UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended January 31, 2023

OR

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

For the transition period from ___________to___________

Commission File Number: 000-28132

STREAMLINE HEALTH SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**31-1455414** *(I.R.S. Employer Identification No.)*

2400 Old Milton Pkwy., Box 1353
Alpharetta, GA 30009
(Address of principal executive offices) (Zip Code)

(888) 997-8732
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**STRM**	**Nasdaq Capital Market**

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 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 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. (Check one):

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 ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, computed using the closing price as reported by The NASDAQ Stock Market, Inc. for the Registrant's Common Stock on July 31, 2022, the last business day of the Registrant's most recently completed second fiscal quarter, was $55,069,915.

The number of shares outstanding of the Registrant's Common Stock, $.01 par value per share, as of April 24, 2023 was 58,610,540.

Documents incorporated by reference:

Information required by Part III is incorporated by reference from the Registrant's Proxy Statement for its 2023 annual meeting of stockholders or an amendment to this Annual Report on Form 10-K, which will be filed with the Securities and Exchange Commission within 120 days after the end of its fiscal year ended January 31, 2023.

FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Annual Report on Form 10-K (the "Report") and in other materials we file with the Securities and Exchange Commission ("SEC") or otherwise make public. These statements about future events and expectations are "forward-looking" within the meaning of Sections 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In this Report, both Part I, Item 1, "Business," and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," contain forward-looking statements. In addition, our senior management makes forward-looking statements to analysts, investors, the media, and others. Statements with respect to expected revenue, income, receivables, backlog, client attrition, acquisitions and other growth opportunities, sources of funding operations and acquisitions, the integration of our solutions, the performance of our channel partner relationships, the sufficiency of available liquidity, research and development, and other statements of our plans, beliefs or expectations are forward-looking statements. These and other statements using words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "target," "can," "could," "may," "should," "will," "would" and similar expressions also are forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The forward-looking statements we make are not guarantees of future performance, and we have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. Management cautions against putting undue reliance on forward-looking statements or projecting any future results based on such statements or present or historical earnings levels.

Among the factors that could cause actual future results to differ materially from our expectations are the risks and uncertainties described in Part I, Item 1A, "Risk Factors" herein, and the other cautionary statements in other documents we file with the SEC, including the following:

- competitive products and pricing;
- product demand and market acceptance;
- entry into new markets;
- the extent to which health epidemics and other outbreaks of communicable diseases, including the ongoing coronavirus, or COVID-19, pandemic and the efforts to mitigate it, could disrupt our operations and/or materially and adversely affect our business and financial conditions;
- the possibility that any of the anticipated benefits of the acquisition of Avelead Consulting, LLC ("Avelead") will not be realized or will not be realized within the expected time period, the businesses of the Company and the Avelead segment may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, or revenues following the Avelead acquisition may be lower than expected;
- new product and services development and commercialization;
- key strategic alliances with vendors and channel partners that resell our products;
- uncertainty in continued relationships with clients due to termination rights;
- our ability to control costs;
- availability, quality and security of products produced and services provided by third-party vendors;
- the healthcare regulatory environment;
- potential changes in legislation, regulation and government funding affecting the healthcare industry;

- healthcare information systems budgets;
- availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems;
- the success of our relationships with channel partners;
- fluctuations in operating results;
- our future cash needs;
- the consummation of resources in researching acquisitions, business opportunities or financings and capital market transactions;
- the failure to adequately integrate past and future acquisitions into our business;
- critical accounting policies and judgments;
- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other standard-setting organizations;
- changes in economic, business and market conditions impacting the healthcare industry and the markets in which we operate;
- our ability to maintain compliance with the terms of our credit facilities; and
- our ability to maintain compliance with the continued listing standards of the Nasdaq Capital Market ("Nasdaq").

Most of these factors are beyond our ability to predict or control. Any of these factors, or a combination of these factors, could materially affect our future financial condition or results of operations and the ultimate accuracy of our forward-looking statements. There also are other factors that we may not describe (generally because we currently do not perceive them to be material) that could cause actual results to differ materially from our expectations.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

Item 1. *Business*

Company Overview

Incorporated in 1989, Streamline Health Solutions, Inc. is a provider of solutions and services in the middle of the revenue cycle for healthcare providers throughout the United States and Canada. Streamline Health's technology helps hospitals improve their financial performance by optimizing data and coding for every patient encounter prior to bill submission. By performing these activities before billing, providers can drive net revenue through reduced revenue leakage, overbilling, and days in accounts receivable. This enables providers to achieve more predictable revenue streams using technology rather than manual intervention.

The Company provides computer software-based solutions, professional consulting and auditing and coding services, which capture, aggregate, and translate structured and unstructured data to deliver intelligently organized, easily accessible predictive insights to its clients. Hospitals and certain hospital owned and operated physician groups use the knowledge generated by Streamline Health to help them improve their financial performance.

The Company's software solutions are delivered to clients either by access to the Company's data center systems through a secure connection in a software as a service ("SaaS") delivery method or by a fixed-term or perpetual license, where such software is installed locally in the client's data center.

The Company operates exclusively in one segment as a provider of health information technology solutions and associated services that improve healthcare processes and information flows within a healthcare facility. The Company sells its solutions and services in North America to hospitals and health systems through its direct sales force and its reseller partnerships.

As part of the Company's strategic expansion into the revenue cycle management, acute-care healthcare space, the Company acquired all of the equity interests of Avelead Consulting, LLC ("Avelead") on August 16, 2021 on a cash- and debt-free basis. After the third fiscal quarter of 2022, the Company announced a restructuring in order to fully integrate the Avelead business with its other solutions by the end of fiscal 2022. As of that date, the Company's management was combined under one leader, and the functions of sales and marketing, innovation, support, client success and implementation services were combined under common management.

Unless the context requires otherwise, references to "Streamline Health," the "Company," "we," "us" and "our" in this Report are intended to mean Streamline Health Solutions, Inc. and its wholly-owned subsidiaries. All references to a fiscal year refer to the fiscal year commencing February 1 in that calendar year and ending on January 31 of the following calendar year.

Solutions

The Company offers solutions and services to assist its clients in revenue cycle management including its two flagship technologies RevID™ and eValuator™. RevID offers automated, 24-hour reconciliation of clinical activity to patient billing records prior to billing. eValuator provides 100% automated coding analysis prior to billing. In addition, the Company offers an array of professional services, including system implementation. The Company's solutions and services are designed to improve the flow of critical coding information throughout the enterprise. The solutions and services help to transform the structure of information between disparate information technology systems into actionable data, giving the end user comprehensive access to clinical and business intelligence to enhance billing accuracy and decision-making. Solutions can be accessed securely through SaaS or delivered either by a perpetual license or by a fixed-term license installed locally.

RevID Automated Revenue Reconciliation – RevID is a cloud-based SaaS automated, 24-hour charge reconciliation tool. RevID identifies discrepancies between a provider's clinical and billing departments and ensures that every medical service is tracked, accounted for, and ultimately accurately billed, thereby reducing revenue leakage. RevID functions on a pre-bill basis, allowing providers to catch mistakes and discrepancies prior to billing.

eValuator Coding Analysis Platform - This technology is a cloud-based SaaS solution that delivers the capability of fully automated analysis on 100% of billing codes entered by a healthcare provider's coding team. This is done on a pre-bill basis, enabling providers to identify and address their highest-impact cases prior to billing. Rule sets are enabled for inpatient, outpatient and pro-fee cases. With eValuator, providers can add an audit function on a pre-bill basis to all cases, allowing the provider to better optimize reimbursements and mitigate risk on its billing practices.

Data Comparison Engine ("DCE" or "Compare") **–** Compare is a cloud-based SaaS system synchronization module that reconciles data in different software used by hospitals within their operations. Compare operates continuously and automates the reconciliation of these systems to identify discrepancies or errors occurring between systems. Additionally, the Compare module can be utilized as a maintenance check when a hospital adds additional disparate software systems or converts to a new software system.

Coding & CDI Solutions – CDI provides an integrated on-premise or cloud-based software suite that enhances the productivity of CDI and Coding staff and enables the seamless sharing of patient data. This suite of solutions includes workflows such as CDI, Abstracting and Physician Query.

Financial Management Solutions (FMBA) – FMBA has been sunset by the Company. FMBA solutions enable financial staff across the healthcare enterprise to drill down quickly into actionable and real-time financial data and key performance indicators to improve revenue realization. This suite of solutions includes individual workflows such as accounts receivable management, denials management, claims processing, spend management and audit management.

Professional Services

Audit and Coding Services **—** The Company provides technology-enabled audit and coding services to help clients review and optimize their internal clinical documentation and coding functions across the applicable segment of the client's enterprise. The Company provides these services using experienced coders and auditors through use of its eValuator proprietary software to improve the targeting of records with the highest likelihood of requiring an audit. The audit services are provided for inpatient diagnostic-related group (DRG) code auditing, outpatient ambulatory payment classification (APC) auditing, hierarchical condition categories (HCC) auditing and Physician/Pro-Fee services coding and auditing. The Company has attracted new clients on eValuator utilizing its coding and auditing services as a technology enabled service.

Software Services **–** Software services relates to implementation of our core software modules, including data collection, configuration of the software based on the clients' needs, training and support. Support services include non-specified upgrades to the software.

Professional Services **–** The Company's professional services are typically associated with hospital revenue cycle assistance and include troubleshooting, staff augmentation and "adhoc" services. Services may include, but are not limited to, review of workflow processes, development and optimization of new workflows, optimization of interfaces, performance of audits and reconciliations, interim resources and project management of system implementations or conversions. The Company has replaced its emphasis on professional services with technology solutions. The Company's premise is that technology on the front end of the revenue cycle process will reduce waste and errors in the coding and the backend.

Discontinued Operations

Enterprise Content Management ("ECM Assets") **–** This legacy technology product has existed since the inception of the Company. This product assists hospitals with workflow on electronic health records. Historically, this has been one of the largest products, in terms of revenue, for the Company. The ECM Assets were sold on February 24, 2020 to Hyland Software in a transaction accounted for as a sale of assets. See Note 13 – Discontinued Operations to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data". For purposes of the financial information that is contained herein, this business is accounted for as Discontinued Operations.

Clients and Strategic Partners

The Company continues to provide transformational data-driven solutions to some of the finest, most well-respected healthcare enterprises in the United States and Canada. Clients are geographically dispersed throughout North America. The Company provides these solutions through a combination of direct sales and relationships with strategic channel partners.

During fiscal 2022, two individual clients accounted for 10% or more of our continuing operations revenue and represented approximately $7.9 million of total continuing operations revenue. During fiscal 2021, one individual client accounted for 10% or more of our continuing operations revenue and represented approximately $2.6 million of total continuing operations revenue. Four clients represented 13%, 12%, 12% and 10%, respectively, of continuing operations accounts receivable as of January 31, 2023, and three clients represented 24%, 16% and 15%, respectively, of continuing operations accounts receivable as of January 31, 2022. Many of our clients are invoiced on an annual basis.

For more information regarding our major clients, please see "Risks Relating to Our Business - Our sales have been concentrated in a small number of clients" in Part 1, Item 1A, "Risk Factors" herein.

Acquisitions and Divestitures

The Company regularly evaluates opportunities for acquisitions and divestitures for portions of the Company that may not align with current growth strategies.

The Company acquired all of the equity interests of Avelead as part of the Company's strategic expansion into the revenue cycle management, acute-care healthcare space. The acquisition was completed on August 16, 2021. The aggregate consideration for the purchase of Avelead was approximately $29.7 million (at fair value) consisting of (i) $12.5 million in cash, net of cash acquired, (ii) $6.5 million in common stock, and (iii) approximately $10.7 million in contingent consideration. The Company issued 5,021,972 shares of its restricted common stock to Avelead equity holders in connection with the acquisition. See Note 3 - Business Combination and Divestiture to our consolidated financial statements included in Part II Item 8, "Financial Statements and Supplementary Data" for additional information regarding the acquisition.

The Company divested its legacy ECM Assets, effective February 24, 2020, in a transaction accounted for as a sale of assets. This sale of assets is consistent with the Company's efforts to offer and invest in products that serve the middle of the revenue cycle, primarily for acute care healthcare organizations. We applied the standard of ASC 205-20-1 to ascertain the timing of accounting for the discontinued operations. Based on ASC 205-20-1, the Company determined that it did not have the authority to sell the assets until the date of the stockholder approval which was February 21, 2020. Accordingly, the Company did not present the ECM Assets as held for sale in its fiscal 2019 financial statements. On February 21, 2020, the Company having the authority and ability to consummate the sale of the ECM Assets, met the criteria to present discontinued operations as described in ASC 205-20-1. Accordingly, the Company is reporting the results of operations and cash flows, and related balance sheet items associated with the ECM Assets in discontinued operations in the accompanying consolidated statements of operations, cash flows and balance sheets for the current and comparative prior periods. See Note 13 – Discontinued Operations to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data".

Business Segments

Under *ASC 280-10-50-11*, two or more operating segments may be aggregated into a single operating segment if they are considered to be similar. Operating segments are considered to be similar if they can be expected to have essentially the same economic characteristics and future prospects. Using the aggregation guidance, the Company determined that it has one operating segment due to the similar economic characteristics of the Company's products, product development, distribution, regulatory environment and client base as a provider of computer software-based solutions and services for acute-care healthcare organizations.

For fiscal years 2022 and 2021, the Company had two reporting units for evaluation of goodwill; Streamline Solutions and Avelead Solutions. The Company has determined that effective January 1, 2023, it has one reporting unit for purposes of evaluation of goodwill. At the end of fiscal 2022, the Company consolidated and combined its operations for Streamline Solutions and Avelead Solutions. For total assets at January 31, 2023 and 2022 and total revenue and net loss for the fiscal years ended January 31, 2023 and 2022, see our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" herein.

Contracts, License and Services Fees

The Company enters into agreements with its clients that specify the scope of the system to be installed and/or services to be provided by the Company, as well as the agreed-upon pricing, applicable term duration and the timetable for the associated licenses and services.

For clients purchasing software to be installed locally or provided on a SaaS model, these are multiple performance obligations that include either a perpetual or term license and right to access the applicable software functionality (whether installed locally at the client site or the right to use the Company's solutions as a part of SaaS services), terms regarding maintenance and support services, and professional services for implementation, integration, process engineering, optimization and training, as well as fees and payment terms for each of the foregoing. If the client purchases solutions on a perpetual license model, the client is billed the license fee up front. Maintenance and support is provided on a term basis for separate fees, with an initial term typically from one to five years in length. The maintenance and support fee is charged annually, in advance, commencing either upon contract execution or deployment of the solution in live production. If the client purchases solutions on a term-based model, the client is billed periodically a combined access fee for a specified term, typically from one to seven years in length. The access fee includes the access rights along with all maintenance and support services.

The Company also generally provides software and SaaS clients professional services for implementation, integration, process engineering, optimization and training. These services and the associated fees are separate from the license, maintenance and access fees. Professional services are provided on either a fixed-fee or hourly arrangements billable to clients based on agreed-to payment milestones (fixed fee) or monthly payment structure on hours incurred (hourly). These services can either be included at the time the related locally installed software or SaaS solution is licensed as part of the initial purchase agreement or added as an addendum to the existing agreement for services required after the initial implementation. The Company recognizes revenue for implementation for certain of its eValuator SaaS solution over the contract term, as it has been determined that those implementation services are not a distinct performance obligation, whereas for other SaaS and Software solutions such as CDI, RevID and Compare, it has been determined that its implementation services are a distinct performance obligation and, accordingly, are recognized separately as professional services.

