

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended September 30, 2024**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 001-41822**

**SYRA HEALTH CORP.**

**(Exact Name of Registrant as Specified in its Charter)**

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**85-4027995**  
(I.R.S. Employer  
Identification No.)

**1119 Keystone Way N. #201, Carmel, Indiana**  
(Address of principal executive offices)

**46032**  
(Zip Code)

**(463) 345-8950**  
(Registrant's telephone number, including area code)

**Not applicable**  
(Former name, former address and former fiscal year, if changed since last report)

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Class A Common Stock, \$0.001 par value	SYRA	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the

preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes   
No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The number of shares of registrant’s Class A common stock outstanding as of October 28, 2024 was 8,973,774.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by such forward-looking terminology as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including the risks and uncertainties inherent in our statements regarding:

- our projected financial position and estimated cash burn rate;
- our estimates regarding expenses, future revenues and capital requirements;
- our ability to continue as a going concern;
- our need to raise substantial additional capital to fund our operations;
- our ability to compete in the healthcare industry;
- the timing, cost and success or failure of new product and service introductions, development and product upgrade releases;
- competitive pressures including offerings and pricing;
- our ability to establish and maintain strategic relationships;
- undetected errors or similar problems in our software products;
- compliance with existing laws, regulations and industry initiatives and future changes in laws or regulations in the healthcare industry;
- the possibility of services-related liabilities;
- our ability to obtain, maintain and protect our intellectual property rights and the potential for us to incur substantial costs from lawsuits to enforce or protect our intellectual property rights;
- our reliance on third-party content providers;
- the success of competing products or services that are or become available;
- our ability to expand our organization to accommodate potential growth and our ability to retain and attract key personnel; and
- the successful development of our sales and marketing capabilities.

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report on Form 10-Q or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC") could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking

statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q may include market data and certain industry data and forecasts, which we may obtain from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications, articles and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. While we believe that such studies and publications are reliable, we have not independently verified market and industry data from third-party sources.

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## ITEM 1. FINANCIAL STATEMENTS

### SYRA HEALTH CORP. CONDENSED BALANCE SHEETS

	September 30, 2024 (Unaudited)	December 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,697,459	\$ 3,280,075
Accounts receivable, net	884,445	1,060,634
Accounts receivable related party	-	50,614
Accounts receivable	-	50,614
Other current assets	482,990	389,787
Total current assets	4,064,894	4,781,110
Property and equipment, net	34,625	78,974
Right-of-use asset	325,491	63,199
Total assets	\$ 4,425,010	\$ 4,923,283
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 212,931	\$ 462,991
Accrued expenses	309,606	198,978
Deferred revenue	6,108	-
Current portion of operating lease liability, related party	108,939	63,199
Notes payable	240,221	184,904
Total current liabilities	877,805	910,072
Non-current portion of operating lease liability, related party	216,552	-
Total liabilities	1,094,357	910,072

## Commitments and contingencies

### Stockholders' equity (deficit):

Preferred stock, \$0.001 par value, 10,000,000 shares authorized, no shares designated, issued and outstanding	-	-
Class A common stock, \$0.001 par value, 100,000,000 shares authorized, 8,973,774 and 5,588,298 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	8,974	5,588
Convertible class B common stock, \$0.001 par value, 5,000,000 shares authorized, 833,334 shares issued and outstanding	833	833
Common stock, value	833	833
Additional paid-in capital	11,640,642	9,071,745
Accumulated deficit	(8,319,796)	(5,064,955)
Total stockholders' equity (deficit)	3,330,653	4,013,211
Total liabilities and stockholders' equity (deficit)	\$ 4,425,010	\$ 4,923,283

See accompanying notes to condensed unaudited financial statements.

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## SYRA HEALTH CORP. CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

	<b>2024</b> <b>For the Three Months</b> <b>Ended</b>		<b>2023</b> <b>For the Nine Months</b> <b>Ended</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net revenues	\$ 2,253,336	\$ 1,581,344	\$ 5,975,357	\$ 3,748,943
Cost of services	1,585,038	1,026,803	4,777,765	2,919,087
Gross profit	668,298	554,541	1,197,592	829,856
Operating expenses:				
Salaries and benefits	594,738	592,241	2,178,105	1,612,605
Professional services	153,803	58,875	489,839	424,379
Research and development expenses	34,821	-	590,263	-
Selling, general and administrative expenses	288,305	234,084	1,147,142	657,904
Depreciation	25,541	12,357	55,460	36,413
Total operating expenses	1,097,208	897,557	4,460,809	2,731,301
Operating loss	(428,910)	(343,016)	(3,263,217)	(1,901,445)
Other income (expense):				
Interest income	13,641	2,820	18,448	2,826
Interest expense	(2,266)	(14,180)	(10,072)	(44,449)
Total other income (expense)	11,375	(11,360)	8,376	(41,623)
Net loss	\$ (417,535)	\$ (354,376)	\$ (3,254,841)	\$ (1,943,068)

Weighted average common shares outstanding - basic and diluted	7,264,768	4,360,426	6,789,209	4,380,267
Net loss per common share - basic and diluted	\$ (0.06)	\$ (0.08)	\$ (0.48)	\$ (0.44)

See accompanying notes to condensed unaudited financial statements.

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**SYRA HEALTH CORP.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
(Unaudited)

**For the Nine Months Ended September 30, 2024 and 2023**

	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
			Class A		Convertible Class B		Additional	Accumul	Total Stockholders'
	Preferred Stock		Common Stock		Common Stock		Paid-in	ated	Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Balance, December 31, 2023	-	\$ -	5,588,298	\$ 5,588	833,334	\$ 833	\$ 9,071,745	\$ (5,064,955)	\$ 4,013,211
Class A common stock issued for services	-	-	50,000	50	-	-	18,825	-	18,875
Warrants exercised for cash	-	-	130,789	131	-	-	849,998	-	850,129
Class A common stock options issued for services	-	-	-	-	-	-	14,140	-	14,140
Net loss	-	-	-	-	-	-	-	(1,447,050)	(1,447,050)
Balance, March 31, 2024	-	-	5,769,087	5,769	833,334	833	9,954,708	\$ (6,512,005)	3,449,305
Class A common stock issued for services	-	-	-	-	-	-	18,875	-	18,875
Class A common stock options issued for services	-	-	-	-	-	-	14,346	-	14,346
Net loss	-	-	-	-	-	-	-	(1,390,256)	(1,390,256)
Balance, June 30, 2024	-	-	5,769,087	5,769	833,334	833	\$ 9,987,929	(7,902,261)	2,092,270
Class A common stock and Warrants issued for cash	-	-	3,203,125	3,203	-	-	1,615,818	-	1,619,021
Class A common stock issued for services	-	-	1,562	2	-	-	22,872	-	22,874
Class A common stock options issued for services	-	-	-	-	-	-	14,023	-	14,023
Net loss	-	-	-	-	-	-	-	(417,535)	(417,535)
Balance, September 30, 2024	-	\$ -	8,973,774	\$ 8,974	833,334	\$ 833	\$ 11,640,642	\$ (8,319,796)	\$ 3,330,653

