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

FORM 10-K

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

For the fiscal year ended December 31, 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 No.: 001-15465

Intellicheck, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	11-3234779
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

200 Broadhollow Road, Suite 207, Melville, NY 11747
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (516) 992-1900

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	IDN	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 (§232.405 of this chapter) every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Issuer: $48,951,369 (based upon the closing price of Issuer’s Common Stock, $0.001 par value, as of the last business day of the Issuer’s most recently completed second fiscal quarter (June 30, 2024)).

Indicate the number of shares outstanding of each of the Registrant’s classes of common stock, as of the latest practicable date.

Common Stock, $0.001 Par Value	19,816,043
(Title of Class)	(No. of Shares Outstanding at March 31, 2025)

DOCUMENTS INCORPORATED BY REFERENCE: Portions of Intellicheck, Inc.’s definitive Proxy Statement for its 2025 Annual Meeting of Shareholders to be filed with the U.S. Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PART I

Item 1. Business

OVERVIEW

We were originally incorporated in the state of New York in 1994 as Intelli-Check, Inc. In August 1999, we reincorporated in Delaware. On March 14, 2008, our corporation was renamed Intelli-Check - Mobilisa, Inc. after the consummation of the merger with Mobilisa, Inc. (“Mobilisa”) (references to “Intelli-Check” in this annual report refer to the Company prior to the merger with Mobilisa). At the closing of the merger, our headquarters were moved to Mobilisa’s offices in Port Townsend, Washington. On October 27, 2009, we made a further change in our name to Intellicheck Mobilisa, Inc. On May 4, 2017, with the approval of our shareholders, we changed our name to Intellicheck, Inc. (“Intellicheck,” “we,” “our,” “us,” or “the Company”). On August 31, 2009, the Company acquired 100% of the common stock of Positive Access Corporation (“Positive Access”), a developer of driver license reading technology. The acquisition of Positive Access expanded the Company’s technology portfolio and related product offerings and allowed the Company to reach a larger number of customers through Positive Access’s extensive distribution network. On December 31, 2018, we formally merged the Mobilisa and Positive Access subsidiaries into one corporation under the name Intellicheck, Inc.

We are a prominent technology company that delivers on-demand digital identity validation solutions for KYC, fraud, and age verification needs. We validate both digital and physical identities for financial services, fintech companies, BNPL providers, e-commerce, and retail commerce businesses, law enforcement and government agencies across North America. Our software solutions can be used through a mobile device, a browser, or a retail point-of-sale scanner.

We plan to expand our business in the near term by continuing to pursue a strategy designed to increase market share in our existing markets and expand into new product markets that are expected to benefit from fraud prevention and identity validation. For example, we have extended our technologies into online applications to provide identity validation and fraud prevention for the billions of transactions that occur online each day. We have also incorporated biometric, facial recognition and other enhancements to several of our current product offerings in order to stay on the leading edge of technology.

We plan to leverage our intellectual property in the markets we are targeting to strengthen our competitive position.

Our primary businesses include Identity Systems products, which include commercial applications of identity card reading authentication.

Our technologies address problems such as:

- **Commercial Fraud** – financial institutions and merchants use our technology to prevent economic losses from check cashing, debit and credit card transactions, account take overs, e-commerce as well as other types of fraud such as identity theft that principally use fraudulent identification documents as proof of identity;

- **Instant Credit Card Approval** – retail stores and financial institutions use our technology to scan a driver license at a kiosk or at the Point of Sale (POS) to confirm that an applicant is who they claim to be with additional certainty. Once confirmed that the driver license is valid, the transaction can proceed to the underwriting stage where qualified applicants can get instant approval for a loyalty-branded credit card. This technique protects consumer data and is significantly more likely to result in a completed transaction compared to in-store personnel asking customers to fill out a paper form and then entering the data;

- **Age Restricted Product Access** – products validate driver licenses and other government forms of identification to confirm the age of customers purchasing age restricted products. Target industries include alcohol, cannabis, tobacco, gambling, bars and nightclubs.

- **Unauthorized Access** – our systems and software are designed to increase security and deter terrorism at airports, shipping ports, rail and bus terminals, military installations, high profile buildings and infrastructure where security is a concern;

- **Fraudulent Retail Purchase Returns** – implementing our validation software solutions can prevent fraudulent retail returns in situations where customers are seeking store credit or cash compensation for items being returned without a receipt when the transaction requires a driver license for identification; and

- **Inefficiencies Associated with Manual Data Entry** – by reading encoded data contained in the bar code and magnetic stripe of an identification card with a quick swipe or scan of the card, where permitted by law, customers are capable of accurately and instantaneously inputting information into forms, applications and the like without the errors associated with manual data entry.

IDENTITY CARD READING AND VERIFICATION SECTOR

Background on Identification Documentation

Driver license

The driver license is the most widely used form of government issued photo identification in North America. The Real ID Act, which became federal law in May 2005, recognizes that the driver license is also a quasi-identification card. In addition to its primary function, the driver license is used to verify identity for social services, firearm sales, check cashing, credit card issuance and use and other applications. Our technology can read the digitally stored barcode information on all currently issued driver licenses even those that do not comply with the standards of the American Association of Motor Vehicle Administrators ("AAMVA"), the American National Standards Institute ("ANSI") and the International Standards Organization ("ISO"). Today, all 50 states, the District of Columbia, territories of the United States, United States Military, and all 13 Canadian provinces/territories digitally store information on their driver license.

Non-driver identification card

Each U.S. and Canadian jurisdiction also provides a non-driver identification card as an alternative form of identification for those unable to acquire a driver license. These identification cards are issued with most of the same data found on a driver license. Military documents and passports also provide a means of identification and contain encoded data as well. Since driver licenses are the most widely used form of legally acceptable government documentation, we refer to all these identification documents as "driver licenses." Our software can perform its function on all these forms of identification.

Current Challenges Associated with Verifying Identification Documents

The high-tech revolution, coupled with the staggering amount of personal information available from data breaches, has created a major problem for those who rely on identification documents. In an age where high-tech scanners, computers and color printers are commonplace, and where personal information is so cheap to purchase off of the 'dark web', fake IDs of the highest quality with the identity theft victim's actual information on the document are easily obtainable from many locations including college campuses and from multiple sites on the Internet. These fakes appear so real, even law enforcement agencies have encountered difficulty distinguishing them from legally issued documents. Additionally, high-tech equipment can easily alter properly issued forms of ID. Therefore, anyone can gain access to a false identity that gives them the ability, in a commercial transaction, to present fake and stolen credit cards or checks that are supported by false identification. Additionally, starting with only a fraudulent driver license, an individual may be able to create multiple credit accounts, commit fraud, buy age restricted products such as alcohol, tobacco and cannabis while underage, evade law enforcement and engage in other criminal activities, such as:

- committing identity theft
- improperly boarding airplanes
- committing credit card, debit card and check cashing fraud
- illegally purchasing firearms
- unlawfully committing pharmacy fraud including false narcotic prescriptions; and
- gaining entrance to high profile buildings and sensitive infrastructures
- engaging in medical fraud
- purchasing age restricted products such as alcohol, cannabis and tobacco while underage
- obtaining welfare or other government benefits.
- committing refund fraud

Given the ease with which identification can be falsified, simply looking at a driver license may not be sufficient to verify age or identity and determine if it is fraudulent. Since merchants and financial institutions are facing significant economic losses due to these frauds, we believe that a document authentication system which can accurately read the digitally stored information is needed. We possess patented technology that provides an analysis of the data contained on the encoded formats of these identification documents by reading and analyzing the encoded format on the bar code on the driver license and comparing it against known standards.

OUR PRODUCTS AND SERVICES

Our Products and Services are generally sold as Software-as-a-Service ("SaaS") where customers pay for our cloud-based service.

Identity Systems Products and Services

Our Identity Systems are marketed to the Commercial, Retail, Financial and Government identification sectors.

Commercial Identification

Intellicheck® Identity Service

The Intellicheck Service is a complete identity solution that checks whether an ID is valid, matches the ID to the person presenting it, and provides a risk score to help determine the risk of doing business with that person. It is designed to be used in online and retail settings using devices that can include a mobile phone or tablet, a PC or retail scanner. The Intellicheck Service is designed to address the needs of users across a variety of use cases including account access, account openings, receipt-less returns, receipt of delivery, age restricted purchases and more.

Validating the ID

Using its own proprietary technology, Intellicheck utilizes an iOS or Android phone, or a retail scanner to read and verify the encoded format contained on U.S. and Canadian driver licenses, state issued non-driver identification cards, military IDs and passports. Our technology has the ability to verify the encoded formats on all currently encoded documents, even those that do not comply with the standards of the AAMVA, ANSI and ISO.

Using integrated third-party technology, Intellicheck offers the ability, through certain platforms, to scan and verify over 10,000 documents around the world including drivers licenses, state identity documents and passports.

Our Intellicheck Service can quickly determine if:

- the format of the document is valid;
- the document has been altered or is fake, by displaying the parsed, encoded data for comparison with the printed information;
- the document has expired; or
- the encoded data contains a date of birth equal to or greater than the legal age to purchase age restricted products, such as alcohol, vaping products, cannabis and tobacco.

Matching the person to the ID

Intellicheck integrates third party software to provide the ability to match a selfie of a person to the picture on the driver license. These facial biometrics capabilities allow the Intellicheck platform to check for likeness to ensure that static photos are not being used as a stand-in for the user on both ends of the match, in addition to the ability to match the ID photo to the selfie and provide a match score. This capability is integrated into the Intellicheck platform to allow for fast deployment and is an option for platform subscribers.

Determining the risk score

The Intellicheck Service offers the ability to analyze data or signals to determine the risk of doing business with the person on the identity document. Intellicheck provides access to a wide variety of data signals including device fingerprinting, IP address, phone number, time zone, geographic location and more to analyze, using machine learning, the risk of doing business with that person.

How the Service is delivered

The Intellicheck Service consists of the following elements:

- IDN-Mobile

    - IDN-Mobile is an Intellicheck-branded identity validation application that can be typically set-up for a user in under an hour. It provides the ability to scan an ID using a mobile phone or tablet. IDN-Mobile provides the flexibility to allow the Intellicheck customer or their customer to perform the scan and enables the Intellicheck customer to manage their application online using the PC.

- IDN-Portal

    - IDN-Portal has all the features of IDN-Mobile and additionally includes the ability to perform a facial biometrics test to match the picture on the ID to a selfie of the user presenting the ID. Additionally, Portal also adds global document validation, retail POS integration, additional data for analytics and analysis and online validation among other features.

- IDN-Direct

    - IDN-Direct provides the capabilities of the Intellicheck service within user's own apps and integrated with their systems. IDN-Direct is accessible through the Intellicheck API to aid integration into customer applications and systems. IDN-Direct also provides an SDK to simplify integration into the user's mobile applications. IDN-Direct provides access to additional data and also provides the ability to use the platform's Risk Score capability to help with decision-making.

- IDN-Capture

    - IDN-Capture provides the capabilities of the Intellicheck service within a flexible custom white label experience.

Advantages of the Service

- Fast results

    - The Intellicheck Service provides results of an ID scan in under a second. Facial biometrics may add additional seconds to the process.

- Fast deployment

    - With IDN-Mobile or IDN-Portal, customers can typically be up and running in under an hour.

- Accurate ID validation

    - For North American documents, Intellicheck provides market-leading identity validation accuracy. Accuracy that can remove the need for manual review, and accuracy that leading businesses use to enable real time processes. For the rest of the world, Intellicheck provides best of breed document accuracy.

<u>Data Collection Devices</u>

Our software products are designed for use with multiple data collection devices, which are commercially available in various compact forms and may contain either one or both of 2-D bar code and magnetic stripe readers. These devices enable our software applications to be used on a variety of commercially available data processing devices, including credit card terminals, PDAs, tablets, laptops, desktops, mobile phones, and point-of-sale terminals. Many of these devices contain an electronic serial number (ESN) to prevent unauthorized use of our software.

Instant Credit Application Kiosk Software Applications

These are custom software applications that Intellicheck developed for a variety of major financial service companies and retail stores. The software installed on multiple kiosk devices provides the customers of the major financial service companies and retail stores with the ability to perform in-store instant credit approval on these devices. The hardware platforms, on which the software applications run, range from stationary devices to handhelds to tablet PCs. The process involves the swiping or scanning of the driver license to verify the encoded format and after verification, the information parsed from the encoded data is populated into the proper fields on the application displayed on the kiosk. The applicant then completes the application by entering the remaining required information that is not encoded on the driver license, such as social security number and telephone numbers. The software application then sends the data to the financial service company's backend "decisioning" tool for credit approval. If approved, the applicant is granted instant credit which can then be used to make purchases.

Upgrade Capability

Our Intellicheck Service products and related databases are constantly updated to stay current with identification formats, new forms of ID and government regulations guiding use of digital information.

STRATEGY

Our objective is to be a leading identity verification company providing world class solutions in the identity sector. These solutions include our commercial identity systems focusing on workflow, productivity enhancement, fraud protection and risk management segments. Key elements of our strategy are as follows:

Commercial Systems

Productivity Enhancement. We market our technology as a key productivity enhancement tool. Our proprietary Intellicheck Service software can add functionality to virtually any given software application to automatically populate fields within a given form, when a government-issued photo ID is presented. Our ability to correctly read and authenticate in all U.S. jurisdictions, coupled with our proprietary technology, is a key differentiator from our competitors. The automation resulting from the intelligence added to the form dramatically increases throughput and data integrity, and it significantly enhances the customer's experience.

