.4 million, respectively. The increase for the six months period was comprised of a one-time event, representing an approximately $2.5 million reversal of stock-based compensation in Q1 2023 on stock awards with market vesting conditions resulting from Q1 2023 terminations, which was not repeated in 2024 and an approximately $1.1 million reduction in expense due to cost savings from the 2023 restructuring initiative.

Research and development expenses

During the three and six months ended June 30, 2024 compared to the three and six months ended June 30, 2023, research and development expenses increased by approximately $0.7 million and $1.8 million, respectively. The increase was comprised of re-investment in employees and contractors following the 2023 restructuring as well as $0.8 million from the one-time reversal of stock-based compensation in Q1 2023 on stock awards with market vesting conditions resulting from Q1 2023 terminations, which was not repeated in 2024.

Depreciation and amortization expense

During the three and six months ended June 30, 2024 compared to June 30, 2023, depreciation and amortization expense was approximately $0.03 million and $0.06 million less, respectively, as the Company reduced the value of certain legacy business asset values.

Interest expense, net

Interest expense, net includes interest expense, debt issuance and discount amortization expense. Interest expense decreased by approximately $0.3 million and $1.1 million during the three and six months ended June 30, 2024 compared to June 30, 2023 principally due to the exchange of Convertible Notes for common stock in May 2023.

Three and Six Months Ended June 30, 2024 and June 30, 2023 – Discontinued Operations

On May 4, 2022, the Board approved a plan to exit from certain non-core activities comprising the MultiPay correspondent bank, payments services in Colombia.

MultiPay business in Colombia

In June 2023, MultiPay finalized the sale of the Company's proprietary software to its major customer for approximately $96,000. As a result, the Company recognized a gain of approximately $216,000 which included the release of a foreign currency translation gain of approximately $155,000.

Although the Company exited the MultiPay business in Colombia, it still maintains an authID customer support and operations team in Bogota which performs essential functions to support the global operations of our Verified and Proof products.

Liquidity and Capital Resources

The Company has approximately $14.4 million of cash on hand and approximately $13.9 million of working capital as of June 30, 2024.

Cash used in operating activities was approximately $5.7 million and $4.2 million in the six months ended June 30, 2024 and 2023, respectively.

Cash used in investing activities for the six months ended June 30, 2024 was approximately $16,000, compared with $0 for six months ended June 30, 2023, for the payment of patent costs.

Cash provided by financing activities in the six months ended June 30, 2024 consisted of approximately $10.0 million in proceeds from the sale of common stock, net of offering costs.

Cash provided by financing activities in the six months ended June 30, 2023 consisted of approximately $6.4 million in proceeds from the sale of common stock, net of offering costs, and $0.5 million initial drawdown net of debt issuance costs under the Company's A&R Facility Agreement.

In 2025, the Company will need to raise additional funds to support its operations and investments as it seeks to create a sustainable organization. Our growth-oriented business plan to offer products to our customers will require continued capital investment and there is no guarantee that such financing will be available, or available on acceptable terms.

There is no guarantee that our current business plan will not change, and as a result of such change, we will need additional capital to implement such business plan. Further, assuming we achieve our expected growth plan, of which there is no guarantee, we will need additional capital to implement growth beyond our current business plan.

Ukraine and the Middle East

The war in Ukraine and the Middle East may impact the Company and its operations in a number of different ways, which are yet to be fully assessed and are therefore uncertain. The Company's principal concern is for the safety of the personnel who support us from those regions. The Company works with third party sub-contractors for outsourced services, including software engineering and development, some of whom are based in Eastern Europe. The Company also works with outsourced engineers and developers and third-party providers in other parts of the world, including the United States, Europe, India, and Latin America. While the continuing impact of this conflict and the response of the United States and other countries to it by means of trade and economic sanctions, or other actions is still unknown, it could disrupt our ability to work with certain contractors. The Company has taken steps to diversify its sub-contractor base, which may in the short term give rise to additional costs and delays in delivering software and product upgrades.