	Class A	Convertible Class B	Additional	Total Stockholders'
Preferred Stock	Common Stock	Common Stock	Paid-in	Equity

	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	(Deficit)
Balance, December 31, 2022	-	\$ -	3,568,769	\$ 3,569	833,334	\$ 833	\$ 2,832,308	\$ (2,126,612)	\$ 710,098
Class A common stock options issued for services							1,367		1,367
Net loss								(785,892)	(785,892)
Balance, March 31, 2023	-	-	3,568,769	3,569	833,334	833	2,833,675	(2,912,504)	(74,427)
Cancellation of Class A common stock	-	-	(41,667)	(42)	-	-	42	-	-
Class A common stock options issued for services	-	-	-	-	-	-	1,223	-	1,223
Net loss	-	-	-	-	-	-	-	(802,800)	(802,800)
Balance, June 30, 2023	-	-	3,527,102	3,527	833,334	833	2,834,940	(3,715,304)	(876,004)
Balance	-	-	3,527,102	3,527	833,334	833	2,834,940	(3,715,304)	(876,004)
Class A common stock options issued for services	-	-	-	-	-	-	1,079		1,079
Net loss	-	-	-	-	-	-	-	(354,376)	(354,376)
Balance, September 30, 2023	-	\$ -	3,527,102	\$ 3,527	833,334	\$ 833	\$ 2,836,019	\$ (4,069,680)	\$ (1,229,301)
Balance	-	\$ -	3,527,102	\$ 3,527	833,334	\$ 833	\$ 2,836,019	\$ (4,069,680)	\$ (1,229,301)

See accompanying notes to condensed unaudited financial statements.

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**SYRA HEALTH CORP.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	2024	2023
	For the Nine Months Ended	
	September 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (3,254,841)	\$ (1,943,068)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	55,460	36,413
Bad debt expense	-	9,922
Common stock issued for services	74,647	-
Non-cash lease expense	63,199	90,162
Stock-based compensation, stock options	28,486	3,669
Changes in operating assets and liabilities:		
Accounts receivable	176,189	136,324
Accounts receivable, related party	50,614	-
Other current assets	285,456	58,979
Accounts payable	(250,060)	500,391
Accounts payable, related parties	-	18,221
Deferred revenue	6,108	141,644

Accrued expenses	110,628	35,479
Operating lease liability	(63,199)	(90,162)
Net cash used in operating activities	(2,717,313)	(1,002,026)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11,111)	(15,251)
Net cash used in investing activities	(11,111)	(15,251)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from sale of common stock and exercise of warrants	2,469,150	-
Payment of deferred offering costs	-	(589,059)
Proceeds received from line of credit	-	300,000
Repayments on line of credit	-	(750,397)
Proceeds received from advances, related party	-	1,295,010
Repayments on advances, related party	-	(678,611)
Repayments on notes payable	(323,342)	-
Proceeds received from convertible notes payable	-	1,455,000
Net cash provided by financing activities	2,145,808	1,031,943
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(582,616)</b>	<b>14,666</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,280,075	3,344
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,697,459	\$ 18,010
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	\$ 10,072	\$ 28,533
Income taxes paid	\$ -	\$ -
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Initial recognition of right-of-use asset and lease liability	\$ 325,491	\$ -
Prepaid asset financed with note payable	\$ 378,659	\$ -

See accompanying notes to condensed unaudited financial statements.

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**SYRA HEALTH CORP.**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 1 - Nature of Business and Significant Accounting Policies**

Nature of Business

Syra Health Corp. (“Syra” or the “Company”) was incorporated in the state of Indiana on November 20, 2020 to provide workforce staffing solutions, health education and healthcare research consulting services to mental health hospitals and organizations, including government agencies, integrated health networks, managed care entities and pharmaceutical manufacturers. On March 11, 2022, the Company redomiciled to Delaware. The Company’s corporate office is located in Carmel, Indiana.

Basis of Presentation



The accompanying interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the Securities and Exchange Commission (“SEC”) on March 25, 2024. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been omitted from this report on Form 10-Q pursuant to the rules and regulations of the SEC.

Results for the interim periods in this report are not necessarily indicative of future financial results and have not been audited by our independent registered public accounting firm. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly our interim financial statements as of September 30, 2024, and for the three and nine months ended September 30, 2024 and 2023. These adjustments are of a normal recurring nature and consistent with the adjustments recorded to prepare the annual audited financial statements as of December 31, 2023.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Concentrations of Credit Risk

The Company maintains cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 under current regulations. The Company did not have any cash in excess of FDIC insured limits at September 30, 2024. The Company has not experienced any losses in such accounts.

#### Fair Value of Financial Instruments

Accounting Standards Codification (“ASC”) 820 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to valuation methodology are unobservable and significant to the fair measurement.

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The carrying value of the Company’s financial assets and liabilities, such as cash, accounts receivable and accounts payable are estimated by management to approximate fair value primarily due to the short-term nature of the instruments. The Company’s advances from related party approximates the fair value of such instruments based upon management’s best estimate of interest rates that would be available to the Company for similar financial arrangements at September 30, 2024 and December 31, 2023.

#### Cash and Cash Equivalents

Cash equivalents include money market accounts which have maturities of three months or less when acquired. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash equivalents are stated at cost

plus accrued interest, which approximates market value. There were no cash equivalents on hand at September 30, 2024 and December 31, 2023.

#### Accounts Receivable

Accounts receivable is carried at their estimated collectible amounts. Accounts receivable is periodically evaluated for collectability based on past credit history with customers and their current financial condition. The Company had an allowance of \$5,520 at September 30, 2024 and December 31, 2023.

#### Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. The cost of office equipment is depreciated using the straight-line method based on a five-year life expectancy.

Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized and depreciated over the remaining estimated useful life of the asset. When assets are retired or sold, the cost and related accumulated depreciation are eliminated, and any resulting gain or loss is reflected in operations.

#### Impairment of Long-Lived Assets

In accordance with the provisions of ASC Topic 360, *"Impairment or Disposal of Long-Lived Assets"*, all long-lived assets such as property and equipment held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of an asset to its estimated future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

#### Leases

The Company accounts for its leases under ASC 842 - *Leases*. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current portion of obligations under operating leases, and obligations under operating leases, non-current on the Company's balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date, adjusted by the deferred rent liabilities at the adoption date. As the Company's lease does not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. The Company's terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term.

#### Segment Reporting

ASC Topic 280, *"Segment Reporting,"* requires annual and interim reporting for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenues and expenses, and about which separate financial information is regularly evaluated by the chief operating decision maker in deciding how to allocate resources. The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

## Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, the core principle of which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. To achieve this core principle, five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

The Company accounts for revenues when both parties to the contract have approved the contract, the rights and obligations of the parties are identified, payment terms are identified, and collectability of consideration is probable. Payment terms vary by client and the services offered.