Develop Additional Strategic Alliances with Solutions Providers. We have entered strategic alliances to utilize our systems and software as the proposed or potential enrollment application for their technologies and to jointly market these security applications with multiple solution providers. Some of these companies have included Accio Data, Doma Title Insurance, and Dealer SafeGuard Solutions. We are an associate member of AAMVA and a member of AAMVA's Industry Advisory Board. We believe these relationships will broaden our marketing reach through their sales efforts and we intend to develop additional strategic alliances with additional providers of security solutions.

Strengthen Sales and Marketing Efforts. We intend to capitalize on the growth in demand for document verification and productivity enhancement by continuing to market and support our systems and software. Our sales and marketing departments are organized by region and specifically named accounts to provide focus and proximity to build solid long-term relationships. Our recent focus has been on SaaS license arrangements in the financial services, retail, and hospitality services industries.

Enter into Additional Licensing Agreements. We intend to continue to license our software for use with a customer's system. We are currently licensing our SDK software product for Windows, iOS, Android and other operating system platforms and intend to similarly continue to license our PC software solutions. Our software is intended to be used with a compatible hardware device. We have entered into multiple licensing agreements to date.

Protect Intellectual Property. We intend to protect our intellectual property portfolio to preserve value and obtain favorable settlements where warranted.

Our Revenue Sources

We derive our revenue primarily from the following sources:

■ Sales of our products and services by both our own direct sales force and marketing partners;

- Per transaction or fixed price (SaaS) revenue from the licensed use of our technology;
- Extended warranties on equipment; and
- Other subscription and Support Services, such as jurisdictional updates to certain commercial customers and support services.

Our Target Industry Sectors

Commercial Identity Systems

The use of false identification cards, primarily driver licenses and non-driver identification cards, to engage in commercial fraud, to gain access to unauthorized areas and to gain entry to critical infrastructure is all too common and the problem is growing with each passing day. Given the ease with which identification can be falsified, we believe that simply looking at a driver license is not sufficient to verify identity and determine if such an identification card is fraudulent. Since merchants and financial institutions are facing significant economic losses due to these frauds, we believe that what they need is a document authentication system that can accurately read the digitally stored information. We target the industry sectors that we believe would benefit most from our systems and software.

We also market our products to businesses where there are opportunities for our Intellicheck Platform technology to enhance productivity. We have made significant progress in the sectors for the retail issuance of instant credit. We believe there are financial benefits and compelling business models for customers in the below sectors to utilize our technology.

Productivity Enhancement

- Mass merchandisers and retailers
- Banks and other financial institutions
- Credit unions
- Credit card issuers
- Check cashing services
- Auto dealerships and rental car agencies
- Casinos for enrollment of guests
- Hospital patient admissions
- Lodging Industry
- Airlines

Commercial fraud protection

- Mass merchandisers and retailers
- Banks and other financial institutions
- Credit unions
- Credit card issuers
- Check cashing services
- Auto dealerships and rental car agencies
- Casino cage operations
- Hospitals, medical facilities and health plans
- Lodging Industry
- Pharmacies

Access control

- Airports and airlines
- Departments of Motor Vehicles
- Notable buildings
- Court houses
- Nuclear facilities
- Oil refineries and storage facilities
- Prisons
- Law enforcement agencies
- Military establishments
- College campuses
- Department of Homeland Security
- Bus, rail and port facilities

Age verification

- Bars and night clubs
- Convenience stores
- Grocery chains
- Restaurants
- Cannabis Industry
- Stadiums and arenas
- Casinos and gaming establishments
- Law Enforcement
- Firearm dealers
-

Law Enforcement/Government

- FBI
- State & Local Police
- Bureau of Alcohol, Tobacco, Firearms, and Explosives
- Customs
- Department of Homeland Security
- Drug Enforcement Administration
- Local Sheriffs
- Intelligence Agencies
- Department of Transportation
- Border Patrol

MARKETING AND DISTRIBUTION

Commercial Identity Systems

Our objective is to become a leading developer and distributor of document and age verification software. To date, our marketing efforts have been through direct sales by our sales and marketing personnel, through resellers and through license agreements. We are marketing our products through direct marketing approaches such as web marketing, a small number of select trade shows and well-known public interest and trade associations.

We generate revenues from the licensing of our software and to a much lesser extent the selling of bundled solutions that contain hardware and software. Depending on the specific needs of our clients, we tailor the appropriate solution for them.

Our Intellicheck Platform software is available to customers via the cloud (SaaS) and is available for Microsoft Windows, Android and iOS platforms in addition to devices such as credit card terminals and other operating systems such as Linux. We are marketing our Intellicheck Platform technology to financial institutions, mass merchandisers, government, airlines, airports, high profile buildings or infrastructure, grocery, convenience and pharmacy chains, and casinos.

We have developed a comprehensive marketing plan to build customer awareness and develop brand recognition in our target industry sectors. We promote the advantages and ease of use of our products through:

- Endorsements by nationally known public interest groups and trade associations;
- Trade publications;
- Trade shows.
- Web seminars, as well as our own website;
- Various conventions and industry specific seminars; and

We intend to continue to develop and market other related software applications.

MAJOR CUSTOMERS

Although the composition of our largest customers has changed from year to year, a significant portion of our revenues have been attributable to a limited number of major customers. In 2024 and 2023, our top ten customers accounted for approximately 71% of total revenues. While we believe that one or more major customers could account for a significant portion of our sales for at least the next two years, we anticipate that our customer base will continue to expand and that in the future we will be less dependent on major customers.

REGULATION

The sale and use of our Identity Service products are subject to regulation, such as on data protection and storage, by government authorities. We work on an ongoing basis with our customers to facilitate their compliance with such regulations. Additionally, we believe that we are currently in compliance with applicable United States federal laws, state and local laws and regulations relating to the protection of the environment.

COMPETITION

Commercial Identity Systems

We compete in an industry that is intensely competitive and rapidly changing. Unless a device can read, decode and analyze all the information that is legally permitted to be analyzed, which is digitally stored within the barcode on a driver license, the user may not obtain accurate and reliable confirmation that a driver license is valid and has not been altered or tampered with. We are aware of several companies that are currently offering products that electronically read and calculate age from a driver license. We have tested and compared some of these products to the Intellicheck Service and believe that our product is superior in quality and functionality. We believe that units unable to read bar codes are at a significant disadvantage because all states and Canadian provinces currently utilize bar codes to encode their driver licenses, as well as all U.S. military IDs and uniformed services cards.

We have experienced and expect to continue to experience increased competition in the document verification sector. If any of our competitors were to become the industry standard or were to enter or expand relationships with significantly larger companies through mergers, acquisitions or otherwise, our business and operating results could be seriously harmed. In addition, potential competitors could bundle their products or incorporate functionality into existing products in a manner that discourages users from purchasing our products.

MANUFACTURING

We do not manufacture readers or input devices but use products from several manufacturers. Some of these devices are private labeled and programmed by the supplier to work with our Intellicheck Service technology. Most of our hardware consists of commercial off-the-shelf ("COTS") products. We rely on a small number of suppliers to provide our COTS products.

RESEARCH AND DEVELOPMENT

Our research and development efforts are mainly concentrated in the area of identity verification. Research and development expenses consist primarily of employee salaries, benefits, bonuses, and stock-based compensation. Research and development expenses also include consulting fees, software and subscription services, and a portion of our third-party cloud infrastructure expenses incurred in maintaining our platform.

INTELLECTUAL PROPERTY

We currently hold thirteen (13) U.S. patents and one (1) Canadian patent. These patents cover commercially important aspects of our capabilities relating to the authentication and verification of identification documents. We will continue to pursue patents for all our new technologies arising from our research and development efforts.

In January 1999, the U.S. Patent and Trademark Office granted us a patent on our ID Check® software technology. In October 2002 and July 2005, we were granted additional patents that are a continuation of our patents relating to our document authentication and age verification technology. Upon our acquisition of the assets of IDentiScan, we received equitable ownership and sole ownership rights to its intellectual property, including other patents and patent applications relating to age verification technology.

During 2010, we were granted two additional patents. The first patent was for a software key control for mobile devices. It is used to get a registration key for the parser that is based on the unique internal ID of one mobile device. The Mobile Key Manager communicates with the mobile device, reading its ID, and then requests a registration key specific for that ID from Intellicheck's server. This server maintains a database of all customers using IDecode Mobile Parsers, including the number of licenses they have purchased, the latest software version for which they have paid support, and the registration keys and unique device IDs associated with those licenses. The server generates a new registration key unique to the device ID and returns it to the Mobile Key Manager to register that device. In this way, the customer can deploy the IDecode Mobile Parser to only one mobile device for each parser purchased.

The second patent was related to a document comparison system and reinforces the innovative nature of Intellicheck's security solutions involving documents. The technology described in the patent relates to a system and method for comparing information contained in at least two documents. For example, information on at least two different documents can be compared to determine whether the information is the same on each document. For instance, a name contained on an individual's driver's license is automatically compared with a name contained on the individual's airline boarding pass.

In 2012, we were granted a patent relating to a system and method for comparing information contained in at least two documents, but not limited to just a driver license and passport. This patent compares "like information" on different documents to determine whether the information is the same on each document. As an example, a passport is compared to a boarding pass to determine if "like information" matches, for instance name and birthdate.

In 2016, we were granted one patent in Canada that was a continuation of an earlier filed application and is related to identity matching in response to threat levels.

We were granted two patents in 2019 that were continuations of earlier filed applications. The first patent is related to checking the validity of identification documents using a remote database. The second patent related to identification scanning in compliance with jurisdictional or other rules.

In 2022, we were granted two patents that were continuations of earlier filed applications. The first patent is related to using a mobile device to perform verification of a selfie to a photo on an identification document. The second patent is related to a system and method for document comparison that compares information contained in multiple documents.

We own multiple copyrights in the United States, which are effective in Canada and in other major industrial countries. The copyright protection covers software source codes and supporting graphics relating to the operation of the Intellicheck Platform and other software products. We also have several trademarks relating to our company, its product names, and logos.

EMPLOYEES AND HUMAN CAPITAL RESOURCES

As of March 31, 2025, we had 47 full-time employees. Three are engaged in executive management — our Chief Executive Officer, Chief Financial Officer and Chief Technology Officer. We have twenty-two employees in information technology including those participating in our research and development efforts, nine employees in sales and marketing, seven employees in customer and support integration, and nine employees in administration. All employees are employed "at will." We believe our relations with our employees are generally positive and we have no collective bargaining agreements with any labor unions.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing, and integrating our existing and new employees. The principal purposes of our equity compensation and cash incentive plans are to attract, retain and reward personnel, whether existing employees or new hires, through the granting of equity and cash-based compensation awards. We believe that this increases value to our stockholders and the success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives.

As the success of our business is fundamentally connected to the well-being of our employees, we are committed to their health, safety and wellness. We provide our employees and their families with access to convenient health and wellness programs, including benefits that provide protection and security giving them peace of mind concerning events that may require time away from work or that impact their financial well-being; and that offer choice where possible so they can customize their benefits to meet their needs and the needs of their families. In response to the COVID-19 pandemic, we implemented and have continued significant changes that we determined were in the best interest of our employees, as well as the community in which we operate, and which comply with government regulations, including working in a remote environment where appropriate or required.

Forward Looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, particularly statements anticipating future growth in revenues, loss from operations and cash flow. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements. These forward-looking statements are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise.

Item 1A. Risk Factors

RISK FACTORS

Risks Related to Our Business and Industry (All dollar amounts are rounded to thousands, except per share data)

We have incurred losses since inception and losses may continue, which could result in a decline in the value of our securities and a loss of your investment.

We incurred net losses of $(918) and $(1,980) for the fiscal years ended December 31, 2024 and 2023, respectively. Our accumulated deficit was $(134,483) as of December 31, 2024. Since we expect to incur additional expenditures in line with the sales growth of our business, we may not achieve operating profits in the near future, and we could experience further losses. This could lead to a decline in the value of our securities.

Our proprietary software relies on reference data provided by government and quasi-government agencies. If these governmental and quasi-government agencies were to stop sharing data with us, the utility of our proprietary software would be diminished in those jurisdictions and our business would be damaged.

Currently, every U.S. state, ten Canadian provinces and the District of Columbia, in most instances, conform to the guidelines established by certain organizations responsible for implementing industry standards and, cooperate with us by providing sample identification cards so that we may modify all our hardware and software products to read and analyze the encoded information found on such jurisdiction's identification cards. If one or more of these jurisdictions do not continue to provide this reference data, the utility of our proprietary software may be diminished in those jurisdictions.

Disruptions at federal governmental agencies that we interact with, due to a reduction in workforce and/or inadequate funding, could prevent such agencies from performing normal functions on which our business relies, which could negatively impact our business.

The current President Trump administration (the "Trump Administration") recently established the Department of Government Efficiency, which implemented a federal government hiring freeze and announced certain additional efforts to reduce federal government employee headcount and the size of the federal government. It is unclear how these executive actions or other potential actions by the Trump Administration or other parts of the federal government will impact the regulatory authorities that oversee our business and the governmental and quasi-governmental agencies that we interact with. These budgetary pressures may reduce the ability of certain governmental agencies to perform their responsibilities, which could have a material adverse effect on our business.

Our business strategy exposes us to long sales and implementation cycles for our products.

Our target customers in the commercial fraud protection, financial services, retail, access control and age verification industry sectors include banks and credit card issuers, large retailers and to a lesser extent, government agencies, which typically require longer sales and implementation cycles for our products than do our potential customer base solely interested in age verification, such as restaurant, bar and convenience store operators. The longer sales and implementation cycles for larger retail companies continue to have an adverse impact on the timing of realizing our revenues. In addition, budgetary constraints and potential economic slowdowns or inflationary pressures may also continue to delay purchasing decisions by these prospective customers. These initiatives have costs associated with them, and we cannot assure you that they ultimately will prove successful, or result in, an increase to our revenues or profitability.