The uncertainty impacting and potential interruption in energy and other supply chains resulting from military hostilities in Europe and the Middle East and the response of the United States and other countries to it by means of trade and economic sanctions, or other actions, may give rise to increases in costs of goods and services generally and may impact the market for our products as prospective customers reconsider additional capital expenditure, or other investment plans until the situation becomes clearer. On the other hand, the threat of increased cyber-attacks from multiple threat actors, including state-sponsored organizations may prompt enterprises to adopt additional security measures such as those offered by the Company.

For so long as the hostilities continue and perhaps even thereafter as the situation in Europe and the Middle East unfolds, we may see increased volatility in financial markets and a flight to safety by investors, which may impact our stock price and make it more difficult for the Company to raise additional capital at the time when it needs to do so, or for financing to be available upon acceptable terms. All or any of these risks separately, or in combination could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is deemed by our management to be material to investors.

Recent Accounting Policies

The recent material accounting policies that may be the most critical to understanding of the financial results and conditions are discussed in Note 1 of the unaudited financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to include disclosure under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report, our Chief Executive Officer and Chief Financial Officer performed an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2024, the Company’s disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in the report that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the six months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is a party to various legal or administrative proceedings arising in the ordinary course of business. While any litigation contains an element of uncertainty, we have no reason to believe the outcome of such proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 1A. RISK FACTORS

Risk factors describing the major risks to our business can be found under Item 1A, "Risk Factors", in our Annual Report on Form 10-K for the year ended December 31, 2023. There has been no material change in our risk factors from those previously discussed in the Annual Report on Form 10-K.

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

During the six months ended June 30, 2024, the Company granted a total of 100,000 options to certain new employees at exercise prices ranging from $9.05 to $9.61 per share.

Mr. Mehta, a director of the Company, was granted an option to purchase 13,282 shares of common stock at an exercise price of $7.78 per share. 12,500 of the shares vest annually in equal amounts over a three-year period commencing in 2025 and 782 shares vested monthly in equal amounts over a three-month period commencing March 2024.

The Company issued 5,666 shares of common stock in connection with the cashless exercise of stock options by employees.

The issuance of the above securities is exempt from the registration requirements under Rule 4(a)(2) of the Securities Act of 1933, as amended, and/or Rule 506 as promulgated under Regulation D.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our operations.

ITEM 5. OTHER INFORMATION

Retirement of Joseph Trelin and Appointment of Kunal Metha

On February 15, 2024, Mr. Joe Trelin tendered his resignation as Chairman and a Director of the Company, effective immediately. On February 20, 2024, the Board of Directors of the Company accepted his resignation and agreed to vest the unvested portion of an option granted to Mr. Trelin June 28, 2023, amounting to 6,511 shares.

On March 25, 2024, Kunal Mehta was appointed as an independent member of the Board of Directors of the Company. Mr. Mehta entered into a letter agreement with the Company upon standard terms for non-employee directors. Mr. Mehta was granted an option to purchase 13,282 shares of common stock at an exercise price of $7.78 per share. 12,500 of the shares vest annually in equal amounts over a three-year period commencing in 2025 and 782 shares vested monthly in equal amounts over a three-month period commencing March 2024.

Amendment of Certificate of Incorporation.