The Company has the following main forms of revenue:

- Healthcare Workforce;
- Population Health
- Digital Health
- Behavioral and Mental Health Services
- Health Education

The Company primarily provides its services to state health and social service agencies and universities. Healthcare Workforce, Health Education and Behavioral Mental Health Service contracts are primarily accounted for as a single performance obligation satisfied over time because the customer simultaneously receives and consumes the benefits of our medical staffing on an hourly or daily basis. Population Health and Digital Health contracts generally consist of multiple performance obligations that are distinct, such as to provide data analytics and reporting, training, or develop technology for implementation and maintenance with the customer. The Company allocates the transaction price across the performance obligations based on the estimated fair value of the distinct performance obligations. Depending on the performance obligation, revenue is recognized at a point in time when the customer obtains the benefit of the services are provide, or over time in the case of digital health revenue where the customer simultaneously receives and consumes benefits of the contract, such as ongoing performance of our technology product.

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The contracts generally stipulate bi-weekly or monthly billing, and the Company has elected the “as invoiced” practical expedient to recognize revenue based on the hours incurred at the contractual rate as the Company has the right to payment in an amount that corresponds directly with the value of performance completed to date. The Company may also be subject to penalties for violations of certain ethical standards and non-performance measures within these state contracts. The Company recognizes revenue net of penalties.

### *Disaggregated revenue data*

The Company’s revenue consists of the following revenue services within its industry:

	<b>Nine Months Ended</b>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>
<b>Net revenues:</b>		
Healthcare workforce	\$ 4,411,683	\$ 2,989,962
Population health	1,241,579	606,789
Digital health	276,750	131,356
Behavioral and mental services	15,345	9,055

Health education		30,000		11,781
Net revenues	\$	5,975,357	\$	3,748,943

### Cost of Services

The cost of services includes wages and related payroll taxes, employee benefits and certain other employee-related costs of the Company's contract service employees, while the employees work on contract assignments.

### Significant Concentrations

The majority of accounts receivable and revenue contracts are between the Company and different divisions within the Indiana Family and Social Services Administration ("FSSA"). Most contracts require monthly payments as the projects progress. The Company generally does not require collateral or advance payments. For the nine months ended September 30, 2024 and 2023, FSSA accounted for approximately 61% and 76% of revenues, respectively, which was derived through a combination of divisions within the State of Indiana, including the FSSA-NeuroDiagnostic Institute, representing \$3,398,761 and \$2,832,638 of the Company's Healthcare Workforce revenue for nine months ended September 30, 2024 and 2023, respectively, and the FSSA-Division of Mental Health and Addiction, representing \$248,000 and \$240,000 of the Company's Population Health revenues for each of the nine months ended September 30, 2024 and 2023, respectively. In addition, the combined divisions of the FSSA (NeuroDiagnostic Institute and Division of Mental Health and Addiction), owed 58% and one other customer represented 17%, of the Company's accounts receivable respectively, at September 30, 2024, and FSSA represented 30% of outstanding accounts receivable as of December 31, 2023.

### Stock-Based Compensation

The Company accounts for equity instruments issued to employees and non-employees in accordance with the provisions of ASC 718 Stock Compensation ("ASC 718"). All transactions in which the consideration provided in exchange for the purchase of goods or services consists of the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

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### Basic and Diluted Loss Per Share

Basic earnings per share ("EPS") are computed by dividing net income (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Weighted average shares for basic EPS are calculated based on weighted average Class A and Class B shares outstanding. Diluted EPS is computed by dividing net income by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include stock options, warrants, conversion of Class B shares and restricted stock. The number of potential common shares outstanding relating to stock options, warrants, conversion of Class B shares and restricted stock is computed using the treasury stock method. For the periods presented, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

### Income Taxes

The Company accounts for income taxes under the Financial Accounting Standards Board ("FASB") ASC 740 Income Taxes ("ASC 740"), which requires use of the liability method. FASB ASC 740-10-25 provides that deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable

income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for significant deferred tax assets when it is more likely than not, that such asset will not be recovered through future operations.

#### Uncertain Tax Positions

In accordance with ASC 740, the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be capable of withstanding examination by the taxing authorities based on the technical merits of the position. These standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Various taxing authorities may periodically audit the Company's income tax returns. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income to various tax jurisdictions. In evaluating the exposures connected with various tax filing positions, including state and local taxes, the Company records allowances for probable exposures. A number of years may elapse before a particular matter, for which an allowance has been established, is audited and fully resolved. The Company has not yet undergone an examination by any taxing authorities. The Company recognizes interest and penalties related to uncertain tax positions, if any, as an income tax expense.

The assessment of the Company's tax position relies on the judgment of management to estimate the exposures associated with the Company's various filing positions.

#### Recent Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB that are adopted by the Company as of the specified effective date.

Management does not believe that any recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's financial statements.

#### **Note 2 - Going Concern**

As shown in the accompanying financial statements, as of September 30, 2024, the Company had a cash balance of \$2,697,459, working capital of \$3,187,089 and an accumulated deficit of \$8,319,796 since inception. The Company is too early in its development stage to project revenue with a necessary level of certainty. Therefore, the Company may not have sufficient funds to sustain its operations for the next twelve months from the issuance date of these financial statements and may need to raise additional cash to fund its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has commenced sales and continues to develop its operations. In the event sales do not materialize at the expected rates, management would seek additional financing or would attempt to conserve cash by further reducing expenses. There can be no assurance that the Company will be successful in achieving these objectives.

The Company continues to pursue sources of additional capital through debt and financing transactions or arrangements, including equity financing or other means. The Company may not be successful in identifying suitable funding transactions in a sufficient time period or at all and may not obtain the required capital by other means. If the Company does not succeed in raising additional capital, resources may not be sufficient to fund its business. The Company's ability to scale production and distribution capabilities and further increase the value of its brands, is largely dependent on its success in raising additional capital. From January through April of 2023, the Company raised a total of \$1,455,000 of capital from the sale of convertible notes. On October 3, 2023, the Company completed its IPO and received net proceeds of approximately \$5,332,283. In

October 2023, the convertible notes were converted into Class A common stock in accordance with the terms of the convertible promissory notes as a result of the IPO. On September 11, 2024, the Company completed a public offering and received net proceeds of \$1,619,021.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. These financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

### **Note 3 - Related Party Transactions**

The Company pays for payroll and related costs for its employees that provide services to Sahasra Technologies Corp., doing business as STLogics to service contracts of STLogics, which is an entity beneficially owned by the principal owners and management team of Syra. During the nine months ended September 30, 2024, the Company paid \$101,411 of payroll and related costs for these employees, and had a receivable from STLogics of \$51,411 and \$50,614 for additional costs incurred as of September 30, 2024 and December 31, 2023, respectively.

#### Office Lease

The Company leases its current corporate headquarters under a three-year lease from STVentures, LLC ("STVentures"), an entity beneficially owned by the principal owners and the management team of Syra and their affiliates. The lease commenced on July 1, 2021 and as amended on May 1, 2022, provides for a base monthly rent of \$10,711 over the three-year term of the lease. A total of \$109,098 was included in selling, general and administrative expenses for the nine months ended September 30, 2024 and 2023, respectively. The lease was further amended on June 26, 2024, and provides for a base monthly rent of \$11,209 over the additional three-year term of the lease.