The industry for our systems and software is evolving and its growth is uncertain.

Demand and industry acceptance for recently introduced and existing systems, and software and sales from such systems, are subject to a high level of uncertainty and risk. With changing administration in government, changes in government budgets, and slowly evolving government standards on use of identity products, the government sector is slowly developing. The commercial sector can develop faster than the government sector, but it is also subject to a higher level of uncertainty because of potential uncertainty in the continued financial health of our commercial customers, as well as long sales cycles. Our business may suffer if the industry develops more slowly than anticipated and does not sustain industry acceptance.

Failure to manage our operations if they expand could impair our future growth.

If we can expand our operations, particularly through multiple sales to large retailers and government agencies in the document verification industry, the expansion will place significant strain on our management, financial controls, operating systems, personnel and other resources. Our ability to manage future growth, should it occur, will depend upon several factors, including our ability to do the following:

- build and train our sales force;
- establish and maintain relationships with distributors;
- develop customer support systems;
- develop expanded internal management and financial controls adequate to keep pace with growth in personnel and sales, if they occur; and
- manage the use of third-party manufacturers and suppliers.

If we can grow our business but do not manage our growth successfully, we may experience increased operating expenses, loss of customers, distributors, or suppliers and declining or slowed growth of revenues.

Failure to protect our proprietary technology may impair our competitive position.

We continue to allocate significant resources to developing new and innovative technologies that are utilized in our products and systems. Because our continued success depends on, to a significant degree, our ability to offer products providing superior functionality and performance over those offered by our competitors, we consider the protection of our technology from unauthorized use to be fundamental to our success. This is done by processes aimed at identifying and seeking appropriate protection for newly developed intellectual property, including patents, trade secrets, copyrights, and trademarks, as well as policies aimed at identifying unauthorized use of such property. These processes include:

- including provisions for nondisclosure of proprietary information in our contractual arrangements;
- maintaining and enforcing issued patents and filing patent applications on innovative solutions to commercially important problems;
- protecting trade secrets, including software source code;
- protecting trademarks by registration and other appropriate means;
- establishing internal processes for identifying and appropriately protecting new and innovative technologies; and
- establishing practices for identifying unauthorized use of intellectual property.

Litigation can be very costly and divert management's attention. An adverse outcome in any litigation may have a severe negative effect on our financial results. To determine the priority of inventions, we may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office or oppositions in foreign patent and trademark offices, which could result in substantial cost and limitations on the scope or validity of our patents or trademarks.

Additionally, third parties, including our competitors or licensees, may seek to have our patents reviewed by the Patent Trial and Appeal Board of the United States Patent and Trademark Office in a post grant proceeding, such as post grant review or an inter parties review. Such proceedings, if instituted could cancel our patents or narrow the scope of our patent claims. We cannot predict the effect that such proceedings, if instituted, may have on our business or revenue received from licensing our patents.

In addition, foreign laws treat the protection of proprietary rights differently from laws in the United States. The failure of foreign laws or judicial systems to adequately protect our proprietary rights or intellectual property, including intellectual property developed on our behalf by foreign contractors or subcontractors, may have a material adverse effect on our business, operations, and financial results.

If our future products incorporate technologies that infringe the proprietary rights of third parties, and we do not secure licenses from them, we could be liable for substantial damages.

We are not aware that our current products infringe the intellectual property rights of any third parties. We also are not aware of any third-party intellectual property rights that may hamper our ability to provide future products and services. However, we recognize that the development of our services or products may require that we acquire intellectual property licenses from third parties to avoid infringement of those parties' intellectual property rights. These licenses may not be available at all or may only be available on terms that are not commercially reasonable. If third parties make infringement claims against us, even if they are not upheld, such claims could:

- consume substantial time and financial resources;
- divert the attention of management from growing our business and managing operations; and
- disrupt product sales and shipments.

If any third party prevails in an action against us for infringement of its proprietary rights, we could be required to pay damages and either enter costly licensing arrangements or redesign our products so as to exclude any infringing use.

As a result, we would incur substantial costs, delays in product development, sales and shipments, and our revenues may decline substantially. Additionally, we may not be able to achieve the growth necessary for our continued success.

Failure to attract and retain management and other personnel may damage our operations and financial results and cause our stock price to decline.

We depend, to a significant degree, on the skills, experience and efforts of our executive officers and other key management, technical, finance, sales and other personnel. Our failure to attract, integrate, motivate and retain existing or additional personnel could disrupt or otherwise harm our operations and financial results. We do not carry key man life insurance policies covering any employees. The loss of services of certain of our key employees, an inability to attract or retain qualified personnel in the future, or delays in hiring additional personnel could delay the development of our business and could cause our stock price to decline.

We incur significant accounting and other control costs that impact our financial condition.

As a publicly traded corporation, we incur certain costs to comply with regulatory requirements. If regulatory requirements were to become more stringent or if controls thought to be effective later fail, we may be forced to make additional expenditures, the amounts of which could be material. Some of our competitors are privately owned, so their accounting and control costs could create a competitive advantage over us. Should our sales decline or if we are unsuccessful at increasing prices to cover higher expenditures for internal controls and audits, our costs associated with regulatory compliance will rise as a percentage of sales.

Failure to maintain effective internal control over our financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could cause our financial reports to be inaccurate.

We are required pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to maintain internal control over financial reporting and to assess and report on the effectiveness of those controls. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Although we prepare our financial statements in accordance with accounting principles generally accepted in the United States, our internal accounting controls may not meet all standards applicable to companies with publicly traded securities. If we fail to implement any required improvements to our disclosure controls and procedures, we may be obligated to report control deficiencies and our independent registered public accounting firm may not be able to certify the effectiveness of our internal controls over financial reporting. In either case, we could become subject to regulatory sanction or investigation. Further, these outcomes could damage investor confidence in the accuracy and reliability of our financial statements.

Long lead times for the components used in certain products creates uncertainty in our supply chain and may prevent us from making required deliveries to our customers on time.

We rely exclusively on COTS technology in manufacturing our products. The lead-time for ordering certain components used in our products and the production of products can be lengthy. As a result, we must, from time to time, order products based on forecasted demand. If demand for products lags significantly behind forecasts, we may purchase more product than we can sell. Conversely, if demand exceeds forecasts, we may not have enough products to meet our obligations to our customers.

We obtain certain hardware and services, as well as some software applications, from a limited group of suppliers, and our reliance on these suppliers involves significant risks, including reduced control over quality and delivery schedules.

Any financial instability of our suppliers could result in having to find new suppliers. We may experience significant delays in manufacturing and deliveries of products and services to customers if we lose our sources or if supplies and services delivered from these sources are delayed. As a result, we may be required to incur additional development, manufacturing, and other costs to establish alternative supply sources. It may take several months to locate alternative suppliers, if required. We cannot predict whether we will be able to obtain replacement hardware within the required time frames at affordable costs, or at all. Any delays resulting from suppliers failing to deliver hardware or delays in obtaining alternative hardware, in sufficient quantities and of sufficient quality, or any significant increase in the cost of hardware from existing or alternative suppliers could result in delays on the shipment of product which, in turn, could result in the loss of customers we may not be able to successfully complete.

Security breaches and other disruptions could potentially compromise our information and expose us to liability, which would be harmful to our business.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, and personally identifiable information of our customers, their customers and our employees, in our data centers and on our networks. The secure processing, maintenance, and transmission, when applicable, of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost, or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, potential liability under laws that protect the privacy of personal information, and regulatory penalties. This in turn could disrupt our operations and the services we provide to customers, damage our reputation, and potentially cause a loss of confidence in our products and service offerings, which could adversely affect our business and competitive position.

We are subject to risks associated with product failure and technological flaws.

Our products are complex and may contain undetected errors or result in failures when first introduced or when new versions are released. Despite vigorous product testing efforts and testing by current and potential customers, it is possible that errors will be found in a new product or enhancement after commercial shipments have commenced. The occurrence of product defects or errors could result in negative publicity, delays in product introduction and the diversion of resources to remedy defects and loss of or delay in industry acceptance or claims by customers against us and could cause us to incur additional costs, any one of which could adversely affect our business. Because of the risk of undetected error, we may be compelled to accept liability provisions that vary from our preferred contracting model in certain critical transactions. There is a risk that in certain contracts and circumstances we may not be successful in adequately minimizing product and related liabilities or that the protections negotiated will not ultimately be deemed enforceable.

We carry product liability insurance, but existing coverage may not be adequate to cover potential claims. The failure of our products to perform as promised could result in increased costs, lower margins, liquidated damage payment obligations and harm to our reputation.

We may not be able to keep up with rapid technological change.

The sectors for all our products are characterized by rapid technological advancements. Significant technological change could render existing technology obsolete. If we are unable to successfully respond to these developments, or do not respond in a cost-effective manner, our business, financial condition, and results of operations will be materially adversely affected.

Our percentage of revenues and customer concentration is significant.

We have a concentration of revenues with our ten largest customers which accounted for 71% of total revenues in 2024 and 2023. Three customers accounted for 50% of revenues in 2024 and three customers accounted for 47% of revenues in 2023. The loss of one or more significant customers could have a significant adverse impact on our business, financial condition, and results of operations.

We are subject to risks related to data privacy and the storage of biometric information.

With the growing use of biometric data in identity verification, Intellicheck faces increased risks related to the usage and protection of this highly sensitive information. Biometric data, such as facial recognition patterns, are uniquely vulnerable as they cannot be changed if compromised. The company must implement robust security measures to protect this data from breaches, as any leak could lead to severe reputational damage, legal consequences, and loss of customer

trust. Additionally, evolving privacy laws and regulations specifically targeting biometric data could impose new compliance burdens on the company.

We are subject to regulation and other legal obligations relating to data privacy and protection. Compliance with these requirements is complex and costly. The actual or perceived failure to comply with such obligations could materially harm our business.

We are or may become subject to numerous state, federal and foreign laws, requirements and regulations governing the collection, use, access to, confidentiality, disclosure, storage, processing, retention and security of personal information. Failure to comply with these laws, where applicable, can result in the imposition of significant civil and/or criminal penalties and private litigation. As an example, the California Privacy Rights Ace (the "CCPA") requires covered businesses that process the personal information of California residents to, among other things: provide certain disclosures to California residents regarding the business's collection, use, and disclosure of their personal information; receive and respond to requests from California residents to access, delete, and correct their personal information, or to opt out of certain disclosures of their personal information; and enter into specific contractual provisions with service providers that process California resident personal information on the business's behalf. Similar laws have been passed in other states and are continuing to be proposed at the state and the federal level, reflecting a trend toward more stringent privacy legislation in the United States. The CCPA and other domestic privacy and data protection laws and regulations may increase our compliance costs and potential liability.

Although we work to comply with applicable laws, regulations and standards, as well as our contractual obligations and other legal obligations, relating to data privacy and security, these requirements are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction and/or organization to another, and may conflict with one another or other legal obligations with which we must comply. Any failure or perceived failure by us or our employees, representatives, contractors, consultants, collaborators, or other third parties to comply with such requirements or adequately address privacy data and security concerns, even if unfounded, could result in additional costs, claims by and liability to third parties, government investigations and enforcement actions, damage to our reputation, and other adverse effects on our business, financial condition and results of operations.

The expansion of the use of artificial intelligence ("AI") within our business will pose ethical and bias mitigation challenges.

As Intellicheck incorporates AI in its identity verification processes, the company faces risks related to AI ethics and potential biases in its algorithms. There's a growing concern about AI systems perpetuating or amplifying existing biases, particularly in identity verification contexts. Intellicheck must ensure its AI models are fair, transparent, and free from discriminatory outcomes across diverse demographic groups. Failure to address these ethical concerns could result in regulatory scrutiny, legal challenges, and damage to the company's reputation, potentially leading to loss of business and market share. Additionally, the models used in those processes may produce output or take action that is incorrect, expose private or confidential information, infringe on the intellectual property rights of others, or be otherwise harmful. Any of these risks could expose Intellicheck to liability or adverse legal or regulatory consequences.

Public health crises, such as COVID-19 or other similar pandemics in the future, can adversely impact our business.

Public health crises, such as the COVID-19 pandemic, could lead to government shutdowns, stay-at-home orders, travel restrictions, business closures, cancellations of public gatherings, and other measures, which may have material adverse effects on our business. The level and nature of the disruption caused by a public health crisis is unpredictable, may be cyclical and long-lasting and vary from location to location. While many of the original restrictions levied by governments in response to COVID-19 have been removed, additional variants, or similar pandemics in the future, could cause governments to reinstitute some or all of the previously implemented restrictive measures. Such restrictions could lead to the cancellation of industry events which could limit our ability to meet with existing and potential new customers.

Risks Related to Our Common Stock and the Market for Our Common Stock

Our share price may be volatile and could decline substantially.

The market price of our common stock, like the price of shares of technology companies generally, has been and may continue to be volatile. From January 1, 2002 to March 31, 2025, the intra-day trading price of our common stock has varied from a high of $145.52 to a low of $0.75 per share, as reported on The Nasdaq Stock Market. Many factors may cause the market price for our common stock to decline, including:

- shortfalls in revenues, cash flows, cash balances or continued losses from operations;
- delays in development or roll-out of any of our products;
- unfavorable outcomes from outstanding litigation;
- overall decrease of US stock prices as a result of rising inflation experienced in the United States, the accompanying increases in the benchmark lending rate by the Federal Reserve, and each of their effects on the economy;
- short selling or other market manipulation activities; and
- announcements by one or more competitors of new product acquisitions or technological innovations.