Coding and audit services are provided through a stand-alone services agreement or services addendum to an existing master services agreement with the client. These review services are available as either a one-time service or recurring monthly, quarterly or annual review structure. These services are typically provided on a per reviewed account/chart basis. Monthly minimums are required where material discounts have been offered. Revenue is generally recognized when the chart is reviewed (i.e, service is completed).

The commencement of revenue recognition on software solutions varies depending on the size and complexity of the system and/or services involved, the implementation or performance schedule requested by the client and usage by clients of SaaS for software-based components. The Company's agreements are generally non-cancellable but provide that the client may terminate its agreement upon a material breach by the Company and/or may delay certain aspects of the installation or associated payments in such events. The Company does allow for termination for convenience in certain situations. Therefore, it is difficult for the Company to accurately predict the revenue it expects to achieve in any particular period, and a termination or installation delay of one or more phases of an agreement, or the failure of the Company to procure additional agreements, could have a material adverse effect on the Company's business, financial condition, and results of operations, as further discussed in Part 1, Item 1A, "Risk Factors" herein. Historically, the Company has not experienced a material amount of contract cancellations; however, the Company sometimes experiences delays in the course of contract performance and the Company accounts for them accordingly.

Third-Party License Fees

The Company incorporates software licensed from various third-party vendors into its proprietary software. The Company licenses these software products and pays the required license fees when such software is delivered to clients.

Associates

As of January 31, 2023, the Company had 112 employees, a net decrease of 22 employees during fiscal 2022. All employees are full-time employees. The Company utilizes independent contractors to supplement its staff, as needed. None of the Company's associates are represented by a labor union or subject to a collective bargaining agreement. The Company has never experienced a work stoppage and believes that its employee relations are good. The Company's success depends, to a significant degree, on its management, sales and technical personnel.

For more information on contracts, backlog, acquisitions and research and development, see also Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Competition

The RevID product has competition in charge reconciliation, generally. The Company believes RevID's automated charge reconciliation technique is unique in the industry as it specifically interacts with desperate clinical systems identifying unbilled services. There are products that purport to provide similar services, including nThrive's Charge Capture Audit Tool and CloudMed's ReVint Tool set. The Company anticipates that additional competition may develop as pre-bill, daily charge reconciliation becomes a standard within the industry.

The eValuator product has numerous competitors in the auditing software industry. The Company believes eValuator is unique in that it is designed and has the requisite workflow to perform audits on a pre-bill basis. The Company believes it is an industry leader in pre-bill auditing technology. We have seen competition on similar products that are being utilized by clients as a pre-bill auditing tool, such as PwC Smart and 3M, however, these similar products are intended to be utilized for post-bill auditing which is a different workflow than what is necessary for pre-bill auditing. We expect to have competition in the pre-bill technology industry. Client processes dictates that correcting errors prior to billing is more efficient and effective than having an audit after billing. There will be larger and more sophisticated competitors than our Company. Accordingly, using the time we have to gain market share prior to direct competition is critical to the Company's success.

The Compare product has little direct competition outside of manual (Microsoft excel) based reconciliations. The Company believes that few systems exist that can accurately compare the various software systems used by hospitals. Examples of potential competitors include Vitalware, Craneware and nThrive's Chargemaster toolkit. The Company believes Compare is unique in that it can be easily fine-tuned to work with a wide array of hospital systems to create a bespoke offering for specific clients, easing transitions to new platforms or as an ongoing maintenance check tool.

Regarding our Coding and CDI Solutions, eValuator Coding Analysis Platform, and Financial Management Solutions, several companies historically have dominated the clinical information system software market. The industry is undergoing consolidation and realignment as companies position themselves to compete more effectively. Strategic alliances between vendors of other healthcare systems are increasing. Barriers to entry to this market include technological and application sophistication, the ability to offer a proven product, creating and utilizing a well-established client base and distribution channels, brand recognition, the ability to operate on a variety of operating systems and hardware platforms, the ability to integrate with pre-existing systems and capital for sustained development and marketing activities. The Company has many competitors including clinical information system vendors that are larger, more established and have substantially more resources than the Company.

Regarding our Audit Services, there are numerous companies and independent consultants who offer these services. Barriers to entry to this market include creating and utilizing a well-established client base and distribution channels, brand recognition, establishing differentiators for our services and capital for sustained development and marketing activities.

The Company believes that these obstacles taken together represent a moderate to high-level barrier to entry. The Company believes that the principal competitive factors in its market are client recommendations and references, company reputation, system reliability, system features and functionality (including ease of use), technological advancements, client service and support, breadth and quality of the systems, the potential for enhancements and future compatible products, the effectiveness of marketing and sales efforts, price, and the size and perceived financial stability of the vendor. In addition, the Company believes that the speed with which companies in its market can anticipate the evolving healthcare industry structure and identify unmet needs are important competitive factors.

Additional Intellectual Property Rights

In addition to the software licenses described in other sections of this Item 1, “Business”, the Company also holds registered trademarks for its Streamline Health® and other key trademarks used in selling its products. These marks are currently active, with registrations being valid for a period of three years each. The Company actively renews these marks at the end of each registration period.

Regulation

Our clients derive a substantial portion of their revenue from third-party private and governmental payors, including through Medicare, Medicaid and other government-sponsored programs. Our clients also have express handling and retention obligations under information-based laws such as the Health Insurance Portability and Accountability Act of 1996. There are no material regulatory proposals of which the Company is aware that we believe currently have a high likelihood of passage that we anticipate would have a material impact on the operation or demand of the Company’s products and services. However, the Company acknowledges there is currently great uncertainty in the U.S. healthcare market, generally, from a regulatory perspective. In addition, there is regulatory uncertainty in the data and technology sectors as it relates to information security regulations. Material changes could have unanticipated impact on demand or usability of the Company’s solutions, require the Company to incur additional development and/or operating costs (on a one-time or recurring basis) or cause clients to terminate their agreements or otherwise be unable to pay amounts owed to the Company, as further discussed in Part 1, Item 1A, “Risk Factors” herein.

Environmental Matters

We believe we are compliant in all material aspects with all applicable environmental laws. We do not anticipate that such compliance will have a material effect on capital expenditures, earnings or the competitive position of our operations.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics that guides and binds each of our employees, officers and directors which is available on the “Investor Relations” page of our website, www.streamlinehealth.net, under the “Corporate Governance” tab. We use an anonymous compliance hotline for employees and outside parties to report potential instances of noncompliance.

Available Information

Copies of documents filed by the Company with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and all amendments to those reports and statements, if any, can be found at the website http://investor.streamlinehealth.net as soon as practicable after such material is electronically filed with, or furnished to, the SEC. The information contained on the Company’s website is not part of, or incorporated by reference into, this Report. Copies can be downloaded free of charge from the Company’s website or directly from the SEC website, https://www.sec.gov. Also, copies of the Company’s annual report on Form 10-K will be made available, free of charge, upon written request to the Company, attention: Corporate Secretary, 2400 Old Milton Pkwy, Box 1353, Alpharetta, GA 30009.

Item 1A. *Risk Factors*

An investment in our common stock or other securities involves a number of risks. You should carefully consider each of the risks described below before deciding to invest in our common stock or other securities. If any of the following risks develops into actual events, our business, financial condition or results of operations could be negatively affected, the market price of our common stock or other securities could decline, and you may lose all or part of your investment.

Risks Relating to Our Business

Our sales have been concentrated in a small number of clients.

Our revenues have been concentrated in a relatively small number of large clients, and we have historically derived a substantial percentage of our total continuing operations revenue from a few clients. For fiscal years ended January 31, 2023 and 2022, our five largest clients accounted for 46% and 40%, respectively, of our total continuing operations revenue. If one or more clients terminate all or any portion of a master agreement, delay installations or if we fail to procure additional agreements, there could be a material adverse effect on our business, financial condition and results of operations. See Note 9 - Major Clients to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data”, herein for further information regarding representation of the Company’s largest individual major clients.

Over the last several years, we have completed acquisitions, and may undertake additional acquisitions in the future. Any failure to adequately integrate past and future acquisitions into our business could have a material adverse effect on us.

Acquisitions will require that we integrate into our existing operations separate companies that historically operated independently or as part of another, larger organization, and had different systems, processes and cultures. Acquisitions may require integration of finance and administrative organizations and involve exposure to different legal and regulatory regimes in jurisdictions in which we have not previously operated.

Over the last several years, we have completed acquisitions of businesses through asset and stock purchases. We expect that we will make additional acquisitions in the future.

Acquisitions involve a number of risks, including, but not limited to:

- the potential failure to achieve the expected benefits of the acquisition, including the inability to generate sufficient revenue to offset acquisition costs, or the inability to achieve expected synergies or cost savings;
- unanticipated expenses related to acquired businesses or technologies and their integration into our existing businesses or technology;
- the diversion of financial, managerial and other resources from existing operations;
- the risks of entering into new markets in which we have little or no experience or where competitors may have stronger positions;
- potential write-offs or amortization of acquired assets or investments;
- the potential loss of key employees, clients or partners of an acquired business;
- delays in client purchases due to uncertainty related to any acquisition;
- potential unknown liabilities associated with an acquisition; and
- the tax effects of any such acquisitions.

If we fail to successfully integrate acquired businesses or fail to implement our business strategies with respect to acquisitions, we may not be able to achieve projected results or support the amount of consideration paid for such acquired businesses, which could have an adverse effect on our business and financial condition.

Finally, if we finance acquisitions by issuing equity or convertible or other debt securities, our existing stockholders may be diluted, or we could face constraints related to the terms of and repayment obligations related to the incurrence of indebtedness. This could adversely affect the market price of our securities.

We could consume resources in researching acquisitions, business opportunities or financings and capital market transactions that are not ultimately consummated, which could materially adversely affect our financial condition and subsequent attempts to locate and acquire or invest in another business.

We anticipate that the investigation of each specific acquisition or business opportunity and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments with respect to such transaction will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. If a decision is made not to consummate a specific acquisition, business opportunity or financing and capital market transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition, investment target or financing, we may fail to consummate the investment or acquisition for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our ability to consummate other acquisitions and investments.

A significant increase in new SaaS contracts could require a significant cash outlay, which could adversely affect near term cash flow.

If new or existing clients purchase significant amounts of our SaaS services, we may have to expend a significant amount of initial setup costs and time before those new clients are able to begin using such services, and we cannot begin to recognize revenues from those SaaS agreements until the commencement of such services. Accordingly, we anticipate that our near-term cash flow may be adversely affected by significant incremental setup costs from new SaaS clients that would not be offset by revenue until new SaaS clients go into production. While we anticipate long-term growth in profitability through increases in recurring SaaS subscription fees and significantly improved profit visibility, any inability to adequately finance setup costs for new SaaS solutions could result in the failure to put new SaaS solutions into production and could have a material adverse effect on our liquidity, financial position and results of operations. In addition, this near-term cash flow demand could adversely impact our financial flexibility and cause us to forego otherwise attractive business opportunities or investments.

We may not see the anticipated market interest or growth in our software solutions. In addition, coding audit services and associated software and technologies represent a new market for the Company, and we may not see the anticipated market interest or growth due to being a new player in the industry.

The Company is currently investing in the eValuator platform as well as new software-based technologies relating to high automation and machine-based analytics regarding a client's coding audit process. The return on this investment requires that the product developments continue to be defined and completed in a timely and cost-effective manner, there remains general interest in the marketplace (for both existing and future clients) for this technology, the demand for the product generates sufficient revenue in light of the development costs and that the Company is able to execute a successful product launch for these technologies. If the Company is unable to meet these requirements when launching these technologies, or if there is a delay in the launch process, the Company may not see an increase in revenue to offset the current development costs or otherwise translate to added growth and revenue for the Company.

Clients may exercise termination rights within their contracts, which may cause uncertainty in anticipated and future revenue streams.

The Company generally does not allow for termination of a client's agreement except at the end of the agreed upon term or for cause. However, certain of the Company's client contracts provide that the client may terminate the contract without cause prior to the end of the term of the agreement by providing written notice, sometimes with relatively short notice periods. The Company also provides trial or evaluation periods for certain clients, especially for new products and services. Furthermore, there can be no assurance that a client will not cancel all or any portion of an agreement, even without an express early termination right, and the Company may face additional costs or hardships collecting on amounts owed if a client terminates an agreement without such a right. Whether resulting from termination for cause or the limited termination for convenience rights discussed above, the existence of contractual relationships with these clients is not an assurance that we will continue to provide services for our clients through the entire term of their respective agreements. If clients representing a significant portion of our revenue terminated their agreements unexpectedly, we may not, in the short-term, be able to replace the revenue and income from such contracts and this would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, client contract terminations could harm our reputation within the industry, especially any termination for cause, which could negatively impact our ability to obtain new clients.

Changes in healthcare regulations impacting coding, payers and other aspects of the healthcare regulatory cycle could have substantial impact on our financial performance, growth and operating costs.

Our sales and profitability depend, in part, on the extent to which coverage of and reimbursement for medical care provided is available from governmental health programs, private health insurers, managed care plans and other third-party payors. Unanticipated regulatory changes could materially impact the need for and/or value of our solutions. For example, if governmental or other third-party payors materially reduce reimbursement rates or fail to reimburse our clients adequately, our clients may suffer adverse financial consequences. Changes in regulations affecting the healthcare industry, such as any increased regulation by governmental agencies of the purchase and sale of medical products, or restrictions on permissible discounts and other financial arrangements, could also directly impact the capabilities our solutions and services provide and the pricing arrangements we are required to offer to be competitive in the market. Similarly, the U.S. Congress may adopt legislation that may change, override, conflict with or pre-empt the currently existing regulations and which could restrict the ability of clients to obtain, use or disseminate patient health information and/or impact the value of the functionality our products and services provide.

These situations would, in turn, reduce the demand for our solutions or services and/or the ability for a client to purchase our solutions or services. This could have a material impact on our financial performance. In addition, the speed with which the Company can respond to and address any such changes when compared with the response of other companies in the same market (especially companies who may accurately anticipate the evolving healthcare industry structure and identify unmet needs) are important competitive factors. If the Company is not able to address the modifications in a timely manner compared with our competition, that may further reduce demand for our solutions and services.

The potential impact on us of new or changes in existing federal, state and local regulations governing healthcare information could be substantial.

Healthcare regulations issued to date have not had a material adverse effect on our business. However, we cannot predict the potential impact of new or revised regulations that have not yet been released or made final, or any other regulations that might be adopted. The U.S. Congress may adopt legislation that may change, override, conflict with or pre-empt the currently existing regulations and which could restrict the ability of clients to obtain, use or disseminate patient health information. Although the features and architecture of our existing solutions can be modified, it may be difficult to address the changing regulation of healthcare information.

The healthcare industry is highly regulated. Any material changes in the political, economic or regulatory healthcare environment that affect the group purchasing business or the purchasing practices and operations of healthcare organizations, or that lead to consolidation in the healthcare industry, could require us to modify our services or reduce the funds available to providers to purchase our solutions and services.