On June 26, 2024, the Company filed an amendment to its Certificate of Incorporation with the Delaware Secretary of State which reduced the number of shares of Common Stock, which the Company is authorized to issue from 250,000,000 to 150,000,000.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1 (1)	Amended & Restated Certificate of Incorporation
3.2 (14)	Amended & Restated Bylaws as of July 18, 2022
3.3 (2)	Certificate of Amendment dated June 1, 2021
3.4 (14)	Certificate of Amendment to Amended and Restated Certificate of Incorporation as of July 18, 2022
3.5 (15)	Certificate of Amendment to Amended and Restated Certificate of Incorporation as of September 21, 2022
3.6 (23)	Certificate of Amendment to the Amended and Restated Certificate of Incorporation dated June 26, 2023
3.7(31)	Certificate of Amendment to the Certificate of Incorporation
4.1 (2)	Form of Stock Option
4.2 (3)	Form of 8.0% Convertible Note
4.3 (4)	Form of 15.0% Convertible Note
4.4 (4)	Amended and Restated Promissory Note issued to The Theodore Stern Revocable Trust
4.5 (5)	Paycheck Protection Program Term Note dated May 6, 2020
4.6 (6)	Paycheck Protection Program Term Note dated February 1, 2021
4.7 (18)	Description of the Registrant's Securities
10.1 (2)	Form of Director Agreement
10.2 (2)	Form of Indemnification Agreement
10.5 (7)	2017 Incentive Stock Plan
10.7 (2)	Executive Retention Agreement entered between the Company and Thomas L. Thimot dated June 14, 2021
10.8 (2)	Executive Retention Agreement entered between the Company and Cecil N. Smith III dated June 14, 2021
10.9 (2)	Letter Agreement between the Company and Thomas L. Thimot dated June 14, 2021
10.10 (2)	Letter Agreement between the Company and Cecil N. Smith III dated June 14, 2021
10.11 (8)	Letter Agreement between the Company and Phillip L. Kumnick dated as November 5, 2021
10.12 (8)	Letter Agreement between the Company and Philip R. Broenniman dated as November 5, 2021
10.13 (9)	AuthID Inc. 2021 Equity Incentive Plan
10.14 (11)	Letter Agreement between AuthID Inc. and Thomas Szoke dated November 19, 2021
10.15 (10)	Form of Securities Purchase Agreement entered into between the Company and the Note Investors dated March 21, 2022.
10.16 (10)	Form of Senior Secured Convertible Note issued by the Company to the Note Investors dated March 21, 2022.
10.17 (10)	Security and Pledge Agreement entered into between the Company and Stephen J. Garchik as Collateral Agent dated March 21, 2022.
10.19 (10)	Form of Registration Rights Agreement entered into between the Company and the Note Investors dated March 21, 2022.
10.20 (10)	Facility Agreement entered into between the Company and Stephen J. Garchik dated March 21, 2022.
10.21 (10)	Form of Subscription Agreement entered into between the Company and the PIPE Investors dated March 21, 2022.
10.22 (12)	Letter Agreement between Joseph Trelin and AuthID Inc. dated April 18, 2022
10.23 (13)	Letter Agreement between Annie Pham and AuthID Inc. dated April 25, 2022
10.24 (16)	Amended and Restated Facility Agreement between the Company and Stephen J. Garchik dated March 8, 2023.
10.25 (16)	Promissory Note between the Company and Stephen J. Garchik dated March 9, 2023.
10.26 (16)	Guaranty Agreement by FIN Holdings Inc., Innovation in Motion, Inc. and ID Solutions, Inc. in favor of Stephen J. Garchik dated March 9, 2023.