In addition, the stock market experiences extreme fluctuations in price and volume, that particularly affect the market price of shares of technology companies, such as ours. These price and volume fluctuations are often unrelated or disproportionate to the operating performance of the affected companies. Because of this volatility, we may fail to meet the expectations of our stockholders or of securities analysts and our stock price could decline as a result. Furthermore, the trading price of our common stock may be adversely affected by third-parties trying to drive down the market price. Short sellers and others, some of whom post anonymously on social media, may be positioned to profit if our stock declines and their activities can negatively affect our stock price. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. Declines in our stock price for any reason, fluctuations related to our financial results or due to macroeconomic conditions, including inflation and rising interest rates, capital market volatility and global conflicts, including the Russia-Ukraine war, the Israel-Hamas war and the conflict between China and Taiwan, may adversely affect your ability to sell your shares at a price equal to or above the price at which you purchased them. Decreases in the price of our common stock may also lead to de-listing of our common stock.

Future capital requirements may require incurring debt or dilution of existing stockholders.

Acquisition and development opportunities and other contingencies may arise, which could require us to raise additional capital or incur debt. If we raise additional capital through the sale of equity, including preferred stock, or convertible debt securities, the percentage ownership of our then existing stockholders will be diluted.

Because we do not intend to pay dividends on our Common Stock, stockholders will benefit from an investment in our stock only if it appreciates in value.

We have never declared or paid any cash dividends on our shares of stock. We currently intend to retain all future earnings, if any, for use in the operations and expansion of the business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our Board of Directors and will depend on factors the Board of Directors deems relevant, including among others, our results of operations, financial condition and cash requirements, business prospects, and the terms of our credit facilities and other financing arrangements. Accordingly, realization of a gain on stockholders' investments will depend on the appreciation of the price of our stock. There is no guarantee that our stock will appreciate.

The Company's cash and cash equivalents could be adversely affected by bank failures or other events affecting financial institutions and could adversely affect our liquidity and financial performance.

We regularly maintain domestic cash deposits in Federal Deposit Insurance Corporation ("FDIC") insured banks, in amounts which exceed the FDIC insurance limits. The failure or rumored failure of a bank, or events involving limited liquidity, defaults, non-performance, bankruptcy, receivership or other adverse developments in the financial or credit markets impacting financial institutions, may lead to disruptions in access to our bank deposits. These disruptions could impact our liquidity and financial performance. There can be no assurance that our deposits in excess of the FDIC or other comparable insurance limits will be backstopped by the U.S. government, or that any bank or financial institution with which we do business will be able to obtain needed liquidity from other banks, government institutions or by acquisition in the event of a failure or liquidity crisis. As such, those funds in bank deposit accounts in excess of the standard FDIC insurance limits are uninsured and subject to the risk of bank failure.

Currently, we have full access to all funds in deposit accounts or other money management arrangements. The failure of any bank in which we deposit our funds could reduce the amount of cash we have available for our operations or delay our ability to access such funds. In the event of such failure, we may experience delays or other issues in meeting our financial obligations, our ability to access our cash and cash equivalents may be threatened and could have a material adverse effect on our business and financial condition.

Future adverse developments with respect to specific financial institutions or the broader financial services industry may also lead to market-wide liquidity shortages.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

We have established procedures for evaluating, recognizing, and handling significant risks stemming from potential unauthorized events occurring on or through our electronic information systems, which could negatively impact the confidentiality, integrity, or accessibility of our information systems or the data stored within them. These procedures encompass a diverse range of mechanisms, controls, technologies, systems, and other processes aimed at preventing, detecting, or mitigating data breaches, theft, misuse, unauthorized access, or any other security incidents or vulnerabilities affecting digitally stored data. This data comprises confidential, business, and personal information that we gather, process, store, and transmit as part of our operations, including on behalf of third parties. Furthermore, we utilize systems and procedures intended to minimize the repercussions of a security incident involving a third-party vendor or customer. Additionally, we employ procedures to supervise and identify significant risks arising from cybersecurity threats linked to our utilization of third-party technology and systems, such as encryption and authentication systems, employee email services, back-office support systems, and other operational functions.

We adhere to a risk management framework based on applicable laws and regulations, incorporating industry standards and recognized practices to handle cybersecurity risks across our products, services, infrastructure and corporate assets. To evaluate and address cybersecurity threats, we analyze factors such as threat intelligence, first- and third-party vulnerabilities, changing regulatory requirements and observed incidents. We regularly conduct risk assessments to gauge the effectiveness and maturity of our systems, identifying areas for improvement. We also engage third-party security experts and consultants to assist with assessment and enhancement of our cybersecurity risk management processes, as well as benchmarking against industry practices. We also maintain a privacy risk management program to assess risks related to user data collection, with an independent third-party privacy assessor to ensure compliance. These processes enable us to make informed, risk-based decisions and prioritize cybersecurity measures and risk mitigation strategies. Our risk mitigation efforts encompass a range of technical and operational actions, alongside annual cybersecurity and privacy training for all staff members.

Our cybersecurity risks and associated mitigations are evaluated by our IT team, including our VP of Technology Operations and Information Security, as part of our enterprise risk assessments that are reviewed by our management team. Our VP of Technology Operations and Information Security serves as the Company's designated Chief Information Security Officer and is responsible for developing and implementing the cybersecurity risk management program, including reporting on cybersecurity matters to the Board of Directors. The VP of Technology Operations and Information Security has more than 19 years of experience leading cybersecurity oversight.

Our management team supervises efforts to prevent, detect, mitigate and remediate cybersecurity risks and incidents, which include: internal briefings from relevant personnel; threat intelligence and other information obtained from governmental, public or private sources, including external cybersecurity consultants; and alerts and reports produced by security tools deployed in our IT environment. In addition, the Board of Directors oversees the Company's cybersecurity risk exposures and the steps taken by management and the Chief Information Security Officer to monitor and mitigate cybersecurity risks. However, we cannot guarantee that our efforts will prevent any cybersecurity incident from occurring.

In 2024, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats. For additional information about these risks, see Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K.

Item 2. Properties

Our corporate headquarters is currently located in Melville, New York, where we occupy approximately 135 square feet of office space pursuant to a month-to-month lease. While all personnel currently operate out of their individual home offices throughout the country, this facility is primarily used for periodic, necessary in-person meetings. We believe that our existing facility is adequate to meet current requirements and that additional or substitute space will be available as needed to accommodate any expansion of operations.

Item 3. Legal Proceedings

We are not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material adverse effect on our business.

Item 4. Mine Safety Disclosures

None

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Our common stock is traded on The Nasdaq Stock Market under the symbol "IDN."

(b) As of March 31, 2025, there were 28 shareholders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees.

(c) No cash dividends or other cash distributions were made by us during the fiscal year ended December 31, 2024. Future dividend policy will be determined by our Board of Directors based on our earnings, financial condition, capital requirements and other then existing conditions. It is anticipated that cash dividends will not be paid to the holders of our common stock in the foreseeable future.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2024, with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	1,186,991	$ 2.94	736,175
Equity compensation plans not approved by security holders		N/A	N/A
Total	1,186,991	$ 2.94	736,175

(1) Represents 1,151,104 options, 35,887 restricted stock units and zero performance stock units under the 2015 Omnibus Incentive Plan.

(e) Recent Sales of Unregistered Securities

None.

(f) Issuer Purchases of Equity Securities

There were no shares repurchased during 2024.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (All dollar amounts are rounded to thousands, except per share data)

Overview

We are a prominent technology company engaged in developing, integrating and marketing identity verification solutions to address challenges that include commercial retail and banking fraud prevention. Our products include solutions for preventing identity fraud across any industry delivered via smartphone, tablet, POS integration or other electronic devices.

Critical Accounting Policies and the Use of Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Significant estimates and assumptions that affect amounts reported in the financial statements include impairment consideration and valuation of goodwill and intangible assets including software development costs, revenue recognition (including breakage revenue), and the fair value of stock options under our stock-based compensation plans. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different from those estimates.

Revenue Recognition and Deferred Revenue

SaaS fees and service revenues are generated from a combination of fixed-price and per-scan contracts. Under the per-scan revenue model, customers are charged a fee each time the customer scans an identity document, such as a driver's license, with our software. Under the fixed-price revenue model customers are charged a fixed monthly fee either per device or physical business location to access our software. In certain instances, customization services are determined to be essential to the functionality of the delivered software. Under Accounting Standards Codification ("ASC") 606, "*Revenue from Contracts with Customers,*" revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services. We measure revenue based on the consideration specified in a customer arrangement, and revenue is recognized when the performance obligations in an arrangement are satisfied. The Company adopted an additional revenue model where customers purchase a predetermined number of transactions for the term of the contract, where revenue for these transactions is recognized on a per transaction basis. The Company estimates the number of transactions that will be unused by the end of each contract period and recognized a portion of that revenue as breakage revenue each reporting period. Reference Note 2, "Significant Accounting Policies," in the Notes to Financial Statements for additional details on the Company's recognized and deferred revenue.

Stock-based Compensation

We account for the issuance of stock-based compensation awards to employees in accordance with ASC 718, "*Compensation – Stock Compensation*", which requires that the cost resulting from all stock-based compensation payment transactions be recognized in the financial statements. This pronouncement establishes fair value as the measurement objective in accounting for stock-based compensation payment arrangements and requires all companies to apply a fair value-based measurement method in accounting for all stock-based compensation payment transactions with employees. Reference Note 9, "Stockholders' Equity," in the Notes to Financial Statements for details on the Company's stock-based compensation plans.

Valuation of long-lived assets

Our long-lived assets include property and equipment, goodwill, and intangible assets. As of December 31, 2024, the balances of property and equipment, goodwill and intangible assets, all net of accumulated depreciation and amortization, were \$536, \$8,102 and \$2,374, respectively. As of December 31, 2023, the balances of property and equipment, goodwill and intangible assets, all net of accumulated depreciation and amortization, were \$666, \$8,102 and \$575, respectively. Reference Note 2, "Significant Accounting Policies"; Note 4, "Property and Equipment"; and Note 5, "Goodwill and Intangible Assets" in the Notes to Financial Statements for details on the Company's valuations of our long-lived assets.

Internal Use Capitalized Software

We capitalize certain costs related to the development of our platform and other software applications for internal use. In accordance with authoritative guidance, we begin to capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. We stop capitalizing these costs when the software is substantially complete and ready for its intended use, including the completion of all significant testing. These costs are amortized on a straight-line basis over the estimated useful life of the related asset. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditure will result in additional functionality and expense costs incurred for maintenance and minor upgrades and enhancements. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded within research and development expenses in the statements of operations. We exercise judgment in determining the point at which various projects may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized.

Results of Operations

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2024

TO THE YEAR ENDED DECEMBER 31, 2023

REVENUES. Revenues for the year ended December 31, 2024 increased $1,091 or 6% to $19,997 compared to $18,906 for the year ended December 31, 2023. The increase in revenues is primarily the result of higher SaaS revenue for the current period. SaaS revenues, which consists of software licensed on a subscription basis, increased $1,215 or 7% to $19,810 for the year ended December 31, 2024 compared to $18,595 for the year ended December 31, 2023.

GROSS PROFIT. Gross profit increased by $635 or 4%, to $18,166 for the year ended December 31, 2024, compared to $17,531 in the year ended December 31, 2023. Our gross profit, as a percentage of revenues, was 90.8% and 92.7% for the years ended December 31, 2024 and 2023, respectively.

OPERATING EXPENSES. Operating expenses, which consist of selling, general and administrative expenses and research and development expenses, decreased by $(473), or (2.4)% to $19,334 for the year ended December 31, 2024 from $19,807 for the year ended December 31, 2023. Selling, general and administrative expenses increased by $350, or 2%, to $15,477 for the year ended December 31, 2024, compared to $15,127 for the year ended December 31, 2023. This increase was primarily driven by higher general and administrative costs, specifically headcount-related expenses tied to severance expenses. Research and development expenses decreased $823, or 18%, to $3,857 for the year ended December 31, 2024, compared to $4,680 for the year ended December 31, 2023. This decrease was primarily due to the capitalization of certain software development expenses, as well as lower personnel costs and their related stock-compensation expenses.

INTEREST AND OTHER INCOME. Interest income was $283 for the year ended December 31, 2024, compared to interest income of $234 during the year ended December 31, 2023.

INCOME TAXES. Our provision for income taxes was $33 for the year ended December 31, 2024, compared to a benefit from income taxes of $(62) during the year ended December 31, 2023.

NET LOSS. As a result of the factors noted above, we had net losses of $(918), or $(0.05) per share, for the year ended December 31, 2024 as compared to a net loss of $(1,980), or $(0.10) per share, for the year ended December 31, 2023.

Liquidity and Capital Resources

As of December 31, 2024, we had cash and cash equivalents of $4,666, working capital (defined as current assets minus current liabilities) of $6,726, total assets of $20,933 and stockholders' equity of $17,747.

For the year ended December 31, 2024, our cash increased by $686. Cash used in operating activities was $(2,694) for the year ended December 31, 2024 as compared to cash used in operating activities of $(647) for the year ended December 31, 2023. Cash provided by investing activities for the year ended December 31, 2024 was $2,895 as compared to cash used in investing activities of $(414) for the year ended December 31, 2023. Cash provided by financing activities was $485 for the year ended December 31, 2024 as compared to cash used in financing activities of $(155) for the year ended December 31, 2023.

On February 6, 2019, we entered a revolving credit facility with Citi Personal Wealth Management that allows for borrowings up to the lesser of (i) $2,000 or (ii) the collateralized balance in our existing fixed income investment account with Citi Personal Wealth Management. The facility bears interest at a rate consistent of Citi Personal Wealth Management's Base Rate (9.00% and 8.50% at December 31, 2024 and December 31, 2023, respectively) minus 2% subject to certain limitations. Interest is payable monthly and as of December 31, 2023, there were no amounts outstanding under this facility and unused availability under this facility was $2,000. The Company is not subject to any financial covenants related to this revolving line of credit. This line will remain open as long as the Company keeps a depository relationship with the financial institution.