Our business, financial condition and results of operations depend upon conditions affecting the healthcare industry generally and hospitals and health systems particularly. Our ability to grow will depend upon the economic environment of the healthcare industry, as well as our ability to increase the number of solutions that we sell to our clients. The healthcare industry is highly regulated and is subject to changing political, economic and regulatory influences. Factors such as changes in reimbursement policies for healthcare expenses, consolidation in the healthcare industry, regulation, litigation and general economic conditions affect the purchasing practices, operation and, ultimately, the operating funds of healthcare organizations. In particular, changes in regulations affecting the healthcare industry, such as any increased regulation by governmental agencies of the purchase and sale of medical products, or restrictions on permissible discounts and other financial arrangements, could require us to make unplanned modifications to our solutions and services, or result in delays or cancellations of orders or reduce funds and demand for our solutions and services.

Our clients derive a substantial portion of their revenue from third-party private and governmental payors, including through Medicare, Medicaid and other government-sponsored programs. Our sales and profitability depend, in part, on the extent to which coverage of and reimbursement for medical care provided is available from governmental health programs, private health insurers, managed care plans and other third-party payors. If governmental or other third-party payors materially reduce reimbursement rates or fail to reimburse our clients adequately, our clients may suffer adverse financial consequences, which in turn, may reduce the demand for and ability to purchase our solutions or services.

We face significant competition, including from companies with significantly greater resources.

We currently compete with many other companies for the licensing of similar software solutions and related services. Several companies historically have dominated the clinical information systems software market and several of these companies have either acquired, developed, or are developing their own analytics and coding/clinical documentation improvement solutions, as well as the resultant workflow technologies. The industry is undergoing consolidation and realignment as companies position themselves to compete more effectively. Many of these companies are larger than us and have significantly more resources to invest in their business. In addition, information and document management companies serving other industries may enter the market. Suppliers and companies with whom we may establish strategic alliances also may compete with us. Such companies and vendors may either individually, or by forming alliances excluding us, place bids for large agreements in competition with us. A decision on the part of any of these competitors to focus additional resources in any one of our three solutions stacks (coding audit solutions, analytics and coding/clinical documentation improvement), workflow technologies and other markets addressed by us could have a material adverse effect on us.

The healthcare industry is evolving rapidly, which may make it more difficult for us to be competitive in the future.

The U.S. healthcare system is under intense pressure to improve in many areas, including modernization, universal access and controlling skyrocketing costs of care. We believe that the principal competitive factors in our market are client recommendations and references, company reputation, system reliability, system features and functionality (including ease of use), technological advancements, client service and support, breadth and quality of the systems, the potential for enhancements and future compatible solutions, the effectiveness of marketing and sales efforts, price and the size and perceived financial stability of the vendor. In addition, we believe that the speed with which companies in our market can anticipate the evolving healthcare industry structure and identify unmet needs is an important competitive factor. If we are unable to keep pace with changing conditions and new developments, we will not be able to compete successfully in the future against existing or potential competitors.

Rapid technology changes and short product life cycles could harm our business.

The market for our solutions and services is characterized by rapidly changing technologies, regulatory requirements, evolving industry standards and new product introductions and enhancements that may render existing solutions obsolete or less competitive. As a result, our position in the healthcare information technology market could change rapidly due to unforeseen changes in the features and functions of competing products, as well as the pricing models for such products. Our future success will depend, in part, upon our ability to enhance our existing solutions and services and to develop and introduce new solutions and services to meet changing requirements. Moreover, competitors may develop competitive products that could adversely affect our operating results. We need to maintain an ongoing research and development program to continue to develop new solutions and apply new technologies to our existing solutions but may not have sufficient funds with which to undertake such required research and development. If we are not able to foresee changes or to react in a timely manner to such developments, we may experience a material, adverse impact on our business, operating results and financial condition.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our solutions and services.

Our intellectual property, which represents an important asset to us, has some protection against infringement through copyright and trademark law. We generally have little patent protection on our software. We rely upon license agreements, employment agreements, confidentiality agreements, nondisclosure agreements and similar agreements to maintain the confidentiality of our proprietary information and trade secrets. Notwithstanding these precautions, others may copy, reverse engineer or independently design technology similar to our solutions. If we fail to protect adequately our intellectual property through trademarks and copyrights, license agreements, employment agreements, confidentiality agreements, nondisclosure agreements or similar agreements, our intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate our technology or may otherwise limit any competitive technology advantage we may have. It may be necessary to litigate to enforce or defend our proprietary technology or to determine the validity of the intellectual property rights of others. Any litigation, successful or unsuccessful, may result in substantial cost and require significant attention by management and technical personnel.

Due to the rapid pace of technological change, we believe our future success is likely to depend upon continued innovation, technical expertise, marketing skills and client support and services rather than on legal protection of our intellectual property rights. However, we have aggressively asserted our intellectual property rights when necessary and intend to do so in the future.

We could be subjected to claims of intellectual property infringement that could be expensive to defend.

While we do not believe that our solutions and services infringe upon the intellectual property rights of third parties, the potential for intellectual property infringement claims continually increases as the number of software patents and copyrighted and trademarked materials continues to rapidly expand. Any claim for intellectual property right infringement, even if not meritorious, could be expensive to defend. If we were held liable for infringing third party intellectual property rights, we could incur substantial damage awards, and potentially be required to cease using the technology, produce non-infringing technology or obtain a license to use such technology. Such potential liabilities or increased costs could be material to us.

If we are unable to maintain effective internal control over financial reporting, we may fail to prevent or detect material misstatements in our financial statements, in which case investors may lose confidence in the accuracy and completeness of our financial statements.

In connection with the preparation of the consolidated financial statements for each of our fiscal years, our management conducts a review of our internal control over financial reporting. We are also required to maintain effective disclosure controls and procedures. Any failure to maintain adequate controls or to adequately implement required new or improved controls could harm operating results, or cause failure to meet reporting obligations in a timely and accurate manner.

Third party products are essential to our software.

Our software incorporates software licensed from various vendors into our proprietary software. In addition, third-party, stand-alone software is required to operate some of our proprietary software modules. The loss of the ability to use these third-party products, or ability to obtain substitute third-party software at comparable prices, could have a material adverse effect on our ability to license our software.

Our solutions may not be error-free and could result in claims of breach of contract and liabilities.

Our solutions are very complex and may not be error-free, especially when first released. Although we perform extensive testing, failure of any solution to operate in accordance with its specifications and documentation could constitute a breach of the license agreement and require us to correct the deficiency. If such deficiency is not corrected within the agreed-upon contractual limitations on liability and cannot be corrected in a timely manner, it could constitute a material breach of a contract allowing the termination thereof and possibly subjecting us to liability. Also, we sometimes indemnify our clients against third-party infringement claims. If such claims are made, even if they are without merit, they could be expensive to defend. Our license and SaaS agreements generally limit our liability arising from these types of claims, but such limits may not be enforceable in some jurisdictions or under some circumstances. A significant uninsured or under-insured judgment against us could have a material adverse impact on us.

We could be liable to third parties from the use of our solutions.

Our solutions provide access to patient information used by physicians and other medical personnel in providing medical care. The medical care provided by physicians and other medical personnel are subject to numerous medical malpractice and other claims. We attempt to limit any potential liability of ours to clients by limiting the warranties on our solutions in our agreements with our clients (i.e., healthcare providers). However, such agreements do not protect us from third-party claims by patients who may seek damages from any or all persons or entities connected to the process of delivering patient care. We maintain insurance, which provides limited protection from such claims, if such claims result in liability to us. Although no such claims have been brought against us to date regarding injuries related to the use of our solutions, such claims may be made in the future. A significant uninsured or under-insured judgment against us could have a material adverse impact on us.

Our SaaS and support services could experience interruptions.

We provide SaaS for many clients, including the storage of critical patient, financial and administrative data. In addition, we provide support services to clients through our client support organization. We have redundancies, such as backup generators, redundant telecommunications lines and backup facilities built into our operations to prevent disruptions. However, complete failure of all generators, impairment of all telecommunications lines or severe casualty damage to the primary building or equipment inside the primary building housing our hosting center or client support facilities could cause a temporary disruption in operations and adversely affect clients who depend on the application hosting services. Any interruption in operations at our data center or client support facility could cause us to lose existing clients, impede our ability to obtain new clients, result in revenue loss, cause potential liability to our clients, and increase our operating costs.

Our business and operations would suffer in the event of computer system failures, cyber-attacks or a deficiency in our cybersecurity. Our SaaS solutions are provided over an internet connection and any breach of security or confidentiality of protected health information could expose us to significant expense and harm our reputation.

Despite the implementation of security measures, our internal computer systems, and those of third parties on which we rely, are vulnerable to damage from a variety of causes, including computer viruses, malware, intentional or accidental mistakes or errors by users with authorized access to our computer systems, natural disasters, terrorism, war, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, or attachments to emails. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, non-U.S. governments, extra-state actors and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

We provide remote SaaS solutions for clients, including the storage of critical patient, financial and administrative data. We have security measures in place to prevent or detect misappropriation of protected health information. We must maintain facility and systems security measures to preserve the confidentiality of data belonging to clients, as well as their patients, that resides on computer equipment in our data center, which we handle via application hosting services, or that is otherwise in our possession. Notwithstanding efforts undertaken to protect data, it can be vulnerable to infiltration as well as unintentional lapse. If any disruption or security breach was to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could face claims for contract breach, penalties and other liabilities for violation of applicable laws or regulations, significant costs for remediation and re-engineering to prevent future occurrences and serious harm to our reputation.

In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. High-profile security breaches at other companies and in government agencies have increased in recent years, and security industry experts and government officials have warned about the risks of hackers and cyber-attacks targeting businesses such as ours. Computer hackers and others routinely attempt to breach the security of technology products, services and systems, and to fraudulently induce employees, clients, or others to disclose information or unwittingly provide access to systems or data. We can provide no assurance that our current IT systems, software, or third-party services, or any updates or upgrades thereto will be fully protected against third-party intrusions, viruses, hacker attacks, information or data theft or other similar threats.

Legislative or regulatory action in these areas is also evolving, and we may be unable to adapt our IT systems to accommodate these changes. We have experienced and expect to continue to experience sophisticated attempted cyber-attacks of our IT networks. Although none of these attempted cyber-attacks has had a material adverse impact on our operations or financial condition, we cannot guarantee that any such incidents will not have such an impact in the future.

The loss of key personnel could adversely affect our business.

Our success depends, to a significant degree, on our management, sales force and technical personnel. We must recruit, motivate and retain highly skilled managers, sales, consulting and technical personnel, including solution programmers, database specialists, consultants and system architects who have the requisite expertise in the technical environments in which our solutions operate. Competition for such technical expertise is intense. Our failure to attract and retain qualified personnel could have a material adverse effect on us.

Our future success depends upon our ability to grow, and if we are unable to manage our growth effectively, we may incur unexpected expenses and be unable to meet our clients' requirements.

We will need to expand our operations if we successfully achieve greater demand for our products and services. We cannot be certain that our systems, procedures, controls and human resources will be adequate to support expansion of our operations. Our future operating results will depend on the ability of our officers and employees to manage changing business conditions and to implement and improve our technical, administrative, financial control and reporting systems. We may not be able to expand and upgrade our systems and infrastructure to accommodate these increases. Difficulties in managing any future growth, including as a result of integrating any prior or future acquisition with our existing businesses, could cause us to incur unexpected expenses or render us unable to meet our clients' requirements, and consequently have a significant negative impact on our business, financial condition and operating results.

We may not have access to sufficient or cost-efficient capital to support our growth, execute our business plans and remain competitive in our markets.

As our operations grow and as we implement our business strategies, we expect to use both internal and external sources of capital. In addition to cash flow from normal operations, we may need additional capital in the form of debt or equity to operate and support our growth, execute our business plans and remain competitive in our markets. We may have no or limited availability to such external capital, in which case our future prospects may be materially impaired. Furthermore, we may not be able to access external sources of capital on reasonable or favorable terms. Our business operations could be subject to both financial and operational covenants that may limit the activities we may undertake, even if we believe they would benefit the Company.

Unstable market and economic conditions and potential disruptions in the credit markets may adversely affect our business, including the availability and cost of short-term funds for liquidity requirements and our ability to meet long-term commitments, which could adversely affect our results of operations, cash flows and financial condition.

If internally generated funds are not available from operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs. Our access to funds under our revolving credit facility or pursuant to arrangements with other financial institutions is dependent on the financial institution's ability to meet funding commitments. Financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience high volumes of borrowing requests from other borrowers within a short period of time.

In addition, the global credit and financial markets have recently experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, inflationary pressure and interest rate changes and uncertainty about economic stability. More recently, the closures of Silicon Valley Bank and Signature Bank and their placement into receivership with the Federal Deposit Insurance Corporation (FDIC) created bank-specific and broader financial institution liquidity risk and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds, even those in excess of the standard FDIC insurance limits, under a systemic risk exception, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages, impair the ability of companies to access near-term working capital needs, and create additional market and economic uncertainty. There can be no assurance that future credit and financial market instability and a deterioration in confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, liquidity shortages, volatile business environment or continued unpredictable and unstable market conditions. If the equity and credit markets deteriorate, or if adverse developments are experienced by financial institutions, it may cause short-term liquidity risk and also make any necessary debt or equity financing more difficult, more costly and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. In addition, there is a risk that one or more of our current service providers, financial institutions, manufacturers and other partners may be adversely affected by the foregoing risks, which could directly affect our ability to attain our operating goals on schedule and on budget.

We must maintain compliance with the terms of our existing credit facilities or receive a waiver for any non-compliance. The failure to maintain compliance could have a material adverse effect on our ability to finance our ongoing operations and we may not be able to find an alternative lending source if a default occurs.

On November 29, 2022, the Company executed a Second Modification to the Second Amended and Restated Loan Agreement (the "Second Modification Debt Agreement"). The Second Modification Debt Agreement includes an expansion of the Company's total borrowing to include a $2,000,000 revolving line of credit. The revolving line of credit will be co-terminus with the term loan and matures on August 26, 2026. There are no requirements to draw on the line of credit. Amounts outstanding under the line of credit portion of the Second Amended and Restated Loan Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. The Second Modification Debt Agreement amended the covenants of the Second Amended and Restated Loan and Security Agreement. Refer to Note 5 – Debt for information regarding the second Modification Debt Agreement. At January 31, 2023, there was no outstanding balance on the revolving line of credit.

On August 26, 2021, the Company and its subsidiaries entered into the Second Amended and Restated Loan and Security Agreement with Bridge Bank. Pursuant to the Second Amended and Restated Loan and Security Agreement, Bridge Bank agreed to provide the Company and its subsidiaries with a new term loan facility in the maximum principal amount of $10,000,000. Amounts outstanding under the term loan of the Second Amended and Restated Loan and Security Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. Pursuant to the Second Amended and Restated Loan and Security Agreement, the Company discontinued the existing $3,000,000 revolving credit facility with Bridge Bank. At the time of the discontinuance, there was no outstanding balance on the revolving credit facility.

The Second Amended and Restated Loan and Security Agreement has a five-year term, and the maximum principal amount was advanced in a single-cash advance on or about the closing date. Interest accrued under the Second Amended and Restated Loan and Security Agreement is due monthly, and the Company shall make monthly interest-only payments through the one-year anniversary of the closing date. From the first anniversary of the closing date through the maturity date, the Company shall make monthly payments of principal and interest that increase over the term of the agreement. The Second Amended and Restated Loan and Security Agreement requires principal repayments of $500,000 in the second year, $1,000,000 in the third year, $2,000,000 in the fourth year, and $3,000,000 in the fifth year, respectively, with the remaining outstanding principal balance and all accrued but unpaid interest due in full on the maturity date. The Second Amended and Restated Loan and Security Agreement may also require early repayments if certain conditions are met. The Second Amended and Restated Loan and Security Agreement is secured by substantially all of the assets of the Company, its subsidiaries, and certain of its affiliates.