10.27 (16)	Release Agreement between the Company and Stephen J. Garchik dated March 9, 2023.
10.28 (17)	Letter Agreement between Rhoniel Daguro and AuthID Inc. dated March 23, 2023
10.29 (17)	Executive Retention Agreement between Rhoniel Daguro and AuthID Inc. dated March 23, 2023
10.30 (17)	Confidential Separation Agreement and General Release between Thomas Thimot and authID Inc. Dated March 23, 2023
10.31 (19)	Letter Agreement between Thomas Szoke and AuthID Inc. dated April 12, 2023
10.32 (19)	Executive Retention Agreement between Thomas Szoke and AuthID Inc. dated April 12, 2023
10.33 (21)	Executive Retention Agreement between Annie Pham and AuthID Inc. dated May 11, 2023
10.34 (22)**	Form of Securities Purchase Agreement dated as of May 23, 2023 between the Company and accredited investors
10.35 (22)	Engagement Agreement dated as of April 20, 2023 between the Company and Madison Global Partners LLC
10.36 (22)	Stock Purchase Warrant dated May 26, 2023 issued to Madison Global Partners LLC
10.37 (22)**	Form of Exchange Agreement dated as of May 23, 2023 between the Company and certain Holders
10.38 (24)	Letter Agreement between Edward Sellitto and authID Inc. dated July 31, 2023
10.39 (25)	Agreement dated October 25, 2023 between The Pipeline Group, Inc. and authID Inc.
10.40 (27)	Form of Securities Purchase Agreement dated as of November 20, 2023 between the Company and accredited investor
10.41 (27)	Engagement Agreement dated as of November 2, 2023 between the Company and Madison Global Partners, LLC
10.42 (27)	Stock Purchase Warrant dated November 22, 2023 issued to Madison Global Partners, LLC
10.42 (28)**	Agreement dated December 19, 2023 between The Pipeline Group, Inc and authID Inc.
10.43 (29)	Letter Agreement between Kunal Mehta and authID Inc.
10.44(31)**	Form of Securities Purchase Agreement dated as of June 24, 2024 between the Company and accredited investors
10.45(31)	Engagement Agreement, dated as of June 24, 2024 between the Company and Madison Global Partners, LLC
10.46(31)	Stock Purchase Warrant issued to Madison Global Partners LLC
14.1 (26)	Code of Ethics
21.1 (20)	List of Subsidiaries
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1 (26)	Policy for the Recovery of Erroneously Awarded Compensation adopted October 6, 2023
99.1 (30)	Policy on Granting Equity Awards
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** Certain confidential portions of this exhibit were omitted by means of marking such portions with asterisks because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed. A copy of any omitted portions will be furnished to the SEC upon request.

(1) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 23, 2021.
(2) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 15, 2021.
(3) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on December 16, 2019.
(4) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 18, 2020.
(5) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on May 13, 2020.

(6) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 6, 2021.
(7) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 4, 2018.
(8) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on November 8, 2021.
(9) Incorporated by reference to the Form S-8 Registration Statement filed with the Securities Exchange Commission on February 1, 2022.
(10) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 21, 2022.
(11) Incorporated by reference to the Form 10-K Annual Report filed with the Securities Exchange Commission on March 22, 2022.
(12) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 18, 2022.
(13) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 27, 2022.
(14) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on July 19, 2022.
(15) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on September 21, 2022.
(16) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 10, 2023.
(17) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 28, 2023.
(18) Incorporated by reference to the Form 10-K Annual Report filed with the Securities Exchange Commission on March 30, 2023.
(19) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 18, 2023.
(20) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 11, 2023.
(21) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on May 16, 2023.
(22) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on May 26, 2023.
(23) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 27, 2023.
(24) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on August 3, 2023.
(25) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 26, 2023.
(26) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on November 8, 2023.
(27) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on November 27, 2023.
(28) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on December 21, 2023.
(29) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 26, 2024.
(30) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 15, 2024.
(31) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 27, 2024.

SIGNATURES

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

authID Inc.

By: /s/ Rhoniel Daguro
Rhoniel A. Daguro
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ed Sellitto
Ed Sellitto
Chief Financial Officer,
(Principal Financial and Accounting Officer)

Dated: August 8, 2024

Exhibit 31.1

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

I, Rhoniel Daguro, Chief Executive Officer certify that:

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

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

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

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

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

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

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

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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

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

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

Date: August 8, 2024

/s/ Rhoniel Daguro
Rhoniel Daguro
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Edward Sellitto Chief Financial Officer, certify that:

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

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

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

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

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

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

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

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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

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

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

Date: August 8, 2024

/s/ Ed Sellitto

Ed Sellitto
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of authID Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission (the "Report"), I, Rhoniel Daguro, Chief Executive Officer of the Company, and, Edward Sellitto, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 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; and

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

August 8, 2024

/s/ Rhoniel Daguro
Rhoniel Daguro
Chief Executive Officer
(Principal Executive Officer)

August 8, 2024

/s/ Ed Sellitto
Ed Sellitto, Chief Financial Officer
(Principal Financial and Accounting Officer)