#### Information Technology ("IT") Services

The Company incurred a total of \$16,233 and \$3,320 of services from RAD CUBE LLC, which is an entity beneficially owned by the principal owners and the management team of Syra and their affiliates, for outsourced IT services which have been presented within selling, general and administrative expenses in the statements of operations during the nine months ended September 30, 2024 and 2023, respectively.

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#### Recruitment and Human Resource Services

The Company paid a total of \$421,013 and \$140,677 for recruitment and human resource services from NLogix, which is an entity beneficially owned by the principal owners and the management team of Syra and their affiliates, which have been presented within cost of sales in the statements of operations during the nine months ended September 30, 2024 and 2023, respectively.

### **Note 4 - Basic and Diluted Earnings per Share**

During the three and nine months ended September 30, 2024, the Company used the two-class method to compute net loss per common share because it had issued securities, other than a single class of common stock, that contractually entitled the holders to participate in dividends and earnings. These participating securities included the Company's Class A common stock, which was authorized pursuant to the Company's amendment to its Certificate of Incorporation on May 2, 2022, and convertible Class B common stock which are entitled to share equally, on a per share basis, in all assets of the Company of whatever kind available for distribution to the holders of common stock. The two-class method requires earnings for the period to be allocated between common stock and participating securities based upon their respective rights to receive

distributed and undistributed earnings.

Under the two-class method, for periods with net income, basic net income per common share is computed by dividing the net income attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Net income attributable to common stockholders is computed by subtracting from net income the portion of current period earnings that the participating securities would have been entitled to receive pursuant to their dividend rights had all of the period's earnings been distributed. No such adjustment to earnings is made during periods with a net loss, as the holders of the participating securities have no obligation to fund losses.

The Company reports the more dilutive of the approaches (two-class or "if-converted") as its diluted net income per share during the period. For the periods presented, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

Common shares consisting of shares potentially dilutive that are excluded from the calculated of diluted earnings per share because they are anti-dilutive as of September 30, 2024 and 2023 are as follows:

	September 30, 2024	September 30, 2023
Warrants	8,195,967	-
Stock options	150,250	28,000
Total	8,346,217	28,000

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#### Note 5 - Other Current Assets

Other current assets included the following as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Federal and state income tax receivable <sup>(1)</sup>	\$ 73,069	\$ 73,069
Prepaid expenses	409,921	316,718
Total other current assets	\$ 482,990	\$ 389,787

<sup>(1)</sup> Includes \$50,000 for a federal refundable payroll tax credit, called the Employee Retention Tax Credit ("ERTC") Tax Credit, which provides a credit to businesses who kept employees, or were negatively impacted, during the COVID-19 pandemic.

#### Note 6 - Property and Equipment

Property and equipment at September 30, 2024 and December 31, 2023, consisted of the following:

	September 30, 2024	December 31, 2023
Office equipment	\$ 153,912	\$ 142,800
Less: Accumulated depreciation	(119,287)	(63,826)
Total property and equipment, net	\$ 34,625	\$ 78,974

Depreciation of property and equipment was \$55,460 and \$36,413 for the nine months ended September 30, 2024 and 2023, respectively.

#### Note 7 - Accrued Expenses

Accrued expenses at September 30, 2024 and December 31, 2023, consisted of the following:

	September 30, 2024	December 31, 2023
Accrued payroll and taxes	\$ 264,339	\$ 148,924
Accrued expenses	45,267	50,054
Total accrued expenses	\$ 309,606	\$ 198,978

The Company provides postretirement benefits pursuant to IRS code section 401(k) for employees meeting specified criteria. The Company matches 100% of the employees' contributions that are not in excess of 4% of the employee's contributions. These matching contributions are fully vested and paid pursuant to the employees' bi-weekly or semi-monthly pay periods. The Company does not prefund these benefits and has the right to modify or terminate certain of these benefits in the future. For the nine months ended September 30, 2024 and 2023, the Company incurred \$79,493 and \$66,590, respectively, of IRA contribution expenses pursuant to the Company's matching contributions, including \$0, as accrued at September 30, 2024.

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### Note 8 - Lease

The Company leases its current corporate headquarters under a three-year lease from STVentures, a related party. The lease, as amended on May 1, 2022, to expand its office space from 2,976 square feet to approximately 5,978 square feet, commenced on July 1, 2021, and provides for a base monthly rent of \$10,711, as increased from \$5,332 per month, over the three-year term of the lease. The lease was further amended on June 26, 2024 and provides for a base monthly rent of \$11,209 per month, over a three-year term of the lease commencing on July 1, 2024. The Company is occupying the space for executive and administrative offices. Rent expense for the nine months ended September 30, 2024 and 2023 was \$97,890 and \$96,395, respectively, which is included in selling, general and administrative expenses within the statements of operations.

The components of lease expense were as follows:

	2024 For the Nine Months Ended September 30, 2024	2023 For the Nine Months Ended September 30, 2023
Operating lease cost:		
Amortization of ROU asset	\$ 96,825	\$ 90,162
Interest on lease liability	1,065	6,233
Total operating lease cost	\$ 97,890	\$ 96,395

Supplemental balance sheet information related to leases was as follows:

	September 30, 2024	December 31, 2023
Operating lease:		
Operating lease assets	\$ 325,491	\$ 63,199
Current portion of operating lease liability, related party	\$ 108,939	63,199
Noncurrent operating lease liability, related party	216,552	-
Total operating lease liability	\$ 325,491	\$ 63,199
Weighted average remaining lease term:		
Operating leases	2.75 years	0.5 years



Weighted average discount rate:		
Operating lease	9.25%	5.75%

The following payments are required under leases as of September 30, 2024:

	Operating Lease	Remaining Term in Years
2025	134,505	
2026	134,505	
2027	100,879	
Total lease payments	369,889	
Less: imputed interest	(44,398)	
Present value of lease liability	325,491	2.75

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### Note 9 - Notes Payable

In 2023, the Company entered into three insurance policy financing arrangements to purchase various insurance policies. The total principal of these arrangements was \$370,596 with interest rates ranging from 10.38% through 14.05% and monthly payments totaling \$32,328 are due through July 2024. The Company made principal repayments of \$184,904 and incurred interest expense of \$6,265 during the nine months ended September 30, 2024. As of September 30, 2024 and December 31, 2023, the remaining balance was \$0 and \$184,904, respectively.

In 2024, the Company entered into two insurance policy financing arrangements to purchase various insurance policies. The total principal of these arrangements was \$378,659 with interest rates of 10.350% and 10.50% and monthly payments of \$11,783 and \$19,171 due through July 2025. The Company made principal repayments of \$138,439 and incurred interest expense of \$3,908 during the nine months ended September 30, 2024. As of September 30, 2024, the remaining balance was \$240,221.

### Note 10 - Commitments and Contingencies

#### Legal Contingencies

From time to time, we may be involved in various disputes and litigation matters that arise in the ordinary course of business. The Company is currently not a party to any material legal proceedings.