We currently anticipate that our available cash, expected cash from operations and availability under the revolving credit agreement will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months from the date of filing of these financial statements.

We keep the option open to raise additional funds to respond to business contingencies which may include the need to fund more rapid expansion, fund additional marketing expenditures, develop new markets for our technology, enhance our operating infrastructure, respond to competitive pressures, or acquire complementary businesses or necessary technologies. There can be no assurance that we will be able to secure the additional funds when needed or obtain such on terms satisfactory to us, if at all.

Adjusted EBITDA and Use as a Non-GAAP Measure

We use Adjusted EBITDA as a non-GAAP financial performance measurement. Adjusted EBITDA is calculated by adjusting net loss for certain reductions such as interest and other income (expense) and certain addbacks such as non-restructuring severance expenses, sales tax accrual, provisions for income taxes, depreciation, amortization and stock-based compensation expense. Adjusted EBITDA is provided to investors to supplement the results of operations reported in accordance with GAAP. Management believes that Adjusted EBITDA provides an additional tool for investors to use in comparing our financial results with other companies that also use Adjusted EBITDA in their communications to investors. By excluding non-cash charges such as impairments of long-lived assets and goodwill, sales tax accrual, amortization, depreciation and stock-based compensation, as well as non-operating charges for interest and provisions for income taxes, investors can evaluate our operations and can compare the results on a more consistent basis to the results of other companies. We have included any severance-related expenses for terminated positions that will not be replaced as "non-restructuring severance expenses" within Adjusted EBITDA. In addition, Adjusted EBITDA is one of the primary measures management uses to monitor and evaluate financial and operating results.

We consider Adjusted EBITDA to be an important indicator of our operational strength and performance of our business and a useful measure of our historical operating trends. However, there are significant limitations to the use of Adjusted EBITDA since it excludes non-restructuring severance expenses, sales tax accrual, provisions for income taxes, interest and other (expense) income, impairments of long-lived assets and goodwill, stock-based compensation expense, all of which impact our profitability, as well as depreciation and amortization related to the use of long-term assets which benefit multiple periods. We believe that these limitations are compensated by providing Adjusted EBITDA only with GAAP net loss and clearly identifying the difference between the two measures. Consequently, Adjusted EBITDA should not be considered in isolation or as a substitute for net loss presented in accordance with GAAP. Adjusted EBITDA as defined by us may not be comparable with similarly named measures provided by other companies.

The reconciliation of GAAP net loss to Non-GAAP Adjusted EBITDA is as follows:

	Year Ended December 31,	
	2024	**2023**
Net loss	$ (918)	$ (1,980)
Reconciling items:		
Restructuring severance expenses	376	548
Provision for income taxes	33	(62)
Sales tax accrual	—	227
Interest income	(283)	(234)
Depreciation and amortization	436	282
Stock-based compensation including liability classified awards	876	1,596
Adjusted EBITDA	$ 520	$ 377

Net Operating Loss Carry Forwards

Our available net operating loss ("NOL") as of December 31, 2024 was approximately $28,500, of which $10,900 expires between 2035 and 2037. In accordance with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), U.S. NOLs arising in a tax year ending after 2017 in the amount of $17,600 will not expire, but are subject to 80% limitation on utilization. In addition to the NOLs, the Company has approximately $700 of research and development credits.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which enhances reporting requirements under Topic 280. The enhanced disclosure requirements include: title and position of the Chief Operating Decision Maker (CODM), significant segment expenses provided to the CODM, extending certain annual disclosures to interim periods, clarifying single reportable segment entities must apply ASC 280 in its entirety, and permitting more than one measure of segment profit or loss to be reported under certain circumstances. The Company adopted this standard effective January 1, 2024 and was applied retrospectively. The adoption of this new standard did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

Except as discussed below, we do not expect the impact of the future adoption of recently issued accounting pronouncements to have a material impact on our financial statements.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740), which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. The new guidance requires consistent categorization and greater disaggregation of information in the rate reconciliation, as well as further disaggregation of income taxes paid. This change is effective for annual periods beginning after December 15, 2024. This change will apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. The Company is currently evaluating the impact of this ASU on its financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures* (Subtopic 220-40): *Disaggregation of Income Statement Expenses*. The amendment requires new financial statement disclosures to provide disaggregated information for certain types of expenses, including employee compensation, depreciation, and amortization in commonly presented expense captions such as cost of revenue, sales and marketing, and general and administrative expenses. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is in the process of evaluating the effect that the adoption of these standards will have on its financial statements.

Off-Balance Sheet Arrangements

We have never entered into any off-balance sheet financing arrangements and have never established any special purpose entities. We have not guaranteed any debt or commitments of other entities nor entered into any option agreements on non-financial assets.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

As of December 31, 2024, we had cash and cash equivalents of $4,666. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs, and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of our investment portfolio, the effect of a hypothetical 100 basis point change in interest rates would not have a material effect on the fair market value of our portfolio as of December 31, 2024. We therefore do not expect our results of operations or cash flows to be materially affected by a sudden change in market interest rates.

Item 8. Financial Statements and Supplementary Data

Our financial statements and supplementary data are attached hereto beginning on Page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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 the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our Company's reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2024.

Accordingly, management believes that the financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

a. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

b. Provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with U.S. GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

c. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 internal control over financial reporting as of December 31, 2024 based on the guidelines established in the "Internal Control—Integrated Framework" (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2024.

This annual report does not include an attestation report of our registered public accounting firm on internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2024 that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Insider Adoption or Termination of Trading Arrangements:

During the fiscal year ended December 31, 2024, none of our directors or officers informed us of the adoption, modification or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Regulation S-K, Item 408.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference from our 2025 definitive Proxy Statement (which will be filed with the SEC within 120 days after December 31, 2024 in connection with the solicitation of proxies for the Company's 2024 annual meeting of stockholders) ("2025 Proxy Statement") under the captions "Proposal 1 – Election of Directors," "Other Information – Executive Officers," and "Beneficial Ownership Reporting Compliance under Section 16(a) of the Exchange Act."

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference from our 2025 Proxy Statement under the captions "Executive Compensation" and "Director Compensation."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference from our 2025 Proxy Statement under the captions "Other Information—Security Ownership of Certain Beneficial Owners and Management" and "Other Information – Equity Compensation Plan Information."

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference from our 2025 Proxy Statement under the captions "Other Information – Related Party Transactions Overview," "Other Information – Certain Transactions with Related Persons" and "Director Attributes and Independence."

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference from our 2025 Proxy Statement under the caption "Proposal 2 – Ratification of the Selection of Independent Auditors."

Our independent registered public accounting firm is Forvis Mazars, LLP, Auditor Firm ID: 686.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

Balance Sheets as of December 31, 2024 and 2023
Statement of Operations for the years ended December 31, 2024 and 2023
Statement of Stockholders' Equity for the years ended December 31, 2024 and 2023
Statement of Cash Flows for the years ended December 31, 2024 and 2023

(b) Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation of the Company (1)
3.2	Amendment to the Certificate of Incorporation of the Company (2)
3.3	Certificate of Amendment to the Certificate of Incorporation of the Company (3)
3.4	Certificate of Amendment to the Certificate of Incorporation of the Company (4)
3.5	Amended and Restated By-laws of the Company (5)
4.1	Specimen Stock Certificate (6)
4.2	Description of our Common Stock (1)
10.1	2015 Omnibus Incentive Plan, as Amended (7) *
10.2	Jonathan Robins Employment Agreement (8) *
10.3	Bryan Lewis Employment Agreement (9) *
10.4	Adam Sragovicz Employment Agreement (10) *
10.5	Jeffrey Ishmael Employment Agreement (11)*
10.6	Jeffrey Ishmael Option Cancellation Agreement (12) *
10.7	Jeffrey Ishmael RSU Agreement (12) *
10.8	Separation Agreement dated as of July 12, 2024 by and between the Registrant and Jeffrey Ishmael (10) *
14.1	Code of Business Conduct and Ethics (2)
19	Insider Trading Policy **
23.1	Consent of Forvis Mazars LLP **
31.1	Certification of CEO pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 **
31.2	Certification of CFO pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 **
32	Certification of CEO and CFO pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 **
97	Intellicheck Incentive-Based Compensation Recovery Policy (14) *
101.INS	Inline XBRL Instance Document **
101.SCH	Inline XBRL Taxonomy Extension Schema **
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase **
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase **
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase **
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase **
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Denotes a management contract or compensatory plan, contract or arrangement.
** Filed herewith.
(1) Incorporated by reference to Registration Statement on Form SB-2 (File No. 333-87797) filed September 24, 1999.
(2) Incorporated by reference to Registrant's Current Report on Form 8-K filed October 28, 2009.
(3) Incorporated by reference to Registrant's Current Report on Form 8-K filed August 13, 2014.
(4) Incorporated by reference to Registrant's Current Report on Form 8-K filed May 9, 2017.
(5) Incorporated by reference to Registrant's Current Report on Form 8-K filed August 14, 2007.
(6) Incorporated by reference to Registrant's Annual Report on Form 10-K filed March 11, 2010.
(7) Incorporated by reference to Registrant's Proxy Statement on Schedule 14A filed March 28, 2022.
(8) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed May 14, 2024.
(9) Incorporated by reference to Registrant's Annual Report on Form 10-K filed March 21, 2019.
(10) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q filed November 14, 2024.
(11) Incorporated by reference to Registrant's Annual Report on Form 10-K filed March 28, 2023.
(12) Incorporated by reference to Registrant's Current Report on Form 8-K filed March 31, 2023.
(13) Incorporated by reference to Registrant's Annual Report on Form 10-K filed March 30, 2004.
(14) Incorporated by reference to Registrant's Annual Report on Form 10-K filed April 1, 2024.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant had duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 31, 2025	INTELLICHECK, INC.
	By: */s/ Bryan Lewis* Bryan Lewis President, Chief Executive Officer and Director (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

	INTELLICHECK, INC.
Date: March 31, 2025	By: */s/ Bryan Lewis* Bryan Lewis President and Chief Executive Officer (Principal Executive Officer)
Date: March 31, 2025	By: */s/ Adam Sragovicz* Adam Sragovicz Chief Financial Officer (Principal Accounting and Financial Officer)
Date: March 31, 2025	By: */s/ Guy L. Smith* Guy L. Smith, Chairman and Director
Date: March 31, 2025	By: */s/ Dylan Glenn* Dylan Glenn, Director
Date: March 31, 2025	By: */s/ Gregory B. Braca* Gregory B. Braca, Director
Date: March 31, 2025	By: */s/ David E. Ullman* David E. Ullman, Director
Date: March 31, 2025	By: */s/ Dondi Black* Dondi Black, Director

FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders', Board of Directors, and Audit Committee of Intellicheck, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Intellicheck, Inc. (the "Company") as of December 31, 2024 and 2023, the related statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Critical Audit Matter - Capitalized Software Development Costs

As discussed in Note 2 to financial statements, the Company develops software for internal use and capitalizes the software development costs incurred during the application development stage. Costs are capitalized when preliminary development efforts are successfully completed, it is probable that the project will be completed, and the software will be used as intended. The Company stops capitalizing costs when the software is substantially complete and ready for its intended use, including the completion of all significant testing. Costs are amortized on a straight-line basis over the estimated useful life of the related asset. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditure will result in additional functionality, and expenses costs incurred for maintenance and minor upgrades and enhancements.

We identified capitalized software costs as a critical audit matter. Our principal considerations for this determination is the level of subjectivity in management's determination of whether the time and related costs incurred on software development projects have met the capitalization criteria and is accurately allocated to projects. There is a high degree of auditor judgment and subjectivity involved in evaluating the audit evidence supporting management's determinations, particularly as is relates to evaluating the capitalization of internal labor costs.

Our primary audit procedures in response to the critical audit matter included:

- Obtaining an understanding and evaluated the design and implementation of internal controls related to management's process for evaluating software development costs and the nature of software development costs capitalized.
- Testing the completeness and accuracy of data used by management to support the capitalization of internal-use software.
- Testing management's process for determining eligibility of costs qualifying for capitalization.
- Evaluating the reasonableness of management's significant assumptions related to eligibility and allocation of software development costs particularly as it relates to internal labor costs..
- Testing a sample of payroll-related costs to assess whether such costs were capitalized in accordance with the capitalization criteria inclusive of corroborative interviews of personnel involved in software development.

/s/ Forvis Mazars, LLP

We have served as the Company's auditor since 2022.

Tysons, Virginia
March 31, 2025

INTELLICHECK, INC.

BALANCE SHEETS
DECEMBER 31, 2024 and 2023

		2024		2023
	(in thousands, except share and per share amounts)			
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	4,666	$	3,980
Short-term investments		—		5,000
Accounts receivable, net of allowance for credit losses of $100 and $69 as of December 31, 2024 and 2023, respectively		4,675		4,703
Other current assets		571		692
Total current assets		9,912		14,375
PROPERTY AND EQUIPMENT, NET		536		666
GOODWILL		8,102		8,102
INTANGIBLE ASSETS, NET		2,374		575
OTHER ASSETS		9		90
Total assets	$	20,933	$	23,808
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$	443	$	884
Accrued expenses		1,742		3,245
Equity awards liability		—		4
Liability for shares withheld		—		190
Deferred revenue, current portion		1,001		2,209
Total current liabilities		3,186		6,532
Total liabilities		3,186		6,532
COMMITMENTS AND CONTINGENCIES (Note 10)				
STOCKHOLDERS' EQUITY:				
Preferred stock – $0.01 par value; 30,000 shares authorized; Series A convertible preferred stock, zero shares issued and outstanding as of December 31, 2024 and 2023, respectively		—		—
Common stock – $0.001 par value; 40,000,000 shares authorized; 19,782,311 and 19,354,335 shares issued and outstanding as of December 31, 2024 and 2023, respectively		19		19
Additional paid-in capital		152,211		150,822
Accumulated deficit		(134,483)		(133,565)
Total stockholders' equity		17,747		17,276
Total liabilities and stockholders' equity	$	20,933	$	23,808

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

INTELLICHECK, INC.