If we do not maintain compliance with all of the continuing covenants and other terms and conditions of our existing credit facilities or secure a waiver for any non-compliance, we could be required to repay outstanding borrowings on an accelerated basis, which could subject us to decreased liquidity and other negative impacts on our business, results of operations and financial condition. Furthermore, if we needed to do so, it may be difficult for us to find an alternative lending source. In addition, because our assets are pledged as a security under our credit facilities, if we are not able to cure any default or repay outstanding borrowings, our assets are subject to the risk of foreclosure by our lenders. Without a sufficient credit facility, we would be adversely affected by a lack of access to liquidity needed to operate our business. Any disruption in access to credit could force us to take measures to conserve cash, such as deferring important research and development expenses, which measures could have a material adverse effect on us.

Economic conditions in the U.S. and globally may have significant effects on our clients and suppliers that could result in material adverse effects on our business, operating results and stock price.

Economic conditions in the U.S. and globally could deteriorate and cause the worldwide economy to enter into a stagnant period that could materially adversely affect our clients' access to capital or willingness to spend capital on our solutions and services or their levels of cash liquidity with which to pay for solutions that they will order or have already ordered from us. In addition, the ongoing conflict between Russia and Ukraine could lead to disruption, instability and volatility in global markets and industries that could negatively impact our operations. The U.S. government, and other governments in jurisdictions in which we operate, have imposed severe sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. The impact of these measures, as well as potential responses to them by Russia, is currently unknown and they could adversely affect our business, partners or clients. Challenging economic conditions also would likely negatively impact our business, which could result in: (1) reduced demand for our solutions and services; (2) increased price competition for our solutions and services; (3) increased risk of collectability of cash from our clients; (4) increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable; (5) reduced revenues; and (6) higher operating costs as a percentage of revenues.

All of the foregoing potential consequences of a deterioration of economic conditions are difficult to forecast and mitigate. As a consequence, our operating results for a particular period are difficult to predict, and, therefore, prior results are not necessarily indicative of future results. Any of the foregoing effects could have a material adverse effect on our business, results of operations, and financial condition and could adversely affect the market price of our common stock and other securities.

The variability of our quarterly operating results can be significant.

Our operating results have fluctuated from quarter-to-quarter in the past, and we may experience continued fluctuations in the future. Future revenues and operating results may vary significantly from quarter-to-quarter as a result of a number of factors, many of which are outside of our control. These factors include: the relatively large size of client agreements; unpredictability in the number and timing of software licenses and sales of application hosting services; length of the sales cycle; delays in installations; changes in clients' financial conditions or budgets; increased competition; the development and introduction of new products and services; the loss of significant clients or remarketing partners; changes in government regulations, particularly as they relate to the healthcare industry; the size and growth of the overall healthcare information technology markets; any liability and other claims that may be asserted against us; our ability to attract and retain qualified personnel; national and local general economic and market conditions; and other factors discussed in this Report and our other filings with the SEC.

***The COVID-19 pandemic and resulting adverse economic conditions has had and will likely continue to have an adverse effect on our business, results of operations and financial conditio*n.**

The COVID-19 pandemic, and its attendant economic damage, has had an adverse impact on our revenue and may continue to adversely affect our business, results of operations and financial condition. These and other potential impacts of COVID-19 could therefore continue to materially and adversely affect our business, results of operations and financial condition. Even after the COVID-19 pandemic has subsided, we may experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. For instance, changes in the behavior of customers, businesses and their employees as a result of the COVID-19 pandemic, including social distancing practices, even after formal restrictions have been lifted, are unknown. Furthermore, the financial condition of our customers and vendors may be adversely impacted, which may result in a decrease in the demand for our products, the inability and our franchisees' ability to operate store locations or a disruption to our supply chain. Any of these events may, in turn, have a material adverse impact our business, results of operations and financial condition.

The preparation of our financial statements requires the use of estimates that may vary from actual results.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates that affect the financial statements. One of our most critical estimates is the capitalization of software development costs. Due to the inherent nature of these estimates, we may be required to significantly increase or decrease such estimates upon determination of the actual results. Any required adjustments could have a material adverse effect on us and our results of operations.

Failure to improve and maintain the quality of internal control over financial reporting and disclosure controls and procedures or other lapses in compliance could materially and adversely affect our ability to provide timely and accurate financial information about us or subject us to potential liability.

In connection with the preparation of the consolidated financial statements for each of our fiscal years, our management conducts a review of our internal control over financial reporting. We are also required to maintain effective disclosure controls and procedures. Any failure to maintain adequate controls or to adequately implement required new or improved controls could harm operating results, or cause failure to meet reporting obligations in a timely and accurate manner.

Risks Relating to our Common Stock

The market price of our common stock is likely to be highly volatile as the stock market in general can be highly volatile.

The public trading of our common stock is based on many factors that could cause fluctuation in the price of our common stock. These factors may include, but are not limited to:

- General economic and market conditions;
- Actual or anticipated variations in annual or quarterly operating results;
- Lack of or negative research coverage by securities analysts;
- Conditions or trends in the healthcare information technology industry;
- Changes in the market valuations of other companies in our industry;
- Announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- Announced or anticipated capital commitments;
- Ability to maintain listing of our common stock on Nasdaq;
- Additions or departures of key personnel; and
- Sales and repurchases of our common stock by us, our officers and directors or our significant stockholders, if any.

Most of these factors are beyond our control. Further, as a result of our relatively small public float, our common stock may be less liquid, and the trading price for our common stock may be more affected by relatively small volumes of trading than is the case for the common stock of companies with a broader public ownership. These factors may cause the market price of our common stock to decline, regardless of our operating performance or financial condition.

If equity research analysts do not publish research reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock may rely in part on the research and reports that equity research analysts publish about our business and us. We do not control the opinions of these analysts. The price of our stock could decline if one or more equity analysts downgrade our stock or if those analysts issue other unfavorable commentary or cease publishing reports about our business or us. Furthermore, if no equity research analysts conduct research or publish reports about our business and us, the market price of our common stock could decline.

All of our debt obligations and any preferred stock that we may issue in the future will have priority over our common stock with respect to payment in the event of a bankruptcy, liquidation, dissolution or winding up.

In any bankruptcy, liquidation, dissolution or winding up of the Company, our shares of common stock would rank in right of payment or distribution below all debt claims against us and all of our outstanding shares of preferred stock, if any. As a result, holders of our shares of common stock will not be entitled to receive any payment or other distribution of assets in the event of a bankruptcy or upon a liquidation or dissolution until after all of our obligations to our debt holders and holders of preferred stock have been satisfied. Accordingly, holders of our common stock may lose their entire investment in the event of a bankruptcy, liquidation, dissolution or winding up of the Company. Similarly, holders of our preferred stock would rank junior to our debt holders and creditors in the event of a bankruptcy, liquidation, dissolution or winding up of the Company.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

We are generally not restricted from issuing in public or private offerings additional shares of common stock or preferred stock, and other securities that are convertible into or exchangeable for, or that represent a right to receive, common stock or preferred stock or any substantially similar securities. Such offerings represent the potential for a significant increase in the number of outstanding shares of our common stock. The market price of our common stock could decline as a result of sales of common stock, preferred stock or similar securities in the market made after an offering or the perception that such sales could occur.

The issuance of preferred stock could adversely affect holders of shares of our common stock, which may negatively impact your investment.

Our Board of Directors is authorized to issue classes or series of preferred stock without any action on the part of the stockholders. The Board of Directors also has the power, without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including rights and preferences over the shares of common stock with respect to dividends or upon our dissolution, winding-up or liquidation, and other terms. If we issue preferred stock in the future that has a preference over the shares of our common stock with respect to the payment of dividends or upon our dissolution, winding up or liquidation, or if we issue preferred stock with voting rights that dilute the voting power of the shares of our common stock, the rights of the holders of shares of our common stock or the market price of our common stock could be adversely affected.

As of January 31, 2023, we had no shares of preferred stock outstanding.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend solely on appreciation in the price of our common stock.

We have never declared or paid any cash dividends on our common stock and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in its value. The trading price of our common stock could decline and you could lose all or part of your investment.

Sales of shares of our common stock or securities convertible into our common stock in the public market may cause the market price of our common stock to fall.

The issuance of shares of our common stock or securities convertible into our common stock in an offering from time to time could have the effect of depressing the market price for shares of our common stock. In addition, because our common stock is thinly traded, resales of shares of our common stock by our largest stockholders or insiders could have the effect of depressing market prices for our common stock.

If we are unable to maintain compliance with Nasdaq listing requirements, our stock could be delisted, and the trading price, volume and marketability of our stock could be adversely affected.

Our common stock is listed on Nasdaq. We cannot assure you that we will be able to maintain compliance with Nasdaq's current listing standards, or that Nasdaq will not implement additional listing standards with which we will be unable to comply. Failure to maintain compliance with Nasdaq listing requirements could result in the delisting of our shares from Nasdaq, which could have a material adverse effect on the trading price, volume and marketability of our common stock. Furthermore, a delisting could adversely affect our ability to issue additional securities and obtain additional financing in the future or result in a loss of confidence by investors or employees.

Note Regarding Risk Factors

The risk factors presented above are all of the ones that we currently consider material. However, they are not the only ones facing the Company. Additional risks not presently known to us, or which we currently consider immaterial, may also adversely affect us. There may be risks that a particular investor views differently from us, and our analysis might be wrong. If any of the risks that we face actually occur, our business, financial condition and operating results could be materially adversely affected and could differ materially from any possible results suggested by any forward-looking statements that we have made or might make. In such case, the market price of our common stock or other securities could decline and you could lose all or part of your investment. **We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.**

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

In March 2020, the Company moved its principal offices to a subleased office space at 11800 Amber Park Drive, Suite 125, Alpharetta, Georgia 30009. The office space totals 7,409 square feet and the sublease expired on March 31, 2023. In October 2021, we subleased this space to a third party for the remaining lease period.

On August 16, 2021, contemporaneous with the acquisition of Avelead, the Company assumed a lease of office space at 1172 Satellite Boulevard NW, Office Suite 100, Suwannee, Georgia 30024. The lease expired on February 28, 2022. The lease was renewed in February 2022 for one year on substantially the same terms. The tenant of the lease is an entity controlled by the former owner of Avelead and current Chief Strategy Officer of the Company. The lease expired on February 28, 2023 and was not renewed.

Prior to occupying the subleased office space located in Alpharetta, Georgia, the Company occupied shared office space under a membership agreement which provides for membership fees based on the number of contracted seats.

The Company has moved to a virtual office model and does not have a physical office space. Our mailing address is 2400 Old Milton Pkwy, Box 1353, Alpharetta, GA 30009. We believe the virtual environment is adequate for the Company’s current and planned future operations. Suitable alternative space is available to accommodate expansion of the Company’s operations.

Item 3. *Legal Proceedings*

We are, from time to time, a party to various legal proceedings and claims, which arise in the ordinary course of business. We are not aware of any legal matters that could have a material adverse effect on our consolidated results of operations, financial position or cash flows.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

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

The Company's common stock trades on the NASDAQ Capital Market under the symbol STRM.

According to the Company's stock transfer agent's records, the Company had 75 stockholders of record as of April 20, 2023. Because brokers and other institutions on behalf of stockholders hold many of such shares, the Company is unable to determine with complete accuracy the current total number of stockholders represented by these record holders. The Company estimates that it has approximately 300 stockholders, based on information provided by the Company's stock transfer agent.

The Company has never declared or paid any cash dividends on its common stock and does not currently intend to do so for the foreseeable future. The Company currently intends to invest its future earnings, if any, to fund its growth.

For the fiscal year ended January 31, 2023, we issued an aggregate of 371,231 shares of common stock to 180 Consulting (as defined below) as compensation for services provided pursuant to the Master Services Agreement, effective March 19, 2020, by and between the Company and 180 Consulting and related statements of work. The shares were issued in a series of private placements in reliance on the exemption from registration available under Section 4(a)(2) of the Securities Act, including Regulation D promulgated thereunder and the certificates representing such shares have a legend imprinted on them stating that the shares have not been registered under the Securities Act and cannot be transferred until properly registered under the Securities Act or pursuant to an exemption from such registration.

180 Consulting has earned, cumulatively, through the Master Services Agreement, 915,204 shares of common stock through January 31, 2023. 100,927 shares of common stock were earned but not issued as of the end of our fiscal year ended January 31, 2023. In June 2022, the Company filed a Registration Statement on Form S-3 to register 272,653 shares of stock that were previously issued to 180 Consulting pursuant to Rule 416 of the Securities Act of 1933. See Note 12 – Commitments and Contingencies to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data".

The following table sets forth information with respect to our repurchases of common stock during the three months ended January 31, 2023:

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased under the Plans or Programs
November 1 - November 30	—	—	—	—
December 1 - December 31	17,256	$ 1.81	—	—
January 1 - January 31	—	—	—	—
Total	17,256	$ 1.81	—	—

(1) Amount represents shares surrendered by employees to satisfy tax withholding obligations resulting from restricted stock that vested during the three months ended January 31, 2023.

Item 6. [Reserved]

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Executive Overview

The Company has determined it can best assist healthcare providers in improving their revenue cycle management by providing solutions and services in the middle portion of the revenue cycle, that is, the revenue cycle operations from initial charge capture to bill drop. We continue to make decisions supporting our focus in the middle of the revenue cycle. Our healthcare provider clients are acute-care hospitals and related clinics.

The Company has introduced two flagship software solutions for the middle of the revenue cycle: RevID and eValuator.

With the focus on the middle of the revenue cycle, the Company is committed to leading an industry movement to improve hospitals' financial performance by moving billing interventions upstream to improve coding accuracy before billing, enabling our clients to reduce revenue leakage, mitigate under-billing and over-billing risk, reduce both denials and limit days in accounts receivable.

By narrowing our focus to the middle of the revenue cycle, we believe there is a distinct and compelling value proposition that can help us attract more clients. By innovating and acquiring new technologies, we have been able to expand our target markets beyond just hospitals and into outpatient centers, clinics and physician practices. Our revenue cycle solutions like eValuator, RevID, and Compare are competitive in the market and enabled us to engage thirteen significant new clients in fiscal 2022. These new clients are some of the most recognizable names in healthcare as we have focused our salesforce on industry-leading clients whose processes are often duplicated by smaller facilities.

Acquisitions and Divestitures:

The Company divested its ECM Assets on February 24, 2020. As discussed above, such divestiture is consistent with the Company's efforts to focus on the middle of the revenue cycle and its pre-bill technology, eValuator. Management believes that the revenue cycle technology platforms have higher growth opportunities than its legacy products, including the ECM Assets. The Company accounted for the disposal of the ECM Assets as a sale of assets. See Note 13 – Discontinued Operations to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data".

On August 16, 2021, the Company completed an acquisition of Avelead, a recognized leader in providing solutions and services to improve revenue integrity for healthcare providers nationwide. The Company believes Avelead's solutions will complement and extend the value the Company can deliver to its clients. Refer to Note 3 – Business Combination and Divestiture in our consolidated financial statements included in Part I, Item I, "Financial Statements" for further information on the Avelead acquisition.

Macro-Economic Conditions:

Regardless of the state of the Affordable Care Act, the healthcare industry continues to face sweeping changes and new standards of care that are putting greater pressure on healthcare providers to be more efficient in every aspect of their operations. We believe these changes represent ongoing opportunities for our Company to work with our direct clients and various resellers to provide information technology solutions to help providers meet these new requirements.