In January 2024, a former employee filed a wrongful termination lawsuit against the Company in the U.S. District Court, Southern District of Indiana. The Company plans to vigorously defend itself against the claims, which it believes are without merit.

### Note 11 - Changes in Stockholders' Equity (Deficit)

#### Class A Common Stock

The Company has 100,000,000 authorized shares of \$0.001 par value Class A common stock, and 8,973,774 shares were issued and outstanding as of September 30, 2024.

During the nine months ended September 30, 2024, two investors exercised 130,789 warrants to purchase Class A Common stock pursuant to which the Company received cash proceeds of \$850,129.

On September 11, 2024, the Company completed a public offering of an aggregate of (i) 3,203,125 shares of Class A common stock of the Company, par value \$0.001 per share (the “Common Stock”), (ii) eighteen-month warrants (the “Series A Warrants”) to purchase up to an aggregate of 3,203,125 shares of Common Stock at an exercise price of \$0.64 per share, and (iii) five-year warrants (the “Series B Warrants” and, together with the Series A Warrants, the “Warrants”) to purchase up to an aggregate of 3,203,125 shares of Common Stock at an exercise price of \$0.64 per share, at an offering price of \$0.64 per share of Common Stock and related Warrants, for aggregate gross proceeds of \$2,050,000.00. The Company issued to Rodman or its designees warrants to purchase up to an aggregate of 160,156 shares of Common Stock, at an exercise price of \$0.80 per share and an expiration date of September 11, 2029. The Company received net cash proceeds of \$1,619,021 after offering expenses. The Series A Warrants expire 18 months from the date of the offering, and the Series B Warrants expire on September 11, 2029.

The estimated fair value of the warrants issued in connection with the public offering was estimated using a Black-Scholes option pricing model and the following assumptions: 1) dividend yield of 0%; 2) risk-free rate of 3.45% to 3.62%; 3) volatility of 127% to 138%; 4) a common stock price of \$0.80, and 5) an expected term of 1.5 to 5 years. The fair value of the Class A Warrants was \$1,677,768, the estimated fair value of the Class B Warrants was \$2,235,055 and the estimated fair value of the underwriter warrants was \$109,728. The fair value of the warrants was recognized as a cost of capital related to the public offering.

During the nine months ended September 30, 2024, the Company issued 50,000 shares pursuant to a restricted stock award from November 2023. These shares vest quarterly over a one-year period. The Company recognized expense of \$56,625 for these awards and expects to recognize an additional \$10,753 through the end of the vesting period.

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During the nine months ended September 30, 2024, the Company issued 1,562 shares for services to a consultant with a fair value of \$2,000, recognized as stock-based compensation.

On August 13, 2024, 2023, the Company received written notification (the “Notice”) from the Listing Qualifications Department of the Nasdaq Stock Market LLC (“Nasdaq”) indicating that, for the last thirty consecutive business days, the market value of its Class A common stock, had closed below the minimum \$35 million requirement for continued listing on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(b)(2) (the “Minimum Market Value Requirement”).

On October 18, 2024, the Company received a Notice from Nasdaq indicating that the bid price for its Class A common stock, for the last 30 consecutive business days for the last thirty consecutive business days, had closed below the minimum \$1.00 per share and, as a result, the Company was not in compliance with the \$1.00 minimum bid price requirement (the “Minimum Bid Price Requirement”) for the continued listing on the Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2).

If the Company fails to comply with Nasdaq’s continued listing standards, the Company may be delisted and its Class A common stock will trade, if at all, only on the over-the-counter market, such as the OTC Bulletin Board or OTCQX market, and then only if one or more registered broker-dealer market makers comply with quotation requirements. In addition, delisting of the Company’s Class A common stock could depress our stock price, substantially limit liquidity of our Class A common stock and materially adversely affect our ability to raise capital on terms acceptable to us, or at all. Finally, delisting of the Class A common stock could result in the Class A common stock becoming a “penny stock” under the Exchange Act.

## Convertible Class B Common Stock

The Company has 5,000,000 authorized shares of \$0.001 par value convertible Class B common stock, and had 833,334 shares issued and outstanding as of September 30, 2024, as retrospectively applied, pursuant to the Company's subsequent recapitalization in 2022 and effective as of May 3, 2022, whereby the founders exchanged their 83,334 Founders Shares for 833,334 shares of convertible Class B common stock.

## **Note 12 - Common Stock Options**

### Omnibus Equity Incentive Plan

On April 11, 2022, the Company's board of directors adopted, and the Company's stockholders approved, the Syra Health Corp. 2022 Omnibus Equity Incentive Plan, as amended on April 19, 2023 (as amended, the "2022 Plan"). No more than 1,041,667 shares of the Company's Class A common stock shall be issued pursuant to the exercise of incentive stock options under the 2022 Plan.

### Class A Common Stock Option Awards

During the nine months ended September 30, 2024, the Company granted options to purchase an aggregate 42,000 shares of the Company's Class A common stock at an exercise price ranging from \$1.28 to \$1.88 per share for terms of 10 years and 5 years under the 2022 Plan. These options will vest 25% on each anniversary, and 25% quarterly, until fully vested. The options had no intrinsic value. The aggregate estimated value using the Black-Scholes Pricing Model, based on an expected terms of 6.25 and 3.54 years, a weighted average volatility rate ranging from 109% to 126%, a weighted average risk-free interest rate ranging from 3.82% to 4.63%, and a weighted average call option value ranging from \$0.917 to \$1.450, was \$55,116. During the nine months ended September 30, 2024 and 2023, the Company recognized expense of \$45,547 and \$3,669 related to common stock options. As of September 30, 2024, a total of \$171,555 of unamortized expenses are expected to be expensed over the vesting period.

The following is a summary of activity of outstanding stock options:

	Number of Shares		Weighted Average Exercise Prices
Balance, December 31, 2023	140,750	\$	1.82
Options granted	42,000		1.65
Options cancelled	(32,500)		-
Balance, September 30, 2024	150,250	\$	1.82
Exercisable, September 30, 2024	-	\$	-

The options had a weighted average remaining life of 8.65 years and no intrinsic value as of September 30, 2024.

## **Note 13 - Subsequent Events**

The Company evaluates events that have occurred after the balance sheet date through the date these financial statements were issued.

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited interim condensed financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in this Quarterly Report on Form 10-Q, as may be amended, supplemented or superseded from time to time by other reports we file with the SEC. All amounts in this report are in U.S. dollars, unless otherwise noted.

Throughout this Quarterly Report on Form 10-Q, references to "we," "our," "us," the "Company," or "Syra," refer to Syra Health Corp.

## Overview

We are a healthcare services company promoting preventative health, holistic wellness, health education, and equitable healthcare for all patient demographics. We leverage deep scientific and healthcare expertise to create strategic frameworks and develop patient-centric solutions for the betterment of patient lives and health outcome linked to developing a healthier population. We are developing comprehensive end-to-end solutions in health education services, population health, behavioral and mental health, healthcare workforce and digital health.