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
	(in thousands, except share and per share amounts)	
REVENUES	$ 19,997	$ 18,906
COST OF REVENUES	(1,831)	(1,375)
Gross profit	18,166	17,531
OPERATING EXPENSES		
Selling, general and administrative	15,477	15,127
Research and development	3,857	4,680
Total operating expenses	19,334	19,807
Loss from operations	(1,168)	(2,276)
OTHER INCOME		
Interest and other income	283	234
Total other income	283	234
Net loss before provision for (benefit from) income taxes	(885)	(2,042)
Provision for (benefit from) income taxes	33	(62)
Net loss	$ (918)	$ (1,980)
PER SHARE INFORMATION:		
Loss per common share - Basic/Diluted	$ (0.05)	$ (0.10)
Weighted average common shares used in computing per share amounts - Basic/Diluted	19,327,132	19,243,179

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

INTELLICHECK, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(in thousands, except number of shares)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
BALANCE, December 31, 2022	18,957,366	$ 19	$ 149,233	$ (131,585)	$ 17,667
Stock-based compensation	—	—	1,646	—	1,646
Issuance of common stock for vested restricted stock grants and earned performance stock grants	421,689	—	—	—	—
Shares forfeited in exchange for withholding taxes	(24,720)	—	(57)	—	(57)
Net loss	—	—	—	(1,980)	(1,980)
BALANCE, December 31, 2023	19,354,335	$ 19	$ 150,822	$ (133,565)	$ 17,276
Stock-based compensation	—	—	1,082	—	1,082
Stock option exercises, net of cashless exercises	179,875	—	307	—	307
Issuance of shares for vested restricted stock grants	248,101	—	—	—	—
Net loss	—	—	—	(918)	(918)
BALANCE, December 31, 2024	19,782,311	$ 19	$ 152,211	$ (134,483)	$ 17,747

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

INTELLICHECK, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (918)	$ (1,980)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	436	282
Stock-based compensation	876	1,596
Allowance for credit losses	248	49
Change in accrued interest and accretion of discount on short-term investments	—	(206)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(219)	(2,115)
Decrease (increase) in other current assets	121	(84)
Decrease (increase) in other assets	82	(82)
(Decrease) increase in accounts payable and accrued expenses	(1,946)	616
(Decrease) increase in deferred revenue	(1,209)	1,302
(Decrease) in liability for shares surrendered	(190)	—
Increase (decrease) in other current liabilities	25	(25)
Net cash used in operating activities	(2,694)	(647)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(57)	(93)
Proceeds from maturity of short-term investments	5,000	5,000
Purchases of short-term investments	—	(4,914)
Software development costs	(2,048)	(407)
Net cash provided by (used in) investing activities	2,895	(414)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercises of stock options	307	—
Proceeds from insurance financing arrangement	320	49
Withholding taxes paid on RSU vesting	—	(57)
Repayment of insurance financing arrangement	(142)	(147)
Net cash provided by (used in) provided by financing activities	485	(155)
Net increase (decrease) in cash	686	(1,216)
CASH, beginning of year	3,980	5,196
CASH, end of year	$ 4,666	$ 3,980
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 9	$ 2
Cash paid for income taxes	$ —	$ 80

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

NOTES TO FINANCIAL STATEMENTS
(All dollar amounts are rounded to thousands, except share data)

1. NATURE OF BUSINESS

Business

Intellicheck, Inc. (the "Company" or "Intellicheck") is a prominent technology company that is engaged in developing, integrating and marketing identity verification solutions to address challenges that include commercial retail and banking fraud prevention. Intellicheck's products include solutions for preventing identity fraud across any industry delivered via smartphone, tablet, POS integration or other electronic devices. Intellicheck continues to develop and release innovative products based upon its rich patent portfolio consisting of ten (10) U.S. and one Canadian patents.

Liquidity

For the year ended December 31, 2024, the Company incurred a net loss of $(918) and had net cash used in operating activities of $(2,694). As of December 31, 2024, the Company had cash and cash equivalents of $4,666, working capital (defined as current assets minus current liabilities) of $6,726 and an accumulated deficit of $134,483. Based on the Company's business plan and cash resources, Intellicheck expects its existing and future resources and revenues generated from operations to satisfy its working capital requirements for at least the next 12 months from the date of filing of these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes.

Significant estimates and assumptions that affect amounts reported in the financial statements include impairment consideration and valuation of goodwill and intangible assets including software development costs, revenue recognition (including breakage revenue), and the fair value of stock options granted under the Company's equity compensation plan. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different from those estimates.

Cash and Cash Equivalents

The Company classifies time deposits and other investments that are highly liquid and have maturities of three months or less at the date of purchase as cash equivalents. The Company's cash and cash equivalents consist primarily of both cash on deposits with banks, which are maintained with major financial institutions in the United States, and money market funds. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000, however amounts may exceed FDIC insured limits. The Company has not experienced any losses with regard to its bank accounts and believes it is not exposed to any risk of loss on its cash bank accounts.

Short-term investments

Short-term investments include investments in U.S. treasury notes. Debt investments with original maturities at the date of purchase greater than approximately three months but less than a year are classified as short-term investments, as they represent the investment of cash available for current operations. All short-term investments that the Company holds are classified as "held-to-maturity" as the Company has the intent and ability to hold these investments until maturity. See Note 3 for more detail and a breakdown of the Company's short-term investments.

Accounts Receivable

Accounts receivable are reported on the balance sheets at the outstanding principal amount adjusted for an allowance for credit losses and any charge offs. Effective January 1, 2023 Intellicheck adopted ASU 2016-13, codified as ASC 326. This impacts how the allowance for doubtful accounts is calculated. The Company has applied a loss rate method which takes historical data as the basis for calculating the allowance amount, along with the aging out outstanding receivables and other factors like current and forecasted market conditions, and potential future impacts to the industry. In estimating whether accounts receivable will be collected, the Company performs evaluations of customers and continuously monitors collections and payments and estimates an allowance for credit losses based on collections experience to date and any specific collection issues that have been identified. The allowance for credit losses is recorded in the period in which revenue is recorded or when collection risk is identified.

Property and Equipment, net

Property and equipment are recorded at cost and are depreciated over their estimated useful lives ranging from three to seven years using the straight-line method. Expenditures for maintenance and repairs are charged to operations as incurred. See Note 4.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations. Pursuant to ASC 350, the Company tests goodwill for impairment on an annual basis in the fourth quarter, or between annual tests, in certain circumstances. Under authoritative guidance, the Company first assesses qualitative factors to determine whether it is necessary to perform step one of the quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price.

The Company performed its annual impairment test of goodwill in the fourth quarter for the years ended December 31, 2024 and 2023, more detail about this is referenced in Note 5. For the years ended December 31, 2024 and 2023, the Company determined no impairment charge was required.

Intangible Assets, net

Intangible assets include patents, copyrights, developed technology and capitalized software development costs. The Company amortizes these assets on a straight-line basis over their estimated useful lives, as it represents the pattern of economic benefits consumed. There were no impairment charges recognized for the years ended December 31, 2024 and 2023. See Note 5.

The Company capitalizes internal-use software costs which includes costs incurred in connection with the development of new software solutions and enhancements to existing software solutions that are expected to result in increased functionality. The costs incurred in the preliminary stages of development are expensed as incurred. Once the software has reached the application development stage, internal and external costs, if direct and incremental, are capitalized until the software is complete and available for its intended use. The Company evaluates the useful lives of these assets and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. There were no impairments of intangible assets including capitalized software development costs for the years ended December 31, 2024 and 2023.

Long-Lived Assets and Impairment of Long-Lived Assets

The Company's long-lived assets include property and equipment and intangible assets.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable in accordance with Accounting Standards Codification ("ASC") 350 ("*Intangibles – Goodwill and Other*") and ASC 360 ("*Property, Plant and Equipment*"). To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows, without interest charges, will be less than the carrying amount of the assets. Impairment is measured at fair value. There were no impairments of long-lived assets for the years ended December 31, 2024 and 2023.

Revenue Recognition and Deferred Revenue

General

Most license fees and services revenue are generated from a combination of fixed-price and per-scan contracts. Under the per-scan revenue model, customers are charged a fee each time the customer scans an identity document, such as a driver's license, with the Company's software. Under the fixed-price revenue model customers are charged a fixed monthly fee either per device or physical business location to access the Company's software. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company measures revenue based on the consideration specified in a customer arrangement, and revenue is recognized when the performance obligations in an arrangement are satisfied. A performance obligation is a promise in a contract to transfer a distinct service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the customer receives the benefit of the performance obligation. Customers typically receive the benefit of the Company's services as they are performed. The Company's performance obligations are satisfied over time, and as a result, it may follow the right to invoice practical expedient meaning the Company recognizes revenue monthly as invoiced based on its contract terms.

The Company has an additional revenue model where customers purchase a predetermined number of transactions for the term of the contract. Customers are charged a fixed monthly fee for a set number of scans (fixed consideration), with any overages charged on a per scan basis (variable consideration). The Company estimates the amount of unused transactions at the end of each contract period and recognizes a portion of that revenue as breakage revenue each reporting period. If the Company expects the customer to use all transactions in the specified service period, the Company will recognize the transaction price as revenue in the specified service period as the promised units of service are transferred to the customer. Alternatively, if the Company expects that the customer cannot or will not use all transactions in the specified service period (referred to as "breakage"), the Company will recognize the estimated breakage amount as revenue ratably over the service period in proportion to the revenue that the Company will recognize for actual transactions used by the customer in the service period. The Company does not estimate the variable consideration at any point; rather it calculates and recognizes the variable portion at the end of the contract term since these contracts are considered monthly due to the termination clauses included within them. The fixed and variable performance obligations are recognized monthly based on the contract terms.

Invoicing is based on schedules established in customer contracts. Payment terms are generally established from 30 to 60 days from the invoice date. Accordingly, the Company has determined that its contracts do not include a significant financing component. Product returns are estimated and recorded as a reduction to revenue, however, such amounts are immaterial.

The Company has not capitalized any costs to obtain a contract as the period of amortization for these associated costs would have been recognized over a period that is one year or less and the Company elected the practical expedient to expense those costs as incurred.

Nature of goods and services

The following is a description of the products and services from which the Company generates revenue, as well as the nature, timing of satisfaction of performance obligations, and significant payment terms for each:

Software-as-a-Service (SaaS)

SaaS for hosted subscription services requires the Company to provide a stand-ready obligation and allows customers to access a set of data for a predetermined period of time. As the customer obtains access at a point in time but continues to have access for the remainder of the subscription period, the customer is considered to simultaneously receive and consume the benefits provided by the entity's performance as the entity performs. Accordingly, the revenue should be recognized over time, under the fixed pricing model, based on the usage of the hosted subscription services, which can vary from month to month. Under the per-scan revenue model, the customer requires access to the Company's hosted subscription service but revenue is recognized over time as the customer scans an identity document.

Equipment Revenue

Revenue from the sale of equipment is recognized at a point in time. The point in time that the revenue is recognized is when the customer has control of the equipment which is when the customer receives the benefit and the Company's performance obligation has been satisfied. Depending on the contract terms, that could either be at the time the equipment is shipped or at the time the equipment is received.

Other Revenue

Other revenues, which historically have not been material, consist primarily of revenues from other subscription and support services, extended warranties and one-time implementation services. The Company's revenues from other subscription and support services includes jurisdictional updates to certain commercial customers and support services particularly to its Defense ID® customers. These subscriptions require continuing service or post contractual customer support and performance. As the customer obtains access at a point in time but continues to have access for the remainder of the subscription period, the customer is considered to simultaneously receive and consume the benefits provided by the Company's performance as the Company performs. Accordingly, the revenue is recognized over time based on usage, which can vary from month to month. The revenue is typically based on a formula such as number of locations in a given month multiplied by a fee per location. Extended warranty revenues are generated when a warranty is provided to the customer separately from other performance obligations when the equipment is sold. As the customer obtains access at a point in time and continues to have access for the remainder of the warranty term, the customer is considered to simultaneously receive and consume the benefits provided by the Company's performance as the Company performs. The related revenue is recognized ratably over the specified term of the warranty period. The extended warranty is separate from the Company's standard warranty that it receives from its vendor, which is typically one year.

Disaggregation of revenue

In the following tables, revenue is disaggregated by product and service and the timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue.

	For the Years Ended December 31,	
	2024	2023
Products and services		
SaaS	$ 19,810	$ 18,595
Other	63	146
Equipment	124	165
	$ 19,997	$ 18,906
Timing of revenue recognition		
Products transferred at a point in time	$ 187	$ 311
Services transferred over time	19,810	18,595
	$ 19,997	$ 18,906

Contract balances

The current portion of deferred revenue at December 31, 2024 and 2023 was $1,001 and $2,209, respectively, and primarily consists of revenue that is recognized over time for software license contracts and hosted subscription services. The changes in these balances are related to the satisfaction or partial satisfaction of these contracts. The entire December 31, 2023, current deferred revenue balance was recognized as revenue in the year ended December 31, 2024.

Transaction price allocated to the remaining performance obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period:

	2025	2026	2027	Total
SaaS	$ 1,001	$ —	$ —	$ 1,001
	$ 1,001	$ —	$ —	$ 1,001

All consideration from contracts with customers is included in the amounts presented above.