The COVID-19 pandemic, and its attendant economic damage, has had an adverse impact on our revenue.

The Company believes the lingering effects of the COVID-19 pandemic may continue to impact our acute care healthcare clients including (i) lower margins in hospitals primarily due to increased cost of personnel and materials, (ii) higher than normal personnel turnover in clinical and administrative departments as the labor force looks outside the acute care healthcare space, and (iii) a backlog of IT projects that were deferred during COVID-19 that places pressure on the hospital system to manage new projects. As events continue to change, the Company is unable to accurately predict the ultimate impact that the COVID-19 pandemic will have on the results of operations due to uncertainties including, but not limited to, the severity of the disease, the impact of new subvariants and the public's response to the outbreak; however, the Company is actively managing the business to respond to the impact.

In addition, the U.S. government, and other governments in jurisdictions in which we operate, have imposed severe sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. The impact of these measures, as well as potential responses to them by Russia, is currently unknown and they could adversely affect our business, partners or clients.

Results of Operations

Statements of Operations for the fiscal years ended January 31 (in thousands):

	2023	2022 (2)	$ Change	% Change
Software as a Service	$ 12,326	$ 8,077	$ 4,249	53%
Maintenance and Support	4,483	4,323	160	4%
Professional fees and licenses	8,080	4,979	3,101	62%
Total revenues	24,889	17,379	7,510	43%
Cost of sales	13,395	8,577	4,818	56%
Selling, general and administrative	16,134	11,931	4,203	35%
Research and development	6,042	4,782	1,260	26%
Acquisition-related costs	149	2,856	(2,707)	(95)%
Total operating expenses	35,720	28,146	7,574	27%
Operating loss	(10,831)	(10,767)	(64)	(1)%
Other (expense) income, net	(477)	3,959	(4,436)	(112)%
Income tax expense	(71)	(109)	38	(35)%
Loss from continuing operations	$ (11,379)	$ (6,917)	$ (4,462)	(65)%
Adjusted EBITDA(1)	$ (3,757)	$ (2,037)	$ (1,720)	(84)%

(1) Non-GAAP measure meaning net earnings (loss) before net interest expense, tax expense (benefit), depreciation, amortization, stock-based compensation expense, transactional and other expenses that do not relate to our core operations. See “Use of Non-GAAP Financial Measures” below for additional information and reconciliation.

(2) We acquired all of the equity interests of Avelead on August 16, 2021. All of the revenue and expenses associated with Avelead are included from that date to the end of the Company’s fiscal year ended January 31, 2023.

The following table sets forth, for each fiscal year indicated, certain operating data as percentages of total revenues:

Statements of Operations (1)

	Fiscal Year	
	2022	**2021**
Software as a service	49.5%	46.5%
Maintenance and support	18.0	24.9
Professional fees and licenses	32.5	28.6
Total revenues	100.0%	100.0%
Cost of sales	53.8%	49.4%
Selling, general and administrative	64.8	68.7
Research and development	24.3	27.5
Acquisition-related costs	0.6	16.4
Total operating expenses	143.5%	162.0%
Operating loss	(43.5)%	(62.0)%
Other (expense) income, net	(1.9)	22.8
Income tax expense	(0.3)	(0.6)
Loss from continuing operations	(45.7)%	(39.8)%
Cost of Sales to Revenues ratio, by revenue stream:		
Software as a service	51.6%	42.3%
Maintenance and support	9.5%	7.7%
Professional fees and licenses	81.8%	96.9%

(1) Because a significant percentage of the operating costs are incurred at levels that are not necessarily correlated with revenue levels, a variation in the timing of software licenses and installations and the resulting revenue recognition can cause significant variations in operating results. As a result, period-to-period comparisons may not be meaningful with respect to the past results nor are they necessarily indicative of the future results of the Company in the near or long-term. The data in the table is presented solely for the purpose of reflecting the relationship of various operating elements to revenues for the periods indicated.

Comparison of Fiscal 2022 with 2021

Revenues

	Fiscal Year		2022 to 2021 Change	
(in thousands):	**2022**	**2021**	**$**	**%**
Software as a service	$ 12,326	$ 8,077	$ 4,249	53%
Maintenance and support	4,483	4,323	160	4%
Professional fees and licenses	8,080	4,979	3,101	62%
Total Revenues	$ 24,889	$ 17,379	$ 7,510	43%

Software as a service (SaaS) — Revenues from SaaS are primarily comprised of the Company's flagship products; eValuator, RevID and Compare. Revenues from SaaS in fiscal 2022 were $12,326,000, as compared to $8,077,000 in fiscal 2021. The increase in SaaS revenue in fiscal 2022 includes $3,441,000 from Avelead products, primarily due to a full twelve months of revenue recognition compared to partial year revenue in fiscal 2021. Avelead was acquired on August 16, 2021, resulting in a partial year of revenue in fiscal 2021 and a full year of revenue in fiscal 2022. The remaining increase in fiscal 2022 revenue was attributable to growth associated with the Company's eValuator product. The Company expects substantial growth in its SaaS business, year-over-year, and sequentially, in each quarter of fiscal 2023. At January 31, 2023, the Company had approximately $5.40 million, in SaaS annual contract value for contracts that had not been implemented.

Maintenance and support — Revenues from maintenance and support are derived from our legacy CDI and Abstracting products. Revenues from maintenance and support in fiscal 2022 remained consistent as compared to fiscal 2021. The Company expects a slight decrease for the maintenance and support revenue for fiscal 2023 from pricing pressure and terminations offset with minimal new sales as the Company's focus continues to be on its SaaS products.

Professional fees and licenses — Revenues from professional fees and licenses include proprietary software, term license, professional services and audit and coding services revenues. Total professional fees and licenses revenues in fiscal 2022 were $8,080,000 compared to $4,979,000 in fiscal 2021 for a total increase of $3,101,000.

Software license revenues recognized in fiscal 2022 were $663,000, as compared to $582,000 in fiscal 2021. The software license sales come primarily from our channel partners. The Company has the ability to influence sales of these products; however, the timing is difficult to manage as sales are essentially the result of these channel partners. Term license revenue for fiscal 2022 increased $81,000 from fiscal 2021, to $556,000 as one client's multi-year term license renewed during fiscal 2022. Professional services revenues in fiscal 2022 were $4,319,000 as compared to $2,026,000 in fiscal 2021. The increase in professional services included $1,855,000 from professional service contracts from Avelead. Avelead was acquired on August 16, 2021, resulting in a partial year of results for fiscal 2021 as compared to a full year of results for fiscal 2022. We anticipate a decrease in professional services revenue in fiscal 2023 as a result of the termination of a large client's consulting contract effective January 31, 2023. The large client contract that cancelled accounted for nearly $2,900,000 of revenue in fiscal 2022. The large client professional services contract had low margins compared to our SaaS solutions and the Company does not intend to pursue such professional services contracts in the future.

Audit and coding services revenues recognized in fiscal 2022 were $2,542,000, as compared to $1,896,000 in fiscal 2021. Looking ahead to fiscal 2023, the Company continues to see demand for on-shore, technically proficient coders and auditors in the marketplace. The Company believes it has a competitive advantage utilizing eValuator for these audit and coding services. The Company expects the audit and coding services business to remain stable during fiscal 2023 as it may be sold with our eValuator solution as a technology enabled service.

Cost of Revenue

	Fiscal Year		2022 to 2021 Change	
(in thousands):	**2022**	**2021**	**$**	**%**
Cost of software as a service	$ 6,358	$ 3,417	$ 2,941	86%
Cost of maintenance and support	427	334	93	28%
Cost of professional fees and licenses	6,610	4,826	1,784	37%
Total cost of sales	$ 13,395	$ 8,577	$ 4,818	56%

Cost of software as a service (SaaS) - The cost of SaaS solutions consists of costs associated with (i) amortization of capitalized software, (ii) royalties payable to third-parties for use of their coding related content, and (iii) personnel and network related expenses to provision the application for each client. The increase in cost of SaaS included $2,149,000 related to Avelead. Avelead was acquired on August 16, 2021 resulting in a partial year of results in fiscal 2021 compared to a full year of results in fiscal 2022. The royalty and network related agreements are becoming variable as the cost is derived by attributes of the client's accessing the system. The remaining year-over-year increase was driven by personnel expenses. The Company continued to invest in additional personnel to support SaaS solutions as the client base has been expanding. The Company expects the costs in these categories will continue to rise, in line with revenue, in fiscal 2023 as the Company continues to invest in RevID, Compare and eValuator.

Certain costs in SaaS solutions are tied to volumes. These costs include coding tools supporting eValuator and a third-party system that is intended to help move data from the hospital system to our systems. Included in the cost of SaaS solutions are non-cash amounts of $2,068,000, including the amortization of capitalized software, which impacts margin by 17%. Current margins are lower than we expect in the future for SaaS solutions as we are implementing several new clients. Certain costs, such as labor and third-party content providers, negatively impact gross margin before a client is fully implemented and revenue is recognized.

Cost of maintenance and support – The cost of maintenance and support includes compensation and benefits for client support personnel. The cost of maintenance in fiscal 2022, compared to fiscal 2021, remained flat and in line with the change in maintenance and support revenue. We expect to see the cost of maintenance and support for fiscal 2023 to remain relatively consistent as our maintenance and support teams focus on serving our SaaS solutions.

Cost of professional fees and licenses – Cost of revenue, professional fees and licenses, includes cost of software licenses, cost of professional services and cost of audit and coding services. The total cost of sales, professional fees and licenses was $6,610,000 and $4,826,000 for fiscal year 2022 and fiscal year 2021 respectively. The increase in cost of professional fees and licenses includes $1,611,000 from legacy Avelead professional services, primarily due to a full twelve months of expenses compared to a partial year of expenses in fiscal 2021. Avelead was acquired on August 16, 2021, resulting in a partial year of results for fiscal 2021 as compared to a full year of results in fiscal 2022. The implied gross margin on professional fees and licenses revenue increased in fiscal year 2022 as compared to fiscal year 2021 primarily due to (i) higher revenue from software licenses and (ii) improved margin on a large professional services contract as we lowered the cost of personnel used on the project. The large professional services contract that was cancelled by the client, with a cancellation effective date of January 31, 2023, was staffed by employees and contract labor. The employees and contract labor servicing the large contract were terminated consistent with the end of the revenue. There are no operating losses expected to wind down the labor associated with this contract.

Selling, General and Administrative Expense

	Fiscal Year		2022 to 2021 Change	
(in thousands):	**2022**	**2021**	**$**	**%**
General and administrative expenses	$ 10,569	$ 7,896	$ 2,673	34%
Sales and marketing expenses	5,565	4,035	1,530	38%
Total selling, general, and administrative expense	$ 16,134	$ 11,931	$ 4,203	35%

General and administrative expenses consist primarily of compensation and related benefits, reimbursable travel and entertainment expenses related to our executive and administrative staff, general corporate expenses, amortization of intangible assets, and occupancy costs. Avelead was acquired on August 16, 2021, resulting in a partial year of operations for fiscal 2021 as compared to a full year of operations for fiscal 2022, comprising $1,187,000 of the increase in general and administrative expenses for fiscal 2022. For fiscal 2022, increases of $1,206,000 were also driven by employee related expenses, primarily by salaries, and with increases for performance bonuses and severance expense, accounting for $145,000 and $305,000, respectively. All is considered part of the Company's strategic plan to simplify the Company's business in order to drive sustainable growth and improved profitability and cash flows. The Company previously announced an "alignment" bringing the Avelead business together with its eValuator business. The resulting severance expense is included in each of general and administrative expenses and sales and marketing expense.

Sales and marketing expenses consist primarily of compensation and related benefits and travel and entertainment expenses related to our sales and marketing staff, as well as advertising and marketing expenses, including trade shows. For fiscal 2022, Avelead comprised $1,101,000 of the increase in sales and marketing expenses as compared to fiscal 2021, as Avelead was acquired on August 16, 2021, resulting in a partial year of operations for fiscal 2021 as compared to a full year of operations for fiscal 2022. The Company has also seen an increase in travel to client sites, as well as industry trade shows, resulting in greater travel expenses. The Company expects that face-to-face meetings with hospital systems will result in higher sales bookings.

Research and Development

	Fiscal Year		2022 to 2021 Change	
(in thousands):	**2022**	**2021**	**$**	**%**
Research and development expense	$ 6,042	$ 4,782	$ 1,260	26%
Capitalized research and development cost	2,019	1,431	588	41%

Research and development expenses consist primarily of compensation and related benefits, the use of independent contractors for specific near-term development projects and an allocated portion of general overhead costs, including occupancy costs, if material. Total costs in each of research and development expense and capitalized research and development cost for fiscal 2022 include $2,612,000 related to Avelead compared to fiscal 2021 which included $978,000 related to Avelead. Avelead was acquired on August 16, 2021, resulting in a partial year of results for fiscal 2021 as compared with a full year of results for fiscal 2022. The remaining fiscal 2022 increased spend was with our development partner (see Commitments and Contingencies). The Company continues to focus on research and development activities on those products with its highest growth prospects, primarily eValuator, RevID and Compare. The Company expects fiscal 2023 total research and development spend to continue at approximately the same level as fiscal 2022. For fiscal 2022, as a percentage of revenue, total research and development costs were 32%. In fiscal 2022, the Company was awarded $56,000 from the State of Georgia for its annual research and development tax credit. At the end of fiscal 2022, the cumulative balance of unused research and development credits was $181,000. These research and development tax credits can be applied to current Georgia payroll taxes due.

Acquisition-related Costs

	Fiscal Year		2022 to 2021 Change	
(in thousands):	**2022**	**2021**	**$**	**%**
Acquisition-related costs	$ 149	$ 2,856	$ (2,707)	(95)%

Refer to Note 2 – Summary of Significant Accounting Policies – Other Operating Costs – Acquisition-related costs – in the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” for further details with respect to acquisition-related costs. For fiscal 2022, the Company incurred certain acquisition-related costs related to the acquisition of Avelead totaling $149,000, consisting primarily of fees for professional services. For fiscal 2021, the Company incurred acquisition-related costs related to the acquisition of Avelead totaling $2,856,000. Of the total costs related to the acquisition of Avelead in fiscal 2021, $705,000 was related to bonuses paid to certain executives in executing priorities, primarily the acquisition.

Other (Expense) income

	Fiscal Year		2022 to 2021 Change	
(in thousands):	**2022**	**2021**	**$**	**%**
Interest expense	$ (749)	$ (236)	$ (513)	217%
Loss on early extinguishment of debt	-	(43)	43	(100)%
Acquisition earnout valuation adjustments	71	1,851	(1,780)	(96)%
Miscellaneous income	201	60	141	235%
PPP Loan Forgiveness	-	2,327	(2,327)	(100)%
Total other (expense) income	$ (477)	$ 3,959	$ (4,436)	(112)%

Interest expense consists of interest associated with the term loan, deferred financing costs, less interest related to capitalization of software. Interest expense increased for fiscal 2022 from the prior year period primarily due to the $10,000,000 term loan with Bridge Bank (See Note 5 – Debt) and higher interest rates. Further, interest rates have increased at an accelerated pace in fiscal 2022. Federal Reserve has been reacting to inflation through interest rate increases. Recent interest rate increases are expected to continue at a slower pace than that experienced in fiscal 2022. The interest rate increases that have been put into effect to date, are expected to continue to increase interest expense (year-over-year) into fiscal 2023.