## Results of Operations for the Three Months Ended September 30, 2024 and 2023

The following table summarizes selected items from the statements of operations for the three months ended September 30, 2024 and 2023.

	<b>For the Three Months Ended</b>		
	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>Increase / (Decrease)</b>
Net revenues			
Healthcare workforce	\$ 1,577,788	\$ 1,023,557	\$ 554,231
Population health	560,048	412,763	147,285
Digital health	92,250	131,356	(39,106)
Behavioral and mental health	13,250	3,668	9,582
Health education	10,000	10,000	-
Net revenues	2,253,336	1,581,344	671,992
Cost of services	1,585,038	1,026,803	558,235
Gross profit	668,298	554,541	113,757
Operating expenses:			
Salaries and benefits	594,738	592,241	2,497
Professional fees	153,803	58,875	94,928
Research and development expenses	34,821	-	34,821
Selling, general and administrative expenses	288,305	234,084	54,221
Depreciation	25,541	12,357	13,184
Total operating expenses:	1,097,208	897,557	199,651
Operating loss	(428,910)	(343,016)	(85,894)
Total other income (expense)	11,375	(11,360)	22,735
Net loss	\$ (417,535)	\$ (354,376)	\$ (63,159)

## **Net Revenues**

Net revenue during the three months ended September 30, 2024 was comprised of \$1,577,788 of healthcare workforce revenue, \$560,048 of population health revenue, \$13,250 of behavioral and mental health revenue, \$10,000 of health education, \$92,250 of digital health services revenue and \$10,000 of health education revenue, compared to net revenue during the three months ended September 30, 2023 of \$1,023,557 of healthcare workforce revenue, \$412,763 of population health revenue, \$3,668 of behavioral and mental health revenue and \$10,000 of health education revenue, an overall revenue increase of \$671,992, or 42%. The increase in healthcare workforce revenue was driven by new customer acquisitions and additions to existing contracts. Population health revenues increased in 2024 due to additional services provided to state departments and other customers. The slight decline in digital health revenues was due to the slight decline in digital health revenues was due to phased transition from implementation to maintenance and operational support.

## **Cost of Services**

Our cost of services included wages and related payroll taxes, employee benefits and certain other employee-related costs of our contract service employees while they worked on contract assignments.

We incurred \$1,585,038 of cost of services for the three months ended September 30, 2024, compared to \$1,026,803 for the three months ended September 30, 2023, an increase of \$558,235, or 54%. Our gross profit was approximately 30% for the three months ended September 30, 2024, compared to approximately 35% for the three months ended September 30, 2023, a decrease of approximately 5%. Our cost of services increased primarily due to an increase in labor costs, and increased consulting costs associated with a slight change in service mix.

## **Operating Expenses**

### Salaries and Benefits

Our salaries and benefits include wages and related payroll taxes, employee benefits and certain other employee-related costs of our management and office personnel.

We incurred \$594,738 of salaries and benefits during the three months ended September 30, 2024, compared to \$592,241 for the three months ended September 30, 2023, an increase of \$2,497, or 0.4%. Salaries and benefits increased in 2024 as we supported our increased operations and added office personnel following our IPO process, which was offset by management's decision, in an effort to reduce its operating costs, by instituting a 25% payroll reduction for its executive officers effective August 1, 2024.

### Professional Fees

Professional fees primarily consisted of expenses incurred from business development, accounting, legal fees, and consulting activities.

We incurred \$153,803 of professional fees for the three months ended September 30, 2024, compared to \$58,875 for the three months ended September 30, 2023, an increase of \$94,928, or 161%. Professional fees increased in 2024 due to increased legal and other professional costs related to the Company's regulatory filings.

### Research and Development Expenses

Research and development expenses primarily consist of consulting expenses incurred to develop our

technology-based solutions. We incurred \$34,821 and \$0 of research and development expenses for the three months ended September 30, 2024 and 2023, respectively.

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### Selling, General and Administrative Expenses

SG&A primarily consisted of marketing, rent, office, insurance, travel and repair and maintenance expenses incurred.

We incurred \$288,305 of SG&A expenses during the three months ended September 30, 2024, compared to \$234,084 for the three months ended September 30, 2023, an increase of \$54,221, or 23%. Our SG&A expenses increased primarily due to our increased operations in 2024. SG&A included \$33,627 and \$32,132 of rent incurred in both periods from STVentures, LLC, an entity beneficially owned by our principal owners, our management team and their affiliates, \$28,639 and \$6,250 of investor relations, \$112,248 and \$33,723 of insurance, \$41,699 and \$65,561 of software expense, and \$19,281 and \$6,737 of subscription and membership fees for the three months ended September 30, 2024 and 2023, respectively.

### Depreciation

We incurred \$25,541 of depreciation expense for the three months ended September 30, 2024, compared to \$12,357 of depreciation expense for the three months ended September 30, 2023, an increase of \$13,184, or 107%. Depreciation expense increased as we expanded our office space and placed additional office equipment into service during 2023.

### **Other Income (Expense)**

Other expense, on a net basis, consisted of \$2,266 of interest incurred on insurance finance charges, partially offset by \$13,641 of interest income, for the three months ended September 30, 2024. Other expense, on a net basis, consisted of \$14,180 of interest incurred on a line of credit and convertible notes, as partially offset by \$2,820 of interest income, for the three months ended September 30, 2023. Other expense, on a net basis, decreased by \$22,735, or 200%, primarily due to decreased debt financing compared to the prior period.

### **Net Loss**

Our net loss for the three months ended September 30, 2024 was \$417,535, compared to a net loss of \$354,376 for the three months ended September 30, 2023, an increase of \$63,159.

### **Results of Operations for the Nine Months Ended September 30, 2024 and 2023**

	<b>For the Nine Months Ended</b>		
	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>Increase / (Decrease)</b>
Net revenues			
Healthcare workforce	\$ 4,411,683	\$ 2,989,962	\$ 867,490
Population health	1,241,579	606,789	487,505
Digital health	276,750	131,356	184,500
Behavioral and mental health	15,345	9,055	(3,292)
Health education	30,000	11,781	18,219
Net revenues	5,975,357	3,748,943	1,554,422
Cost of services	4,777,765	2,919,087	1,300,443

Gross profit	1,197,592	829,856	253,979
Operating expenses:			
Salaries and benefits	2,178,105	1,612,605	563,003
Professional fees	489,839	424,379	(29,468)
Research and development expenses	590,263	-	555,442
Selling, general and administrative expenses	1,147,142	657,904	435,017
Depreciation	55,460	36,413	5,863
Total operating expenses:	4,460,809	2,731,301	1,529,857
Operating loss	(3,263,217)	(1,901,445)	(1,275,878)
Total other income (expense)	8,376	(41,623)	27,264
Net loss	\$ (3,254,841)	\$ (1,943,068)	\$ (1,248,614)

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## Net Revenues

Net revenue during the nine months ended September 30, 2024 was comprised of \$4,411,683 of healthcare workforce revenue, \$1,241,579 of population health revenue, \$15,345 of behavioral and mental health revenue and \$276,750 of digital health services revenue and \$30,000 of health education revenue, compared to net revenue during the nine months ended September 30, 2023 of \$2,989,962 of healthcare workforce revenue, \$606,789 of population health revenue, \$9,055 of behavioral and mental health revenue and \$11,781 of health education revenue, an overall revenue increase of \$2,226,414, or 59%. The increase in healthcare workforce revenue was driven by new customer acquisitions and additions to existing contracts. Population health revenues and digital health services increased in 2024 due to additional services provided to state departments and other customers.