Advertising Costs.

Advertising costs, which are charged to expense as incurred and recorded as selling, general and administrative expenses in the Company's Statements of Operations, were $418 and $536 for the years ended December 31, 2024 and 2023, respectively.

Shipping Costs

The Company's shipping and handling costs related to sales are included in cost of revenues for all periods presented. All other shipping and handling costs are included as a component of selling, general and administrative expenses within the statements of operations.

Loss Contingencies and Legal Costs

The Company accrues loss contingencies that are believed to be probable and can be reasonably estimated. As events evolve during the administration and litigation process and additional information becomes known, the Company reassesses its estimates related to loss contingencies. Legal costs are expensed in the period in which the costs are incurred.

Sales Taxes

Sales and other taxes collected from customers and remitted to governmental authorities are presented on a net basis and thus excluded from revenues.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, "*Income Taxes*." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using expected tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. The Company has recorded a full valuation allowance for its net deferred tax assets as of December 31, 2024 and 2023, due to the uncertainty of the realizability of those assets. See Note 8.

Fair Value of Financial Instruments

The Company adheres to the provisions of ASC 820, "*Fair Value Measurement*" which requires the Company to calculate the fair value of financial instruments and include this additional information in the notes to financial statements when the fair value of those financial instruments is different than the book value. The Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, other current assets, accounts payable and accrued expenses. At December 31, 2024 and 2023, the carrying value of the Company's financial instruments approximated fair value, due to their short-term nature. Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities. The Company's Level 1 assets consisted primarily of cash and cash equivalents as well as short-term investments totaling approximately $4,666 and $8,980 as of December 31, 2024 and 2023, respectively.

- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active). Level 2 includes financial instruments that are valued using models or other valuation methodologies. The Company had $0 and $4 of Level 2 liabilities as of December 31, 2024 and 2023 respectively, for certain liability-classified stock options. The fair value of these awards were determined by utilizing a Black-Scholes option pricing model.

- Level 3—Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when the fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable. The Company had no Level 3 assets or liabilities as of December 31, 2024 and 2023. There were no transfers into or out of Level 3 measurements in 2024 and 2023.

Business Concentration and Credit Risk

Financial instruments, which subject the Company to concentrations of credit risk, consist primarily of cash. The Company maintains cash at two financial institutions. The Company performs periodic evaluations of the relative credit standing of these institutions.

The Company's sales are principally made to large retail customers, financial institutions concentrated in the United States and to U.S. government entities. The Company performs ongoing credit evaluations, generally does not require collateral, and establishes an allowance for credit losses based upon factors surrounding the credit risk of customers, historical trends, and other market and economic information.

During the year ended December 31, 2024, the Company made sales to three customers that accounted for approximately 50% of revenue, 20%, 18% and 12%, respectively. The revenue was associated with commercial identity sales customers. These three customers represented 67% of the Company's December 31, 2024 accounts receivable balance. These three customers accounted for approximately 39%, 23%, and 5%, respectively, of the Company's accounts receivable balance at December 31, 2024. During the year ended December 31, 2023, the Company had three customers that accounted for 47% of revenue; 21%, 14% and 12%, respectively, and those same three customers accounted for 66%; 37%, 6%, and 23%, respectively, of its December 31, 2023 accounts receivable balance.

As of December 31, 2024, the Company had four suppliers to produce its input devices. The Company has modified its software to operate in Windows-based systems and can integrate with different hardware platforms that are readily available in the marketplace. The Company does not maintain a manufacturing facility of its own and is not dependent on maintaining its production relationships due to the flexibility of its software to run on multiple existing platforms.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of shares of common stock and potentially dilutive common stock equivalents outstanding during the period. The dilutive effect of these common stock equivalents comprising of outstanding options, warrants and restricted stock is reflected in diluted earnings per share by application of the treasury stock method. The calculation of diluted net loss per share excludes all anti-dilutive shares. In a period of net loss, all common stock equivalents are considered anti-dilutive.

	Years Ended December 31,	
	2024	**2023**
Numerator:		
Net loss	$ (918)	$ (1,980)
Denominator:		
Weighted average common shares – Basic	19,327,132	19,243,179
Weighted average common shares - Diluted	19,327,132	19,243,179
Net loss per share –		
Basic	$ (0.05)	$ (0.10)
Diluted	$ (0.05)	$ (0.10)

The following table summarizes the common stock equivalents excluded from the loss per diluted share because their effect would be anti-dilutive:

	2024	**2023**
Stock options	1,151,104	1,152,714
Restricted stock	35,887	60,500
Total	1,186,991	1,213,214

Stock-based Compensation

The Company accounts for the issuance of equity awards to employees in accordance ASC 718 "*Compensation - Stock Compensation* and ASC 505 "*Equity*", which requires that the cost resulting from all stock-based transactions be recognized in the financial statements. This pronouncement establishes fair value as the measurement objective in accounting for equity payment arrangements and requires all companies to apply a fair value-based measurement method in accounting for all equity payment transactions with employees and directors. All stock-based compensation expenses are included in operating expenses. The Company recognizes compensation expense related to equity grants on a straight-line basis over the requisite service period. See Note 9.

Segment Information

The Company adheres to the provisions of ASC 280, "*Segment Reporting*". The Chief Executive Officer, as the chief operating decision maker (CODM), reviews the financial information presented for purposes of allocating resources and evaluating its financial performance. The key measure that the CODM uses to allocate resources and in assessing performance is the Company's net loss. Accordingly, the Company has determined that it operates in a single reportable segment. All of the Company's assets are located in the United States. Since the Company operates in one operating segment, all required financial segment information can be found in the financial statements.

Research and Development

Research and development expenses are expensed as incurred and consist primarily of employee-related expenses (such as salaries, taxes, benefits and stock-based compensation), allocated overhead costs and outside services costs related to the development and improvement of the Company's SaaS applications.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which enhances reporting requirements under Topic 280. The enhanced disclosure requirements include: title and position of the Chief Operating Decision Maker (CODM), significant segment expenses provided to the CODM, extending certain annual disclosures to interim periods, clarifying single reportable segment entities must apply ASC 280 in its entirety, and permitting more than one measure of segment profit or loss to be reported under certain circumstances. The Company adopted this standard effective January 1, 2024 and was applied retrospectively. The adoption of this new standard did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*, which establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. The new guidance requires consistent categorization and greater disaggregation of information in the rate reconciliation, as well as further disaggregation of income taxes paid. This change is effective for annual periods beginning after December 15, 2024. This change will apply on a prospective basis to annual financial statements for periods beginning after the effective date. However, retrospective application in all prior periods presented is permitted. The Company is currently evaluating the impact of this ASU on its financial statements.

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures* (Subtopic 220-40): *Disaggregation of Income Statement Expenses*. The amendment requires new financial statement disclosures to provide disaggregated information for certain types of expenses, including employee compensation, depreciation, and amortization in commonly presented expense captions such as cost of revenue, sales and marketing, and general and administrative expenses. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is in the process of evaluating the effect that the adoption of these standards will have on its financial statements.

Subsequent Events

The Company has evaluated subsequent events through the date these financial statements were issued and determined there are no subsequent events that require disclosure.

3. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Short-term investments include investments in U.S. Treasury notes. Short-term investments with original maturities of approximately three months or less from the date of purchase are classified within cash and cash equivalents. Debt investments with original maturities at the date of purchase greater than approximately three months but less than one year are classified as short-term investments, as they represent the investment of cash available for current operations. All short-term investments that the Company holds are classified as "held-to-maturity". The Company has accounted for and disclosed the purchase of its short-term investments in accordance with ASC 320 I*nvestments - Debt Securities*. The following tables summarize the fair value of cash and cash equivalents, and short-term investments as well as any gross unrealized holding gains and losses as of December 31, 2024 and 2023. Due to the nature of these assets and the short-term nature of the U.S. Treasury notes being held to maturity, both these cash and cash equivalents and short-term investments fall under the Level 1 fair value hierarchy as referenced in Note 2.

	As of December 31, 2024			
	Amortized cost	**Gross unrealized holding gains**	**Gross unrealized holding losses**	**Estimated fair value**
Cash and cash equivalents	$ 4,666	$ —	$ —	$ 4,666
U.S. Treasury notes	—	—	—	—
Total cash, cash equivalents and short-term investments	$ 4,666	$ —	$ —	$ 4,666

	As of December 31, 2023			
	Amortized cost	**Gross unrealized holding gains**	**Gross unrealized holding losses**	**Estimated fair value**
Cash and cash equivalents	$ 3,980	$ —	$ —	$ 3,980
U.S. Treasury notes (1)	5,000	—	—	5,000
Total cash, cash equivalents and short-term investments	$ 8,980	$ —	$ —	$ 8,980

(1) These U.S. Treasury notes were classified as "held-to-maturity" as they were purchased in August 2023 and will matured in January 2024. Any coupon payments or accretion of discounts from these short-term investments fall under "Interest and other income" in the Company's Statement of Operations.

The Company did not hold any securities that were in an unrealized gain/loss position for more than 12 months as of December 31, 2024 and 2023. The Company recognized $283 and $234 in realized gains on short-term investments that matured within the years ended December 31, 2024 and 2023, respectively.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net are comprised of the following as of December 31, 2024 and 2023:

	2024	**2023**
Computer equipment and software	$ 1,930	$ 1,886
Furniture and fixtures	139	139
Office equipment	631	618
	2,700	2,643
Less – Accumulated depreciation	(2,164)	(1,977)
	$ 536	$ 666

Depreciation expense for the years ended December 31, 2024 and 2023 amounted to $187 and $177, respectively. Depreciation expense is included in the Statements of Operations within the selling, general and administrative line item.

5. GOODWILL AND INTANGIBLE ASSETS

Identifiable intangible assets

The following tables set forth the components of intangible assets as of December 31, 2024 and 2023:

		As of December 31, 2024		
	Estimated Useful Life	**Adjusted Carrying Amount**	**Accumulated Amortization**	**Net**
Patents and copyrights	2-17 years	$ 375	$ (325)	$ 50
Developed technology	5 years	400	(387)	13
Software development	5 years	2,455	(144)	2,311
		$ 3,230	$ (856)	$ 2,374

		As of December 31, 2023		
	Estimated Useful Life	**Adjusted Carrying Amount**	**Accumulated Amortization**	**Net**
Patents and copyrights	2-17 years	$ 375	$ (300)	$ 75
Developed technology	5 years	400	(307)	93
Software development		407	—	407
		$ 1,182	$ (607)	$ 575

The following summarizes amortization of acquisition related intangible assets included in the Statements of Operations:

	Years Ended December 31,	
	2024	**2023**
Cost of revenues	$ 181	$ 95
Selling, general and administrative	10	10
Research and development	58	—
	$ 249	$ 105

The Company’s estimated future amortization expense for intangible assets as of December 31, 2024 was as follows:

2025	$ 532
2026	507
2027	497
2028	491
2029	347
	$ 2,374

These amounts are subject to change based upon the review of recoverability and useful lives that are performed at least annually.

Goodwill

Goodwill represents the excess of purchase price over the fair value of the assets acquired in businesses combinations. Under ASC 350, goodwill is not amortized, but rather is tested for impairment. The Company's goodwill balance was $8,102 as of December 31, 2024 and 2023. This goodwill resulted from the acquisitions of Mobilisa, Inc. and Positive Access Corporation.

For the years ended December 31, 2024 and 2023, the Company performed its annual impairment test of goodwill in the fourth quarter. Under authoritative guidance, the Company can use industry and Company specific qualitative factors to determine whether it is more likely than not that impairment exists before performing step one of the quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price.

According to ASC 350-20, the company conducted a qualitative assessment (Step 0) to evaluate goodwill for impairment. For the year ended December 31, 2023, the company bypassed the qualitative assessment and directly performed a quantitative assessment (Step 1), determining that the fair value of the company exceeded its carrying amount. In the qualitative assessment for the fiscal year ended December 31, 2024, the company found no significant events or circumstances indicating a decline in the value of goodwill. As a result, the fair value of goodwill remained above its carrying value as of December 31, 2024, and the company did not proceed with a quantitative assessment for that year.

6. DEBT

Revolving Line of Credit

The Company maintains a revolving credit facility with Citi Personal Wealth Management that allows for borrowings up to the lesser of (i) $2,000 or (ii) the collateralized balance in the Company's existing fixed income investment account with Citi Personal Wealth Management subject to certain limitations. The facility bears interest at a rate consistent with the Citi Personal Wealth Management's Base Rate (9.00% and 8.50% at December 31, 2024 and December 31, 2023, respectively) minus 2%. Interest is payable monthly and as of December 31, 2024 and 2023, there were no amounts outstanding under this facility and unused availability under this facility was $2,000. The Company is not subject to any financial covenants related to this revolving line of credit. This credit facility will remain open as long as the Company maintains depository relationship with the financial institution.

7. ACCRUED EXPENSES

Accrued expenses are comprised of the following as of December 31, 2024 and 2023:

	2024	2023
Professional fees	$ 84	$ 1
Payroll and related	764	1,159
Incentive bonuses	465	824
Sales tax accrual	270	1,064
Insurance financing	178	—
Other	(19)	197
	$ 1,742	$ 3,245

Insurance Financing Arrangement

In July 2024, the Company entered into a financing arrangement related to insurance premiums totaling $334 with an interest rate of 8.58%. The monthly loan payments of $30 are paid to financing company over a period of 11 months. As of December 31, 2024, the Company had $190 in remaining commitments related to this financing arrangement.

In February 2023, the Company entered into a financing arrangement related to insurance premiums totaling $49 with an interest rate of 9.47%. The monthly loan payments of $5 were paid to a financing company for a total of 11 months.