Acquisition earnout valuation adjustments for fiscal 2022 include a valuation adjustment of $71,000 compared to an adjustment of $1,851,000 for fiscal 2021. The valuation adjustment is related to the acquisition earnout liabilities associated with the Avelead acquisition (Refer to Note 3 – Business Combination and Divestiture of the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data”).

Miscellaneous income for fiscal 2022 and fiscal 2021 primarily includes income related to the sublease of the Alpharetta location (Refer to Note 4 – Operating Leases).

PPP loan forgiveness for fiscal 2021 reflects the financial impact of the forgiveness of the Company’s $2,301,000 PPP loan along with the accrued interest of $26,000.

Provision for Income Taxes

For continuing operations fiscal 2022 and fiscal 2021, we recorded income tax expense of $71,000 and $109,000, respectively, which is comprised of estimated federal, state, and local income tax provisions. The Company has a substantial amount of net operating losses for federal and state income tax purposes. The Company recorded an increase to the federal income tax valuation allowance in each of fiscal 2022 and 2021 of approximately $2.0 million which offset related tax benefits for operating losses.

Use of Non-GAAP Financial Measures

In order to provide investors with greater insight and allow for a more comprehensive understanding of the information used by management and the Board of Directors in its financial and operational decision-making, the Company has supplemented the Consolidated Financial Statements presented on a GAAP basis in this Report with the following non-GAAP financial measures: EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin.

These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Company results as reported under GAAP. The Company compensates for such limitations by relying primarily on our GAAP results and using non-GAAP financial measures only as supplemental data. We also provide a reconciliation of non-GAAP to GAAP measures used. Investors are encouraged to carefully review this reconciliation. In addition, because these non-GAAP measures are not measures of financial performance under GAAP and are susceptible to varying calculations, these measures, as defined us, may differ from and may not be comparable to similarly titled measures used by other companies.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin

We define: (i) EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation and amortization; (ii) Adjusted EBITDA as net earnings (loss) before net interest expense, income tax expense (benefit), depreciation, amortization, share-based compensation expense, transaction related expenses, and other expenses or benefits that do not relate to our core operations such as severance and impairment charges and debt forgiveness; and (iii) Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of GAAP net revenue. EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin are used to facilitate a comparison of our operating performance on a consistent basis from period to period and provide for a more complete understanding of factors and trends affecting our business than GAAP measures alone. These measures assist management and the board and may be useful to investors in comparing our operating performance consistently over time as they remove the impact of our capital structure (primarily interest charges), asset base (primarily depreciation and amortization), items outside the control of the management team (taxes) and expenses that do not relate to our core operations including: transaction-related expenses (such as professional and advisory services), corporate restructuring expenses (such as severances) and other operating costs that are expected to be non-recurring in nature. Adjusted EBITDA removes the impact of share-based compensation expense, which is another non-cash item.

The Board of Directors and management also use these measures (i) as one of the primary methods for planning and forecasting overall expectations and for evaluating, on at least a quarterly and annual basis, actual results against such expectations; and (ii) as a performance evaluation metric in determining achievement of certain executive and associate incentive compensation programs.

Our lender uses a measurement that is similar to the Adjusted EBITDA measurement described herein to assess our operating performance. The lender under our Second Amended and Restated Loan and Security Agreement requires delivery of compliance reports certifying compliance with financial covenants, certain of which are based on a measurement that is similar to the Adjusted EBITDA measurement reviewed by our management and Board of Directors.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not measures of liquidity under GAAP or otherwise and are not alternatives to cash flow from continuing operating activities, despite the advantages regarding the use and analysis of these measures as mentioned above. EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin, as disclosed in this Report have limitations as analytical tools, and you should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP; nor are these measures intended to be measures of liquidity or free cash flow for our discretionary use. Some of the limitations of EBITDA and its variations are:

- EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements to service interest or principal payments under our Second Amended and Restated Loan and Security Agreement;
- EBITDA does not reflect income tax payments that we may be required to make; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

Adjusted EBITDA has all the inherent limitations of EBITDA. To properly and prudently evaluate our business, the Company encourages readers to review the GAAP financial statements included elsewhere in this Report, and not rely on any single financial measure to evaluate our business. We also strongly urge readers to review the reconciliation of these non-GAAP financial measures to the most comparable GAAP measure in this section, along with the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data”.

The following table reconciles EBITDA and Adjusted EBITDA to net loss from continuing operations for the fiscal years ended January 31, 2023 and 2022 (amounts in thousands). All of the items included in the reconciliation from EBITDA and Adjusted EBITDA to net loss from continuing operations are either recurring non-cash items, or items that management does not consider in assessing our on-going operating performance. In the case of the non-cash items, management believes that investors may find it useful to assess the Company’s comparative operating performance because the measures without such items are less susceptible to variances in actual performance resulting from depreciation, amortization and other expenses that do not relate to our core operations and are more reflective of other factors that affect operating performance. In the case of items that do not relate to our core operations, management believes that investors may find it useful to assess our operating performance if the measures are presented without these items because their financial impact does not reflect ongoing operating performance.

(in thousands)	Fiscal Year 2022	Fiscal Year 2021
Adjusted EBITDA Reconciliation		
Loss from continuing operations	$ (11,379)	$ (6,917)
Interest expense	749	236
Income tax expense	71	109
Depreciation and amortization	4,233	3,646
EBITDA	(6,326)	(2,926)
Share-based compensation expense	1,680	2,216
Non-cash valuation adjustments	(71)	(1,851)
Acquisition-related costs, severance, and transaction-related bonuses	1,149	2,856
Forgiveness of PPP Loan and accrued interest	—	(2,327)
Other non-recurring expenses	(189)	(48)
Loss on early extinguishment of debt	—	43
Adjusted EBITDA	$ (3,757)	$ (2,037)
Adjusted EBITDA margin (1)	(15)%	(12)%

(1) Adjusted EBITDA as a percentage of GAAP net revenues.

Application of Critical Accounting Policies

The following is a summary of the Company's most critical accounting policies. Refer to Note 2 – Significant Accounting Policies to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for a complete discussion of the significant accounting policies and methods used in the preparation of our consolidated financial statements.

Revenue Recognition

The Company derives revenue from the sale of internally developed software, either by licensing for local installation or by a SaaS delivery model, through our direct sales force or through third-party resellers. Licensed, locally installed clients on a perpetual model utilize our support and maintenance services for a separate fee, whereas term-based locally installed license fees and SaaS fees include support and maintenance. The Company also derives revenue from professional services that support the implementation, configuration, training and optimization of the applications, as well as audit and consulting services The Company recognizes revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct goods or services that are promised to the client. If we determine that we have not satisfied a performance obligation, we will defer recognition of the revenue until the performance obligation is deemed to be satisfied. Maintenance and support and SaaS agreements are generally non-cancellable or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if we fail to perform material obligations. However, if non-standard acceptance periods, non-standard performance criteria, or cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria. Significant judgment is required to determine the standalone selling price ("SSP") for each performance obligation, the amount allocated to each performance obligation and whether it depicts the amount that the Company expects to receive in exchange for the related product and/or service. The Company recognizes revenue for implementation for certain of its eValuator SaaS solution over the contract term, as it has been determined that those implementation services are not a distinct performance obligation. Services for other SaaS and Software solutions such as CDI, RevID and Compare, have been determined as a distinct performance obligation. For these agreements, the Company estimates SSP of its software licenses using the residual approach when the software license is sold with other services and observable SSPs exist for the other services. The Company estimates the SSP for maintenance, professional services, software as a service and audit services based on observable standalone sales.

Refer to Note 2 – Significant Accounting Policies to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" for additional information regarding our revenue recognition policies.

Allowance for Doubtful Accounts

Accounts and contract receivables are comprised of amounts owed the Company for solutions and services provided. Contracts with individual clients and resellers determine when receivables are due and payable. In determining the allowances for doubtful accounts, the unpaid receivables are reviewed periodically to determine the payment status based upon the most currently available information. During these periodic reviews, the Company determines the required allowances for doubtful accounts for estimated losses to reduce total receivables reported to reflect only the amounts expected to be paid.

Capitalized Software Development Costs

Software development costs for software to be sold, leased, or marketed are accounted for in accordance with Accounting Standards Codification ("ASC") 985-20, *Software — Costs of Software to be Sold, Leased or Marketed*. Costs associated with the planning and design phase of software development are classified as research and development costs and are expensed as incurred. Once technological feasibility has been established, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Amortization is calculated on a solution-by-solution basis and is included in cost of professional fees and licenses on the consolidated statements of operations. Annual amortization is measured at the greater of a) the ratio of the software product's current gross revenues to the total of current and expected gross revenues or b) straight-line over the remaining economic life of the software (typically two years). Unamortized capitalized costs determined to be in excess of the net realizable value of a solution are expensed at the date of such determination.

Internal-use software development costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. The costs incurred in the preliminary stages of development are expensed as research and development costs as incurred. Once an application has reached the development stage, internal and external costs incurred to develop internal-use software are capitalized and amortized on a straight-line basis over the estimated useful life of the software (typically three to four years). Maintenance and enhancement costs, including those costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful life of the software. The Company reviews the carrying value for impairment whenever facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. Amortization expense related to capitalized internal-use software development costs is included in Cost of software as a service on the consolidated statements of operations.

Goodwill and Intangible Assets

Goodwill and other intangible assets were recognized in conjunction with the acquisitions of Interpoint Partners, LLC (“Interpoint”), Meta Health Technology, Inc. (“Meta”), Clinical Looking Glass® (“CLG”), Opportune IT, Unibased Systems Architecture, Inc. (“Unibased”), and Avelead. Identifiable intangible assets include purchased intangible assets with finite lives, which primarily consist of internally-developed software, client relationships, non-compete agreements and license agreements. Finite-lived purchased intangible assets are amortized over their expected period of benefit, which generally ranges from one month to 15 years, using the straight-line method.

We assess the useful lives and possible impairment of existing recognized goodwill on at least an annual basis, and goodwill and intangible assets when an event occurs that may trigger such a review. Factors considered important which could trigger a review include:

- significant under-performance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for the overall business;
- identification of other impaired assets within a reporting unit;
- disposition of a significant portion of an operating segment;
- significant negative industry or economic trends;
- significant decline in the Company’s stock price for a sustained period; and
- a decline in the market capitalization relative to the net book value.

Determining whether a triggering event has occurred involves significant judgment by the Company. Upon its most recent annual review, the Company concluded that the fair value of its goodwill substantially exceeded the carrying value of its goodwill.

Income Taxes

Income taxes are accounted for under the asset and liability method. 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 and for tax credits and loss carry-forwards. 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. In assessing net deferred tax assets, we consider whether it is more likely than not that some or all of the deferred tax assets will not be realized. We establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. Refer to Note 7 – Income Taxes to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” for further details.

Liquidity and Capital Resources

The Company’s liquidity is dependent upon numerous factors including: (i) the timing and amount of revenues and collection of contractual amounts from clients, (ii) amounts invested in research and development and capital expenditures, and (iii) the level of operating expenses, all of which can vary significantly from quarter-to-quarter. The Company’s primary cash requirements include regular payment of payroll and other business expenses, principal and interest payments on debt and minor amounts of capital expenditures. Capital expenditures generally include computer hardware and computer software to support internal development efforts or SaaS data center infrastructure. Operations are funded with cash generated by operations and borrowings under the bank credit facilities. The Company believes that cash flows from operations and available credit facilities are adequate to fund current obligations for twelve months from the date of issuance of the audit report on the Company’s consolidated financial statements. Cash and cash equivalent balances at January 31, 2023 and 2022 were $6,598,000 and $9,885,000, respectively.

Capital Raise

On October 24, 2022, the Company entered into purchase agreements with certain investors pursuant to which the Company agreed to issue and sell in a registered direct offering (the “2022 Offering”) an aggregate of 6,299,989 shares of common stock, par value $0.01 per share, at a purchase price of $1.32 per share. The gross proceeds to the Company from the 2022 Offering were approximately $8,316,000. The Company intends to use the proceeds of the 2022 Offering for general corporate purposes. The 2022 Offering closed on October 26, 2022.

On February 25, 2021, the Company entered into an underwriting agreement with Craig-Hallum Capital Group LLC, as the sole managing underwriter, relating to the underwritten public offering of an aggregate of 10,062,500 shares of the Company’s common stock, par value $0.01 per share, which included 1,312,500 shares of common stock sold pursuant to the underwriter’s exercise of an option to purchase additional shares of common stock to cover over-allotments (the “2021 Offering”). The price to the public in the 2021 Offering was $1.60 per share of common stock. The gross proceeds to the Company from the 2021 Offering were approximately $16,100,000, before deducting underwriting discounts, commissions, and estimated offering expenses. The 2021 Offering closed on March 2, 2021.

The Company believes that cash flows from operations, the cash from the 2022 Offering and available credit facilities are adequate to fund current obligations for the next twelve months from issuance of the financial statements included in this report. Continued expansion may require the Company to take on additional debt or raise capital through issuance of equities, or a combination of both. There can be no assurance the Company will be able to raise the capital required to fund further expansion.

Authorized Shares Amendment

On May 24, 2021, the Company amended its Certificate of Incorporation, as amended, to increase the total number of authorized shares of the Company’s common stock from 45,000,000 shares to 65,000,000 shares (the “Charter Amendment”). The Charter Amendment was initially approved by the board of directors of the Company, subject to stockholder approval, approved by the Company’s stockholders at the 2021 Annual Meeting of Stockholders of the Company, held on May 20, 2021 (the “2021 Annual Meeting”), and ratified by the Company’s stockholders at a special meeting of stockholders held on July 29, 2021 (the “2021 Special Meeting).

Also, at the 2021 Annual Meeting, the Company’s stockholders approved an amendment to the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan (the “2013 Plan”) to increase the number of shares of the Company’s common stock authorized for issuance thereunder by 2,000,000 shares, from 6,223,246 shares to 8,223,246 shares (the “Third Amended 2013 Plan Amendment”). The Company’s stockholders ratified the approval and effectiveness of the Third Amended 2023 Plan Amendment at the 2021 Special Meeting.

At the 2022 Annual Meeting of Stockholders (the “2022 Annual Meeting”) held on June 7, 2022, the Company’s stockholders approved an amendment to the 2013 Plan to increase the number of shares of the Company’s common stock authorized for issuance thereunder by 2,000,000 shares, from 8,223,246 shares to 10,223,246 shares. The Company’s stockholders also approved an amendment to the Company’s Certificate of Incorporation, as amended, to increase the total number of authorized shares of the Company’s common stock from 65,000,000 shares to 85,000,000 shares.

Credit Facility

The Company has liquidity through the Second Modification to the Second Amended and Restated Loan Agreement (the "Second Modification Debt Agreement"). On November 29, 2022, the Company executed the Second Modification Debt Agreement. The Second Modification Debt Agreement includes an expansion of the Company's total borrowing to include a $2,000,000 revolving line of credit. The revolving line of credit will be co-terminus with the term loan and matures on August 26, 2026. There are no requirements to draw on the line of credit. Amounts outstanding under the line of credit portion of the Second Amended and Restated Loan Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. The Second Modification Debt Agreement amended the covenants of the Second Amended and Restated Loan and Security Agreement. Refer to Note 5 – Debt for information regarding the Second Modification Debt Agreement. At January 31, 2023, there was no outstanding balance on the revolving line of credit.