## Cost of Services

We incurred \$4,777,765 of cost of services for the nine months ended September 30, 2024, compared to \$2,919,087 for the nine months ended September 30, 2023, an increase of \$1,858,678, or 64%. Our gross profit was approximately 20% for the nine months ended September 30, 2024, compared to approximately 22% for the nine months ended September 30, 2023, a decrease of approximately 2%. Our cost of services increased primarily due to an increase in labor costs, and increased consulting costs associated with a slight change in service mix from healthcare workforce services to project-based population health and digital health services that carry better margins.

## Operating Expenses

### Salaries and Benefits

We incurred \$2,178,105 of salaries and benefits during the nine months ended September 30, 2024, compared to \$1,612,605 for the nine months ended September 30, 2023, an increase of \$565,500, or 35%. Salaries and benefits increased in 2024 as we supported our increased operations and added office personnel following our IPO process.

In an effort to reduce its operating costs, the Company, effective August 1, 2024, instituted a 25% payroll reduction for its executive officers.

### Professional Fees

We incurred \$489,839 of professional fees for the nine months ended September 30, 2024, compared to \$424,379 for the nine months ended September 30, 2023, an increase of \$65,460, or 15%. Professional fees increased in 2024 due increased legal and other professional costs related to the Company's regulatory filings.

#### Research and Development Expenses

We incurred \$590,263 and \$0 of research and development expenses for the nine months ended September 30, 2024 and 2023, respectively

#### Selling, General and Administrative Expenses

We incurred \$1,147,142 of SG&A expenses during the nine months ended September 30, 2024, compared to \$657,904 for the nine months ended September 30, 2023, an increase of \$489,238, or 74%. Our SG&A expenses increased primarily due to our increased operations in 2024. SG&A included \$97,890 and \$96,395 of rent incurred in both periods from STVentures, LLC, an entity beneficially owned by our principal owners, our management team and their affiliates, \$119,322 and \$22,850 of investor relations expense, \$339,291 and \$80,185 of insurance, \$136,007 and \$124,552 of software expense, and \$64,208 and \$36,972 of subscription and membership fees for the nine months ended September 30, 2024 and 2023, respectively.

#### Depreciation

We incurred \$55,460 of depreciation expense for the nine months ended September 30, 2024, compared to \$36,413 of depreciation expense for the nine months ended September 30, 2023, an increase of \$19,047, or 52%. Depreciation expense increased as we expanded our office space and placed additional office equipment into service during 2023.

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#### **Other Income (Expense)**

Other expense, on a net basis, consisted of \$10,072 of interest incurred on insurance finance charges, as partially offset by \$18,448 of interest income, for the nine months ended September 30, 2024. Other expense, on a net basis, consisted of \$44,449 of interest incurred on a line of credit and convertible notes, as partially offset by \$2,826 of interest income, for the nine months ended September 30, 2023. Other expense, on a net basis, decreased by \$49,999, or 120%, primarily due to decreased debt financing compared to the prior period.

#### **Net Loss**

Our net loss for the nine months ended September 30, 2024 was \$3,254,841, compared to a net loss of \$1,943,068 for the nine months ended September 30, 2023, an increase of \$1,311,773.

#### **Liquidity and Capital Resources**

We believe that our existing sources of liquidity, along with cash expected to be generated from sales and services, will not be sufficient to fund our operations, anticipated capital expenditures, working capital and other financing requirements for at least the next twelve months from the issuance of the financial statements included elsewhere in this annual report. In the event we are unable to achieve profitable operations in the near term, we may require additional equity and/or debt financing; however, we cannot provide assurance that such financing will be available to us on favorable terms, or at all. We will continue to monitor our expenditures and cash flow position.

The following table summarizes total current assets, liabilities, accumulated deficit and working capital (deficit) at September 30, 2024 and December 31, 2023.



	September 30, 2024	December 31, 2023
Current Assets	\$ 4,064,894	\$ 4,781,110
Current Liabilities	\$ 877,805	\$ 910,072
Accumulated Deficit	\$ (8,319,796)	\$ (5,064,955)
Working Capital	\$ 3,187,089	\$ 3,871,038

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. To date, we have funded our operations through equity and debt financings. Our primary uses of cash have been for the development of operations, compensation, and professional fees. All funds received have been expended in the furtherance of growing our business and establishing our services and solutions. The following trends are reasonably likely to result in a material decrease in our liquidity over the near to long term:

- A substantial increase in working capital requirements to finance our operations;
- Addition of administrative and professional personnel as our business continues to grow;
- The cost of being a public company; and
- Payments for seeking and securing quality staffing personnel.

### **Cash Flow Activities for the Nine Months Ended September 30, 2024 and 2023**

#### **Net Cash Used in Operating Activities**

Cash used in operating activities for the nine months ended September 30, 2024 and 2023 was \$2,717,313 and \$1,002,026, respectively, which was primarily attributable to our net loss for the periods.

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#### **Net Cash Used in Investing Activities**

Cash used in investing activities for the nine months ended September 30, 2024 and 2023 was \$11,111 and \$15,251, respectively, which related entirely to the purchase of property and equipment during both periods.

#### **Net Cash Provided by Financing Activities**

Cash provided by financing activities for the nine months ended September 30, 2024 was \$2,145,808, which consisted of \$2,469,150 of proceeds received from the sale of Class A common stock and warrants, and exercise of Class A common stock warrants, partially offset by \$323,342 of repayments on notes payable. Cash provided by financing activities for the nine months ended September 30, 2023 was \$1,031,943, which consisted of \$300,000 of proceeds received from a line of credit, and \$1,455,000 of proceeds received from the sale of convertible notes payable, \$1,295,010 of proceeds received from advances from related party, and partially offset by \$678,611 of repayments on advances from related party, \$750,397 of repayments on the line of credit and payment off deferred financing costs of \$589,059.

#### **Critical Accounting Policies and Estimates**

The preparation of the financial statements included elsewhere in this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable

under the circumstances. Our actual results could differ from these estimates.

The critical accounting estimates, assumptions and judgments that we believe have the most significant impact on our financial statements are described below.

#### Reverse Stock Split

On August 28, 2023, we effectuated a 1-for-1.2 reverse stock split of our issued and outstanding common stock and common stock equivalents. All issued and outstanding shares of common stock and common stock equivalents and per share data have been adjusted in this Quarterly Report on Form 10-Q, on a retrospective basis, to reflect the reverse stock split for all periods presented. Neither the authorized shares of common stock, nor the par value of the common stock were adjusted as a result of the reverse stock split.