The Company was not subject to any financial covenants related to this insurance financing arrangement. The balance of this financing arrangement is included in the balance sheets within the Accrued expenses financial statement line item.

8. INCOME TAXES

The Company's deferred tax assets and liabilities are measured using the enacted tax rates that the Company believes will apply in the years in which temporary differences are expected to be recovered or paid. The Company is subject to federal and state income taxes as a Subchapter C corporation.

The Company's deferred tax assets are primarily the result of net operating losses (or NOLs). The Company has recorded a valuation allowance against its net deferred tax assets at December 31, 2024 as it is more likely than not that not all of the deferred tax assets will be realized. The valuation is based on management's assessment that it is more likely than not the NOL carryforwards may not be realized in the foreseeable future due to objective negative evidence that the Company would not generate sufficient taxable income to realize the deferred tax assets.

The provision for income taxes as of December 31, 2024 and 2023 consists of the following:

	2024	2023
Current:		
Federal	$ —	$ (12)
State	33	(50)
Total current tax (benefit) expense	33	(62)
Deferred:		
Federal	—	—
State	—	—
Total deferred tax (benefits) expense	—	—
Provision for (benefit from) for income taxes	$ 33	$ (62)

A reconciliation of the statutory U.S. Federal rate to the Company's effective tax rate as of December 31, 2024 and 2023 is as follows:

	2024	2023
Federal income tax benefit at statutory rate	21.00%	21.00%
State income taxes, net of federal benefit	(2.30)	0.25
Other permanent items	(3.01)	(0.30)
Stock-based compensation	(1.68)	(9.94)
Lobbying expense	(4.73)	(1.95)
Research and development tax credits	—	(9.66)
Cumulative deferred adjustments	0.05	(31.39)
Rate change	(1.99)	(2.22)
Change in valuation allowance	(11.75)	36.20
Other	0.65	1.07
Effective income tax rate	(3.77)%	3.06%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets for federal and state income taxes as of December 31, 2024 and 2023 are as follows:

	2024	2023
Deferred tax assets:		
Net operating loss carryforwards	$ 6,128	$ 5,625
Payroll related accruals	157	256
Stock-based compensation	91	88
Intangible assets	97	90
Sec. 174 capitalized costs	365	468
Sales tax accrual	61	245
Other	24	17
Depreciation	20	50
Research and development tax credits	708	708
Total deferred tax assets	7,651	7,547
Net deferred tax assets	7,651	7,547
Less: Valuation allowance	(7,651)	(7,547)
Deferred tax assets, net of allowance	$ —	$ —

The Company's available NOL at December 31, 2024 was approximately $28,500, of which $10,900 expires between 2035 and 2037. In accordance with the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), U.S. NOLs arising in a tax year ending after 2017 in the amount of $17,600 will not expire, but are subject to 80% limitation on utilization. In addition to the NOLs, the Company has approximately $700 of research and development credits.

The Company files numerous tax returns in various jurisdictions. The Company is not currently under examination by any taxing authority, nor has the Company signed any waiver of the statute of limitations with any taxing authority. The Company remains open to examination by major taxing jurisdictions from 2015 to date. ASC 740 requires evaluation of uncertain tax positions and as of December 31, 2024, the Company has no material uncertain tax positions. There were no tax interest or penalties recorded in the financial statements for the years ended December 31, 2024 and 2023.

The Company recorded an income tax expense of approximately $33 for the year ended December 31, 2024 related to state taxes. The effective tax rate for the years ended December 31, 2024 and 2023 is different from the tax benefit that would result from applying the statutory tax rates primarily due to the recognition of valuation allowances. In 2024, the valuation allowance increase by approximately $104, primarily related to temporary differences arising from Section 174 capitalized costs and payroll related accruals.

9. STOCKHOLDERS' EQUITY

Series A Convertible Preferred Stock

In January 1997, the Board of Directors authorized the creation of 30,000 class of Series A Convertible Preferred Stock with a par value of $0.01. The Series A Convertible Preferred Stock is convertible into an equal number of common shares at the holder's option, subject to adjustment for anti-dilution. The holders of Series A Convertible Preferred Stock are entitled to receive dividends as and if declared by the Board of Directors. In the event of liquidation or dissolution of the Company, the holders of Series A Convertible Preferred Stock are entitled to receive all accrued dividends, if applicable, plus the liquidation price of $1.00 per share. As of December 31, 2024, and 2023, there were no outstanding shares of Series A Convertible Preferred Stock.

Stock-based Compensation

To retain and attract qualified personnel necessary for the success of the Company, the Company adopted the 2015 Omnibus Incentive Plan (the "Plan") covering up to 5,236,000 of the Company's common shares, pursuant to which officers, directors, key employees and consultants to the Company are eligible to receive incentive stock options, nonqualified stock options and restricted stock units. All the equity compensation plans prior to the Company's 2015 Omnibus Incentive Plan have been closed. The Compensation Committee of the Board of Directors administers this Plan and determines the terms and conditions of stock options granted, including the exercise price. The Plan generally provides that all stock options will expire within ten years of the date of grant. Incentive stock options granted under this Plan must be granted at an exercise price that is not less than the fair market value per share at the date of the grant and the exercise price must not be less than 110% of the fair market value per share at the date of the grant for grants to persons owning more than 10% of the voting stock of the Company. The Plan also entitles non-employee directors to receive grants of non-qualified stock options as approved by the Board of Directors.

The Company uses the Black-Scholes option pricing model to value the options on the grant date. The table below presents the weighted average expected life of the stock options in years. The Company uses the simplified method for all stock options to estimate the expected life of the option and assumes that stock options will be exercised evenly over the period from vesting until the awards expire. Volatility is determined using changes in historical stock prices. The interest rate for periods within the expected life of the award is based on U.S. Treasury yield curve in effect on the grant date. Options, generally, vest from one year to four years. The compensation expense is recognized over the requisite service period on a straight-line basis, reduced by forfeitures as they occur.

Certain option awards are classified as liability awards. The fair values of these awards are determined at each reporting date utilizing a Black-Scholes option pricing model, and the associated compensation expense (credit) is recorded at each reporting period is recorded. The Company recorded $(4) and $(50) of credits to stock-based compensation expense in the years ended December 31, 2024 and 2023, respectively, as a result of the change in fair value of these awards.

The fair value of the Company's stock options granted in 2024 that are being classified as equity awards were estimated using the Black-Scholes option pricing model with the following assumptions and weighted average fair values:

	Year Ended December 31, 2024
Valuation assumptions:	
Grant price	$1.78 – $3.40
Exercise price	$1.78 – $3.40
Expected dividend yield	0%
Expected volatility	70.68% – 85.82%
Expected life (in years)	3.37 – 4.37
Risk-free interest rate	3.70% – 4.40%

Stock option activity during the periods indicated below was as follows:

	Number of Shares Subject to Issuance	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2022	1,120,244	$ 3.68	3.50 years	$ 84
Granted	627,507	2.91		
Forfeited	(595,037)	4.05		
Outstanding at December 31, 2023	1,152,714	$ 3.07	3.18 years	$ 38
Granted	650,978	2.00		
Forfeited	(472,713)	2.42		
Exercised	(179,875)	1.72		
Outstanding at December 31, 2024	1,151,104	$ 2.94	3.88 years	$ 536
Exercisable at December 31, 2024	434,877	$ 4.07	2.64 years	$ 115

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had they all exercised their options on December 31, 2024. This amount changes based upon the fair market value of the Company's stock.

The following is a summary of stock options as of December 31, 2024:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted-average Remaining Life	Weighted-average Exercise Price	Number of Options	Weighted-average Exercise Price
$1.81 to $2.52	726,877	4.82 years	$ 2.09	189,208	$ 2.03
$2.53 to $11.50	424,227	2.74 years	$ 4.39	245,669	$ 5.46
	1,151,104	3.98 years	$ 2.94	434,877	$ 3.97

The weighted-average fair value of the options granted during the year ended December 31, 2024 was $2.94. All stock options were issued with an exercise price that is equal or above the fair market value of the Company's common stock on the date of grant. The amount of unrecognized expense of the options for the year ended December 31, 2024 was $726.

Restricted Stock Units

The Company periodically issues Restricted Stock Units ("RSUs") which are equity-based instruments that may be settled in shares of common stock of the Company. The Company issues RSUs to certain directors as compensation which vest with the passage of time. The vesting of all RSUs is contingent on continued board and employment services.

The compensation expense incurred by the Company for RSUs is based on the closing market price of the Company's common stock on the date of grant, is amortized on a straight-line basis over the requisite service period and charged to operating expenses with a corresponding increase to additional paid-in capital, reduced by forfeitures when they occur.

The amount of unrecognized expense of the RSUs for the year ended December 31, 2024 was $0.

Restricted stock unit activity during the periods indicated below is as follows:

	Number of Shares		Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	214,892	$	8.43
Granted	249,412		2.34
Forfeited	(70,959)		10.04
Vested and Settled in shares	(332,845)		4.29
Outstanding at December 31, 2023	60,500	$	4.23
Granted	223,485		4.23
Forfeited	—		N/A
Vested and Settled in shares	(246,028)		2.80
Outstanding December 31, 2024	37,957	$	2.51

Performance Stock Units

On August 7, 2020, the Company issued 265,942 Performance Stock Units (PSUs) to its officers and certain employees as compensation ("PSU Plan"). 50% of the PSUs were to vest based on the Company's market price and 50% were to vest based on the Company's Adjusted EBITDA. Both the conditions were to occur over a specified time and were contingent on continued employment services.

On November 4, 2021, the Company amended its PSU Plan so that 100% of the PSUs will vest based on the Company's market price as the sole vesting criteria. As a result of this amendment, the Adjusted EBITDA performance metric is no longer a vesting criterion.

The fair value of these awards with a market condition was estimated, at the date of grant, using the Monte Carlo Simulation model with compensation expense being determined on the closing market price of the Company's common stock on the date of grant and is amortized ratably on a straight-line basis over the requisite service period. Following the amendment mentioned above which provided that the Company's market price is the sole vesting criteria for these awards, compensation expense is charged to operating expenses with a corresponding increase to additional paid-in capital and is not reversed if the vesting criteria is not met. All outstanding PSUs vested during the year ended December 31, 2023 and as of December 31, 2024 there were no outstanding PSUs.

	Number of Shares		Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	177,688	$	7.91
Forfeited	(88,844)		7.91
Vested and Settled in shares	(88,844)	$	7.91
Outstanding at December 31, 2023	—	$	—
Forfeited	—		—
Vested and Settled in shares	—		—
Outstanding at December 31, 2024	—	$	—

As of December 31, 2024, there was $726 of total unrecognized compensation costs, related to all unvested stock options and RSUs. These costs are expected to be recognized as compensation expense over a weighted average period of approximately 3.88 years.

Stock-based compensation expense for the years ended December 31, 2024 and 2023 is as follows:

	Years Ended December 31, 2024	Years Ended December 31, 2023
Stock options	$ 467	$ 666
Restricted stock units	409	930
Performance stock units	—	—
	$ 876	$ 1,596

Stock-based compensation is included in operating expenses as follows:

	Years Ended December 31, 2024	Years Ended December 31, 2023
Selling, general and administrative	$ 821	$ 1,358
Research and development	55	238
	$ 876	$ 1,596

As of December 31, 2024, the Company had 736,175 shares available for future grants under the Company's equity compensation plans.

10. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases an office in Melville, New York. Rent expense, which includes utilities, was $30 and $68 for the years ended December 31, 2024 and 2023, respectively, and is included in Selling, general and administrative expenses on the Statement of Operations.

The Company determines if an arrangement is a lease at lease inception. The arrangement is a lease if it conveys the right to the Company to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Company did not have an operating lease right of use ("ROU") or operating lease liability as of December 31, 2024, as its office lease is on a month-to-month term and allows for either party to terminate the lease without a significant penalty.

Legal Proceedings

The Company is not aware of any infringement by its products or technology on the proprietary rights of others.

From time to time, the Company may be involved in lawsuits, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. In accordance with GAAP, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, ruling, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling was to occur in any specific period or if a loss becomes probable and estimable, there exists the possibility of a material adverse impact on the Company's results of operations, financial position or cash flows. As of December 31, 2024 and 2023, no material amounts are recorded related to legal proceedings on the balance sheets.

The Company received a class action complaint on March 24, 2024 alleging that the Company collected biometric information from users in Illinois in violation of the Illinois Biometric Information Privacy Act, 740 ILCS 14/1 et seq. ("BIPA"). The Company is not able to fully assess the probability and outcome of the matter due to the need to conduct further investigation. However, it does not currently believe that a material loss is probable nor estimable. As such, the Company has not recognized a liability and intends to fully defend the matter.

Cash Incentive Plans

In May 2020, the Board implemented a 2020 separate Executive Incentive Bonus Plan (the "2020 Bonus Plan") with the Company's executive management team. Each agreement, under the 2020 Bonus Plan, is based on certain goals achieved by the Company plus individual achievements by each executive.

In June 2020, the Company's executive management team created a 2020 Employee Incentive Plan for all the Company's non-executives and non-sales personnel. The incentive payment is based on the Company attaining certain revenue goals for the calendar year 2024 and is based as a percentage of the employee's salary.

At December 31, 2024 and 2023, this bonus liability for the executive and employee bonus plans amounted to $464 and $824 and is included in Accrued Expenses on the Balance Sheets.

11. RETIREMENT PLAN

The Company has a retirement savings 401(k) plan. The plan permits eligible employees to make voluntary contributions to a trust, up to a maximum of 35% of compensation, subject to certain limitations. The Company has elected to contribute a matching contribution equal to 50% of the first 6% of an eligible employee's deferral election. The Company may also make discretionary contributions, subject to certain conditions, as defined in the plan. The Company's matching contributions were $0 and $108 for 2024 and 2023, respectively.