Under the Second Modification Debt Agreement, the Company has a term loan facility with an initial, maximum, principal amount of $10,000,000. Amounts outstanding under the Second Modification Debt Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%.

The Second Modification Debt Agreement includes customary financial covenants as follows:

a. **Minimum Cash.** Borrowers shall, at all times, maintain unrestricted cash in an amount not less than Two Million Dollars ($2,000,000).

b. **Maximum Debt to ARR Ratio.** Borrowers' Maximum Debt to ARR Ratio, measured on a quarterly basis as of the last day of each fiscal quarter, shall not be greater than the amount set forth under the heading "Maximum Debt to ARR Ratio" as of, and for each of the dates appearing adjacent to such "Maximum Debt to ARR Ratio".

Quarter Ending	Maximum Debt to ARR Ratio
October 31, 2022	0.80 to 1.00
January 31, 2023	0.70 to 1.00
April 30, 2023	0.65 to 1.00
July 31, 2023	0.60 to 1.00
October 31, 2023	0.55 to 1.00
January 31, 2024	0.50 to 1.00

c. **Maximum Debt to Adjusted EBITDA Ratio.** Commencing with the quarter ending April 30, 2024, Borrowers' Maximum Debt to Adjusted EBITDA Ratio, measured on a quarterly basis as of the last day of each fiscal quarter for the trailing four (4) quarter period then ended, shall not be greater than the amount set forth under the heading "Maximum Debt to Adjusted EBITDA Ratio" as of, and for each of the dates appearing adjacent to such "Maximum Debt to Adjusted EBITDA Ratio".

Quarter Ending	Maximum Debt to Adjusted EBITDA Ratio
April 30, 2024	3.50 to 1.00
July 31, 2024, and on the last day of each quarter, thereafter	2.00 to 1.00

d. **Fixed Charge Coverage Ratio**. Commencing with the quarter ending April 30, 2024, Borrowers shall maintain a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00, measured on a quarterly basis as of the last day of each fiscal quarter for the trailing four (4) quarter period then ended.

The Second Modification Debt Agreement also includes customary negative covenants, subject to exceptions, which limit transfers, capital expenditures, indebtedness, certain liens, investments, acquisitions, dispositions of assets, restricted payments, and the business activities of the Company, as well as customary representations and warranties, affirmative covenants and events of default, including cross defaults and a change of control default. The line of credit also is subject to customary prepayment requirements. For the period ended January 31, 2023, the Company was in compliance with the Second Modification Debt Agreement covenants.

PPP Loan

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law on March 17, 2020. Among other things, the CARES Act provided for a business loan program known as the Paycheck Protection Program (“PPP”). Qualifying companies were able to borrow, through the U.S. Small Business Administration (“SBA”), up to two months of payroll expenses. On April 21, 2020, the Company received approximately $2,301,000 through the SBA under the PPP. These funds were utilized by the Company to fund payroll expenses and avoid staffing reductions during the slowdown resulting from COVID-19. The loan required principal payments, beginning after the seventh monthly anniversary, and was required to be paid in two years. The PPP loan bore an interest rate of 1.0% per annum. In June 2021, the Company received notification that the PPP loan principal amount of $2,301,000 and accrued interest of $26,000 had been forgiven in full.

Significant cash obligations

	As of January, 31	
(in thousands)	**2023**	**2022**
Term loan (1)	$ 9,714	$ 9,904

(1) Term loan balance is reported net of deferred financing costs of $36,000 and $96,000 as of January 31, 2023 and 2022, respectively. Refer to Note 5 – Debt to our consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” for additional information. The term loan balance as of January 31, 2023 and January 31, 2022 was bank term debt.

Operating cash flow activities

	Fiscal Year	
(in thousands)	**2022**	**2021**
Loss from continuing operations	$ (11,379)	$ (6,917)
Non-cash adjustments to net loss	6,120	1,884
Cash impact of changes in assets and liabilities	(1,884)	1,149
Net cash used in operating activities	$ (7,143)	$ (3,884)

The higher use of cash from operating activities for fiscal 2022 is due to the higher net loss from operations compared to fiscal 2021. The Company had a higher net loss from operations and higher non-cash adjustments to net loss primarily due to higher rates of amortization and lower gains than fiscal 2022 on the PPP loan forgiveness and acquisition earnouts associated with the Avelead acquisition. The Company’s accounts receivable was significantly higher in fiscal 2022 as compared with that of fiscal 2021 due to (i) timing of collection on certain annual invoices, (ii) higher term license due to a multi-year term renewal, and (iii) the timing of software license sales. Within non-cash adjustments to net loss for fiscal 2021, the Company reported forgiveness of the PPP loan of $2,301,000 and related interest of $26,000.

Investing cash flow activities

(in thousands)	**Fiscal Year 2022**	**Fiscal Year 2021**
Investment in Avelead, net of cash	$ —	$ (12,470)
Purchases of property and equipment	(10)	(41)
Proceeds from sale of ECM Assets	—	800
Capitalized software development costs	(1,924)	(1,458)
Net cash used in investing activities	$ (1,934)	$ (13,169)

The cash used in investing activities for fiscal 2022 and fiscal 2021 includes capitalized software development costs. The Company expects continued capitalizable projects associated with the Company's flagship products. The increase in capitalized software development costs is primarily from the acquisition of Avelead in fiscal 2021. The Company experienced a full year of capitalization in fiscal 2022 compared with a partial year in fiscal 2021. Refer to Note 3 – Business Combination and Divestiture for more information on the acquisition of Avelead. The cash used in investing activities for fiscal 2021 included the cash used to acquire Avelead and capitalized software development costs, offset by the release of escrowed funds in fiscal 2021 from the sale of the ECM Assets. Refer to Note 13– Discontinued Operations for more information on the sale of the ECM Assets.

Financing cash flow activities

(in thousands)	**Fiscal Year 2022**	**Fiscal Year 2021**
Proceeds from issuance of common stock	$ 8,316	$ 16,100
Payments of acquisition earnout liabilities	(2,012)	—
Payments for costs directly attributable to the issuance of common stock	(52)	(1,313)
Repayment of bank term loan	(250)	—
Proceeds from term loan payable	—	10,000
Payments related to settlement of employee shared-based awards	(197)	(464)
Payment of deferred financing costs	(20)	(168)
Other	6	(6)
Net cash provided by financing activities	$ 5,791	$ 24,149

The cash provided by financing activities for fiscal 2022 was primarily attributable to the 2022 Offering of the Company's common stock, which closed on October 26, 2022, offset by earnout payments related to the Avelead acquisition. Refer to Note 8 – Equity for additional information. The cash provided by financing activities for fiscal 2021 was primarily from the public Offering of the Company's common stock, which closed on March 2, 2021. Additionally, the Company received proceeds of $10,000,000 as a result of the Second Amended and Restated Loan and Security Agreement entered into on August 26, 2021.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

As a "smaller reporting company," as defined by Item 10 of Regulation S-K, we are not required to provide this information.

Item 8. ***Financial Statements and Supplementary Data***

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE COVERED BY REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

All other financial statement schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors of
Streamline Health Solutions, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Streamline Health Solutions, Inc. and its subsidiaries (the "Company") as of January 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended January 31, 2023, and the related notes and financial statement schedule II (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2023 and 2022, and the results of their operations and their cash flows for each of the years in the two-year period ended January 31, 2023, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 Matters

The critical audit matters communicated below are matters 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) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Critical Audit Matter - Capitalized Software Development Costs

As described in Note 2 to the financial statements, the Company develops software within the scope of both ASC 350-40, *Internal-Use Software ("Topic 350")* and ASC 985-20, *Software – Costs of Software to be Sold, Leased or Marketed ("Topic 985")*.

Internal-use software development costs are accounted for in accordance with Topic 350. Costs associated with the preliminary stages of development are classified as research and development costs and expensed as incurred. Costs associated with the application development stage are capitalized. Maintenance and enhancement costs, including costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements that result in added functionality, in which case the costs are capitalized. Capitalized amounts are amortized on a straight-line basis over the estimated useful life of the software.

Development costs for software to be sold, leased, or marketed are accounted for in accordance with Topic 985. Costs associated with the planning and design phase of software development are classified as research and development costs and expensed as incurred. Once technological feasibility has been established, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until the software is available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Capitalized amounts are amortized at the greater of amortization derived from either a straight-line basis or the ratio of current revenues to total current and anticipated revenues.

We identified capitalized software development costs as a critical audit matter. Our principal considerations for this determination were the high degree of auditor judgment and subjectivity required in evaluating management's determination of the activities and costs that qualify for capitalization and the relevant software development guidance to be applied under the applicable accounting standards.

The primary procedures we performed to address this critical audit matter included:

- We obtained an understanding of the Company's process for determining the activities and costs that qualify for capitalization and the relevant software development guidance to be applied under the applicable accounting standards.
- We tested the mathematical accuracy of the roll forward of capitalized software and related amortization expense. We also tested the completeness and accuracy of applicable system-generated reports, including reconcilements of details to associated sub-ledgers.
- For a sample of capitalized costs, we evaluated the relevance of the software development guidance applied, by performing the following:
    - We inspected underlying documentation and assessed the eligibility of costs for capitalization, in relation to applicable guidance, and whether such costs were incurred during the application development stage or after the attainment of technological feasibility, as applicable.
    - We recalculated the capitalized amount based on hours incurred for direct payroll related costs or associated vendor contracts and invoices for work performed by third parties.
    - We evaluated the software implementation timelines and related underlying documentation supporting the capitalization periods for implementation and development as well as the dates software was placed in service.
    - We inquired of product managers for significant projects to assess the nature of the costs, the time devoted to capitalizable activities and the underlying documentation.
- For eligible costs within the scope of Topic 985, we assessed whether amortization was the greater of amortization derived from either a straight-line basis or the ratio of current revenues to total current and anticipated revenues.

Critical Audit Matter - Valuation of Contingent Consideration

As described in Note 3 to the financial statements, on August 16, 2021, the Company acquired Avelead Consulting, LLC, which included a contingent consideration arrangement. The contingent consideration was recorded at fair value on the acquisition date and is revalued each reporting period until final settlement with changes in the fair value recognized within the consolidated statement of operations. The Company estimated the fair value of the contingent consideration using a Monte Carlo simulation. The method required management to make significant estimates and assumptions related to forecasted revenue, discount rates and revenue volatility.

We identified the valuation of contingent consideration as a critical audit matter. Our principal consideration for this determination included the high degree of auditor judgement and subjectivity in evaluating management's valuation methodologies, particularly as it related to evaluating the inputs and significant assumptions used to develop the fair value measurements.

The primary procedures we performed to address this critical audit matter included:

- We obtained an understanding of management's process for determining the fair value measurements of the contingent consideration.
- We evaluated forward-looking assumptions, such as forecasted revenue used by management by performing procedures that included, but were not limited to, comparisons to historical performance data, to assess their reasonableness.
- Utilizing a valuation specialist, we evaluated the significant assumptions and methods utilized in developing the fair value of the contingent consideration, including:

    - We evaluated the reasonableness of the Company's third-party valuation models and methodologies and reviewed significant assumptions.
    - We developed an independent calculation of the discount rates used and compared our rates to those used by management.
    - We performed independent simulations using a Monte Carlo technique to determine the fair value of the contingent consideration and test the accuracy of management's valuation technique and application.

/s/ FORVIS, LLP (Formerly, Dixon Hughes Goodman LLP)

We have served as the Company's auditor since 2019.

Atlanta, Georgia
April 27, 2023

STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(rounded to the nearest thousand dollars, except share and per share information)

	January 31,	
	2023	**2022**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,598,000	$ 9,885,000
Accounts receivable, net of allowance for doubtful accounts of $132,000 and $76,000, respectively	7,719,000	3,823,000
Contract receivables	960,000	843,000
Prepaid and other current assets	710,000	568,000
Total current assets	15,987,000	15,119,000
Non-current assets:		
Property and equipment, net of accumulated amortization of $246,000 and $192,000 respectively	79,000	123,000
Right-of use asset for operating lease	32,000	218,000
Capitalized software development costs, net of accumulated amortization of $6,224,000 and $5,202,000, respectively	5,846,000	5,555,000
Intangible assets, net of accumulated amortization of $2,627,000 and $5,121,000, respectively	14,793,000	16,763,000
Goodwill	23,089,000	23,089,000
Other	1,695,000	948,000
Total non-current assets	45,534,000	46,696,000
Total assets	$ 61,521,000	$ 61,815,000

See accompanying notes to consolidated financial statements.

	January 31,	
	2023	2022
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 626,000	$ 778,000
Accrued expenses	3,265,000	1,803,000
Current portion of term loan	750,000	250,000
Deferred revenues	8,361,000	5,794,000
Current portion of operating lease obligation	35,000	204,000
Current portion of acquisition earnout liability	3,738,000	4,672,000
Total current liabilities	16,775,000	13,501,000
Non-current liabilities:		
Term loan, net of deferred financing costs	8,964,000	9,654,000
Deferred revenues, less current portion	167,000	136,000
Operating lease obligations, less current portion	—	33,000
Acquisition earnout liability, less current portion	—	4,161,000
Other non-current liabilities	104,000	286,000
Total non-current liabilities	9,235,000	14,270,000
Total liabilities	26,010,000	27,771,000
Commitments and contingencies – Note 12		
Stockholders' equity		
Common stock, $0.01 par value per share, 85,000,000 and 65,000,000 shares authorized, respectively; 57,567,210 and 47,840,950 shares issued and outstanding, respectively	576,000	478,000
Additional paid in capital	131,973,000	119,225,000
Accumulated deficit	(97,038,000)	(85,659,000)
Total stockholders' equity	35,511,000	34,044,000
Total liabilities and stockholders' equity	$ 61,521,000	$ 61,815,000

See accompanying notes to consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(rounded to the nearest thousand dollars, except share and per share information)

	Fiscal Year	
	2022	**2021**
Revenues:		
Software as a service	$ 12,326,000	$ 8,077,000
Maintenance and support	4,483,000	4,323,000
Professional fees and licenses	8,080,000	4,979,000
Total revenues	24,889,000	17,379,000
Operating expenses:		
Cost of software as a service	6,358,000	3,417,000
Cost of maintenance and support	427,000	334,000
Cost of professional fees and licenses	6,610,000	4,826,000
Selling, general and administrative expense	16,134,000	11,931,000
Research and development	6,042,000	4,782,000
Acquisition-related costs	149,000	2,856,000
Total operating expenses	35,720,000	28,146,000
Operating loss	(10,831,000)	(10,767,000)
Other expense:		
Interest expense	(749,000)	(236,000)
Loss on early extinguishment of debt	—	(43,000)
Acquisition earnout valuation adjustments	71,000	1,851,000
Other	201,000	60,000
PPP loan forgiveness	—	2,327,000
Loss from continuing operations before income taxes	(11,308,000)	(6,808,000)
Income tax expense	(71,000)	(109,000)
Loss from continuing operations	(11,379,000)	(6,917,000)
Income from discontinued operations:		
Income from discontinued operations	—	401,000
Income tax expense	—	(26,000)
Income from discontinued operations, net of tax	—	375,000
Net loss	$ (11,379,000)	$ (6,542,000)
Basic Earnings Per Share:		
Continuing operations	$ (0.23)	$ (0.16)
Discontinued operations	—	0.01
Net income	$ (0.23)	$ (0.15)
Weighted average number of common shares – basic	49,324,858	42,815,239
Diluted Earnings Per Share:		
Continuing operations	$ (0.23)	$ (0.16)
Discontinued operations	—	0.01
Net loss per common share – diluted	$ (0.23)	$ (0.15)
Weighted average number of common shares - diluted	49,324,858	43,273,574

See accompanying notes to consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(rounded to the nearest thousand dollars, except share information)

	Common stock shares	Common stock	Additional paid in capital	Accumulated deficit	Total stockholders' equity
Balance at January 31, 2021	31,597,975	$ 316,000	$ 96,290,000	$ (79,117,000)	$ 17,489,000
Exercise of Stock Options	3,300	—	4,000	—	4,000
Restricted stock issued	1,462,874	14,000	(14,000)	—	—
Issuance of Common Stock	15,084,472	151,000	22,503,000	—	22,654,000
Offering Expenses			(1,313,000)	—	(1,313,000)
Restricted stock forfeited	(50,100)	—	—	—	—
Surrender of stock	(257,571)	(3,000)	(461,000)	—	(464,000)
Share-based compensation expense	—	—	2,216,000	—	2,216,000
Net income	—	—	—	(6,542,000)	(6,542,000)
Balance at January 31, 2022	47,840,950	478,000	119,225,000	(85,659,000)	34,044,000
Exercise of Stock Options	5,000	—	6,000	—	6,000
Restricted stock issued	1,876,962	19,000	(19,000)	—	—
Issuance of Common Stock	8,171,027	82,000	11,246,000	—	11,328,000
Offering Expenses	—	—	(52,000)	—	(52,000)
Restricted stock forfeited	(199,300)	(2,000)	2,000	—	—
Surrender of stock	(127,429)	(1,000)	(196,000)	—	(197,000)
Share-based compensation expense	—	—	1,761,000	—	1,761,000
Net loss	—	—	—	(11,379,000)	(11,379,000)
Balance at January 31, 2023	57,567,210	$ 576,000	$ 131,973,000	$ (97,038,000)	$ 35,511,000

See accompanying notes to consolidated financial statements.