#### Accounts Receivable

Accounts receivable is carried at their estimated collectible amounts. Accounts receivable is periodically evaluated for collectability based on past credit history with customers and their current financial condition. We had an allowance of \$5,520 at September 30, 2024 and December 31, 2023, respectively.

#### Impairment of Long-Lived Assets

In accordance with the provisions of Accounting Standards Codification (“ASC”) Topic 360, *“Impairment or Disposal of Long-Lived Assets,”* all long-lived assets such as property and equipment held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of an asset to its estimated future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets.

#### Leases

We account for our leases under ASC 842 - *Leases*. We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, current portion of obligations under operating leases, and obligations under operating leases, non-current on our balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date, adjusted by the deferred rent liabilities at the adoption date. As our lease does not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term.

#### Revenue Recognition

We recognize revenue in accordance with ASC 606, the core principle of which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. To achieve this core principle, five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as we satisfy a performance obligation.

We account for revenues when both parties to the contract have approved the contract, the rights and obligations of the parties are identified, payment terms are identified, and collectability of consideration is probable. Payment terms vary by client and the services offered.

We have the following main forms of revenue:

- Healthcare Workforce Services
- Behavioral and Mental Health Services
- Digital Health
- Population Health
- Health Education

We primarily provide our services to state and local government health agencies, payers, and other private health organizations. Healthcare Workforce, Behavioral and Mental Health and Health Education contracts are accounted for as a single performance obligation satisfied over time because the customer simultaneously receives and consumes the benefits of our medical staffing on an hourly or daily basis. Population Health and Digital Health contracts generally consist of multiple performance obligations that are distinct, such as to provide data analytics and reporting, training, or develop technology for implementation and maintenance with the customer. We allocate the transaction price across the performance obligations based on the estimated fair value of the distinct performance obligations. Depending on the performance obligation, revenue is recognized at a point in time when the customer obtains the benefit of the services are provide, or over time in the case of digital health revenue where the customer simultaneously receives and consumes benefits of the contract, such as ongoing performance of our technology product.

The contracts generally stipulate bi-weekly or monthly billing, and we have elected the “as invoiced” practical expedient to recognize revenue based on the hours incurred at the contractual rate as we have the right to payment in an amount that corresponds directly with the value of performance completed to date. We may also be subject to penalties for violations of certain ethical standards and non-performance measures within these state contracts. We recognize revenue net of penalties.

## **JOBS Act**

On April 5, 2012, the Jumpstart Our Business Startups Act (the “JOBS Act”) was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

Subject to certain conditions set forth in the JOBS Act, as an “emerging growth company,” we intend to rely on certain of these exemptions, including, without limitation, (i) providing an auditor’s attestation report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended, and (ii) complying with the requirement adopted by the Public Company Accounting Oversight Board regarding the communication of critical audit matters in the auditor’s report on financial statements. We will remain an “emerging growth company” until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined in Rule 12b-2 of the Exchange Act.

### **ITEM 4. CONTROLS AND PROCEDURES.**

Our principal executive officer and principal financial officer evaluated the effectiveness of our “disclosure controls and procedures” as of September 30, 2024 the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is accumulated and communicated to a company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Based on the evaluation of our disclosure controls and procedures as of September 30, 2024, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective. Effective internal control contemplates an appropriate level of review to ensure timely preparation and completeness and accuracy of the financial statements and disclosures.

#### **Changes in Internal Control**

Except as set forth above, there were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## **PART II — OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

In January 2024, a former employee filed a wrongful termination lawsuit against the Company in the U.S. District Court, Southern District of Indiana. The Company plans to vigorously defend itself against the claims, which it believes are without merit.

### **ITEM 1A. RISK FACTORS.**

There have been no material changes from the risk factors disclosed in our Form 10-K for the year ended December 31, 2023, except the following:

***Our Class A common stock may be delisted from The Nasdaq Capital Market if we fail to comply with continued listing standards.***

If we fail to meet any of the continued listing standards of The Nasdaq Capital Market, our Class A common stock could be delisted from The Nasdaq Capital Market. These continued listing standards include specifically enumerated criteria, such as:

- a \$1.00 minimum closing bid price;
- stockholders' equity of \$2.5 million;
- 500,000 shares of publicly-held common stock with a market value of at least \$1 million;
- 300 round-lot stockholders; and
- compliance with Nasdaq's corporate governance requirements, as well as additional or more stringent criteria that may be applied in the exercise of Nasdaq's discretionary authority.

On August 13, 2024, 2023, we received written notification (the "Notice") from the Listing Qualifications Department of the Nasdaq Stock Market LLC ("Nasdaq") indicating that, for the last thirty consecutive business days, the market value of our Class A common stock, had closed below the minimum \$35 million requirement for continued listing on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(b)(2) (the "Minimum Market Value Requirement").

On October 18, 2024, we received a Notice from Nasdaq indicating that the bid price for our Class A common stock, for the last 30 consecutive business days for the last thirty consecutive business days, had closed below the minimum \$1.00 per share and, as a result, we were not in compliance with the \$1.00 minimum bid price requirement (the "Minimum Bid Price Requirement") for the continued listing on the Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2).

If we fail to comply with Nasdaq's continued listing standards, we may be delisted and our Class A common stock will trade, if at all, only on the over-the-counter market, such as the OTC Bulletin Board or OTCQX market, and then only if one or more registered broker-dealer market makers comply with quotation requirements. In addition, delisting of our Class A common stock could depress our stock price, substantially limit liquidity of our Class A common stock and materially adversely affect our ability to raise capital on terms acceptable to us, or at all. Finally, delisting of our Class A common stock could result in our Class A common stock becoming a "penny stock" under the Exchange Act.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

Our Executive Chairman, Sandeep Allam, is currently on a long-term medical leave. Our CEO, Deepika Vuppalandhi, has taken over Mr. Allam's responsibilities while he is on medical leave.

## ITEM 6. EXHIBITS.

<b>Exhibit No.</b>	<b>Description</b>
4.1	<a href="#">Form of Series A Warrant (incorporated by reference to Exhibit 4.2 to Form S-1 filed on August 15, 2024)</a>
4.2	<a href="#">Form of Series B Warrant (incorporated by reference to Exhibit 4.3 to Form S-1 filed on August 15, 2024)</a>
4.3	<a href="#">Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.4 to Form S-1 filed on August 15, 2024)</a>
4.4	<a href="#">Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.5 to Form S-1 filed on August 15, 2024)</a>
10.1	<a href="#">Form of Securities Purchase Agreement (incorporate by reference to Exhibit 10.22 to Form S-1 filed on August 15, 2024)</a>
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1**	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 is formatted in Inline XBRL included in the Exhibit 101 Inline XBRL Document Set

\* Filed herewith.

\*\* Furnished herewith.

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

**SYRA HEALTH CORP.**

Date: October 29, 2024

By: */s/ Deepika Vuppalanchi*  
Deepika Vuppalanchi  
Chief Executive Officer  
(Principal Executive Officer)

Date: October 29, 2024

By: */s/ Priya Prasad*  
Priya Prasad  
Chief Financial Officer  
(Principal Financial and Accounting Officer)