STREAMLINE HEALTH SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(rounded to the nearest thousand dollars)

	Fiscal Year	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (11,379,000)	$ (6,542,000)
LESS: Income from discontinued operations, net of tax	—	(375,000)
Loss from continuing operations, net of tax	(11,379,000)	(6,917,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,313,000	3,697,000
Acquisition earnout valuation adjustments	(71,000)	(1,851,000)
Loss on early extinguishment of debt	—	43,000
Provision for deferred income taxes	9,000	95,000
Share-based compensation expense	1,680,000	2,216,000
Provision for accounts receivable allowance	189,000	11,000
Forgiveness of PPP loan	—	(2,327,000)
Changes in assets and liabilities:		
Accounts and contract receivables	(4,202,000)	(129,000)
Other assets	(1,197,000)	(346,000)
Accounts payable	(152,000)	17,000
Accrued expenses and other liabilities	1,069,000	533,000
Deferred revenues	2,598,000	1,074,000
Net cash used in operating activities – continuing operations	(7,143,000)	(3,884,000)
Net cash provided by operating activities – discontinued operations	—	380,000
Cash flows from investing activities:		
Investment in Avelead, net of cash acquired	—	(12,470,000)
Purchases of property and equipment	(10,000)	(41,000)
Proceeds from sale of ECM Assets	—	800,000
Capitalization of software development costs	(1,925,000)	(1,458,000)
Net cash used in investing activities – continuing operations	(1,935,000)	(13,169,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	8,316,000	16,100,000
Payment of acquisition earnout liabilities	(2,012,000)	—
Payments for costs directly attributable to the issuance of common stock	(52,000)	(1,313,000)
Repayment of bank term loan	(250,000)	—
Proceeds from term loan payable	—	10,000,000
Payments related to settlement of employee shared-based awards	(197,000)	(464,000)
Payment of deferred financing costs	(20,000)	(168,000)
Other	6,000	(6,000)
Net cash provided by financing activities – continuing operations	5,791,000	24,149,000
Net (decrease) increase in cash and cash equivalents	(3,287,000)	7,476,000
Cash and cash equivalents at beginning of period	9,885,000	2,409,000
Cash and cash equivalents at end of period	$ 6,598,000	$ 9,885,000
Supplemental cash flow disclosures:		
Interest paid, net of amounts capitalized	$ 651,000	$ 153,000
Income taxes paid	$ 23,000	$ 21,000

See accompanying notes to consolidated financial statements.

NOTE 1 — ORGANIZATION AND DESCRIPTION OF BUSINESS

Streamline Health Solutions, Inc. and each of its wholly-owned subsidiaries, Streamline Health, LLC, Avelead Consulting, LLC, Streamline Consulting, LLC and Streamline Pay & Benefits, LLC, (collectively, unless the context requires otherwise, “we”, “us”, “our”, “Streamline”, or the “Company”) operates in one segment as a provider of healthcare information technology solutions and associated services. The Company provides these capabilities through the licensing of its Coding & CDI, eValuator coding analysis platform, RevID, and other workflow software applications and the use of such applications by software as a service (“SaaS”). The Company also provides audit services to help clients optimize their internal clinical documentation and coding functions, as well as implementation and consulting services to complement its software solutions. The Company’s software and services enable hospitals and integrated healthcare delivery systems in the United States and Canada to capture, store, manage, route, retrieve and process patient clinical, financial and other healthcare provider information related to the patient revenue cycle.

Fiscal Year

All references to a fiscal year refer to the fiscal year commencing February 1 in that calendar year and ending on January 31 of the following calendar year.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Streamline Health Solutions, Inc. and its wholly-owned subsidiaries, Streamline Health, LLC, Avelead Consulting, LLC, Streamline Consulting Solutions, LLC and Streamline Pay & Benefits, LLC. All significant intercompany transactions and balances are eliminated in consolidation. All amounts in the consolidated financial statements, notes and tables have been rounded to the nearest thousand dollars, except share and per share amounts, unless otherwise indicated.

Refer to Note – 3 Business Combination and Divestiture. Under ASC 280-10-50-11, two or more operating segments may be aggregated into a single operating segment if they are considered to be similar. Operating segments are considered to be similar if they can be expected to have essentially the same economic characteristics and future prospects. Using the aggregation guidance, the Company determined that it has one operating segment due to the similar economic characteristics of the Company’s products, product development, distribution, regulatory environment and client base as a provider of computer software-based solutions and services for acute-care healthcare organizations. For fiscal years 2022 and 2021, the Company has two reporting units for evaluation of goodwill. These two reporting units are the legacy Streamline business and Avelead.

On February 24, 2020, the Company sold a portion of its business (the ECM Assets). The results of operations, cash flows and related balance sheet items associated with the ECM Assets are reported in discontinued operations in the accompanying consolidated statements of operations and cash flows and the consolidated balance sheet for the comparative prior periods. Refer to Note 13 – Discontinued Operations for further details.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates and judgments, including those related to the recognition of revenue, stock-based compensation, capitalization of software development costs, intangible assets, the allowance for doubtful accounts, contingent consideration and income taxes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash demand deposits. Cash deposits are placed in Federal Deposit Insurance Corporation ("FDIC") insured financial institutions. Cash deposits may exceed FDIC insured levels from time to time. For purposes of the consolidated balance sheets and consolidated statements of cash flows, the Company considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Non-Cash Items

The Company had the following items that were non-cash items related to the consolidated statements of cash flows:

	Fiscal Year	
	2022	2021
Forgiveness of PPP loan and accrued interest	$ —	$ 2,327,000
Payment of acquisition earnout liabilities in restricted common stock	3,012,000	—
Capitalized software purchased with stock (Note 12)	81,000	—

Receivables

Accounts and contract receivables are comprised of amounts owed to the Company for licensed software, professional services, including coding audit services, consulting services, maintenance services, and software as a service and are presented net of the allowance for doubtful accounts. The timing of revenue recognition may not coincide with the billing terms of the client contract, resulting in unbilled receivables or deferred revenues; therefore, certain contract receivables represent revenues recognized prior to client billings. Individual contract terms with clients or resellers determine when receivables are due. Accounts receivable represent amounts that the entity has an unconditional right to consideration. For billings where the criteria for revenue recognition have not been met, deferred revenue is recorded until the Company satisfies the respective performance obligations.

Allowance for Doubtful Accounts

The Company adjusts accounts receivable down to net realizable value with its allowance methodology. In determining the allowance for doubtful accounts, aged receivables are analyzed periodically by management. Each identified receivable is reviewed based upon the most recent information available and the status of any open or unresolved issues with the client preventing the payment thereof. Corrective action, if necessary, is taken by the Company to resolve open issues related to unpaid receivables. During these periodic reviews, the Company determines the required allowances for doubtful accounts for estimated losses resulting from the unwillingness of its clients or resellers to make required payments. The Company believes that its reserve is adequate, however, results may differ in future periods.

Accrued Expenses

Accrued expenses consisted of the following:

	January 31,	
	2023	2022
Employee benefits and related compensation	$ 2,079,000	$ 803,000
Professional fees and services	294,000	283,000
Third party licenses	285,000	77,000
Customer concessions	226,000	152,000
State income and sales taxes payable	331,000	460,000
Interest, primarily on Term Loan	50,000	28,000
Total accrued expenses	$ 3,265,000	$ 1,803,000

Concessions Accrual

The Company offers certain service line agreements within its client contracts such as uptime, support hours, and levels of support. Our contracts may include and we may offer credit to clients when these service line agreements are not met. The service line agreements are accounted for as variable consideration. As a result, we record an estimate of these concessions against our recorded revenue. In determining the concessions accrual, the Company evaluates historical concessions granted relative to revenue as well as future potential risk that these service line agreements will not be met. The Company records a provision, reducing revenue, each period for the estimated amount of concessions incurred on the revenue recorded. The Company evaluates the amount of the concession accrual each period. Historically, concessions have not been significant. The concession accrual included in accrued expenses on the Company's consolidated balance sheets was $226,000 and $152,000 as of January 31, 2023 and 2022, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method, over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Computer equipment and software	3-4 years
Office equipment	5 years
Office furniture and fixtures	5-7 years
Leasehold improvements	Term of lease or estimated useful life, whichever is shorter

Depreciation expense for property and equipment in fiscal 2022 and 2021 was $54,000 and $68,000, respectively.

Normal repairs and maintenance are expensed as incurred. Replacements are capitalized and the property and equipment accounts are relieved of the items being replaced or disposed of, if no longer of value. The related cost and accumulated depreciation of the disposed assets are eliminated and any gain or loss on disposition is included in the results of operations in the year of disposal.

The Company wrote-off fully depreciated fixed assets during fiscal 2021 of $198,000. There was no impact to the consolidated statements of operations as this eliminated the asset and accumulated depreciation of the fully depreciated fixed assets.

Leases

We determine whether an arrangement is a lease at inception. Right-of-use assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Since our lease arrangements do not provide an implicit rate, we use our estimated incremental borrowing rate for the expected remaining lease term at commencement date in determining the present value of future lease payments. We recognize operating lease cost on a straight-line basis by aggregating any rent abatement with the total expected rental payments and amortizing the expense ratably over the term of the lease. Sublease income is recognized as other income over the period of the lease, as the sublease is outside of the Company's normal business operations. See Note 4 – Operating Leases for further details.

Debt Issuance Costs

Cost related to the issuance of the Loan and Security Agreement and Second Amended and Restated Loan and Security Agreement were capitalized and amortized to interest expense on a straight-line basis, which is not materially different from the effective interest method, over the term of the related debt, and presented on the Company's consolidated balance sheets as a direct deduction from the carrying amount of the non-current portion of our term loan.

Impairment of Long-Lived Assets

The Company reviews the carrying value of long-lived assets for impairment whenever facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. Among the factors the Company considers in making the evaluation are changes in market position and profitability. If facts and circumstances are present which may indicate that the carrying amount of the assets may not be recoverable, the Company will prepare a projection of the undiscounted cash flows of the specific asset or asset group and determine if the long-lived assets are recoverable based on these undiscounted cash flows. If impairment is indicated, an adjustment will be made to reduce the carrying amount of these assets to their fair values.

Capitalized Software Development Costs

Software development costs for software to be sold, leased, or marketed are accounted for in accordance with ASC 985-20, *Software — Costs of Software to be Sold, Leased or Marketed*. Costs associated with the planning and design phase of software development are classified as research and development costs and are expensed as incurred. Once technological feasibility has been established, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Amortization is calculated on a solution-by-solution basis and is included in cost of professional fees and licenses on the consolidated statements of operations. Annual amortization is measured at the greater of a) the ratio of the software product's current gross revenues to the total of current and expected gross revenues or b) straight-line over the remaining economic life of the software (typically two years). Unamortized capitalized costs determined to be in excess of the net realizable value of a solution are expensed at the date of such determination. Capitalized software development costs for software to be sold, leased, or marketed, net of accumulated amortization, totaled $522,000 and $846,000 as of January 31, 2023 and 2022, respectively.

Internal-use software development costs are accounted for in accordance with ASC 350-40, *Internal-Use Software*. The costs incurred in the preliminary stages of development are expensed as research and development costs as incurred. Once an application has reached the development stage, internal and external costs incurred to develop internal-use software are capitalized and amortized on a straight-line basis over the estimated useful life of the software (typically three to four years). Maintenance and enhancement costs, including those costs in the post-implementation stages, are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized and amortized on a straight-line basis over the estimated useful life of the software. The Company reviews the carrying value for impairment whenever facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. Amortization expense related to capitalized internal-use software development costs is included in Cost of software as a service on the consolidated statements of operations. Capitalized software development costs for internal-use software, net of accumulated amortization, totaled $5,324,000 and $4,709,000 as of January 31, 2023 and 2022, respectively.

The estimated useful lives of software (including software to be sold and internal-use software) are reviewed frequently and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades and/or enhancements to the existing functionality. The Company reviews, on an on-going basis, the carrying value of its capitalized software development expenditures, net of accumulated amortization.

Amortization expense on all capitalized software development was $2,423,000 and $2,173,000 in fiscal 2022 and 2021, respectively. Further, the Company recognized an impairment of approximately $0 and $84,000 in fiscal 2022 and fiscal 2021, respectively, related to cancelled or abandoned enhancement projects during fiscal 2022 and fiscal 2021 that has been recognized within amortization expense. Additionally, in fiscal 2022, approximately $694,000 of fully amortized and abandoned assets, including previously acquired assets, were cleared from their corresponding capitalization and accumulated amortization balance sheet accounts.

The Company uses the "carry-over" method for amortizing capitalized software development costs. Under the "carry-over" method, the costs of the enhancements are added to the unamortized costs of the previous version of the product and the combined amount is amortized over the remaining useful life of the product. Including unamortized cost of the original product with the cost of the enhancement for purposes of applying the net realizable value test and amortization provisions is consistent with accounting guidance for software companies that improve their software and discontinue selling or marketing the older versions.

	Fiscal Year	
	2022	2021
Amortization expense on internally-developed software included in:		
Cost of software as a service	$ 2,068,000	$ 1,675,000
Cost of professional fees and licenses	355,000	498.000
Total amortization expense on internally-developed software	$ 2,423,000	$ 2,173,000

The interest capitalized to software development cost reduces the Company's interest expense recognized in the consolidated statements of operations.

Research and development expense was $6,042,000 and $4,782,000 in fiscal 2022 and 2021, respectively.

Fair Value of Financial Instruments

The FASB's authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments. Cash and cash equivalents are classified as Level 1. For fiscal years 2022 and 2021, there were no transfers of assets or liabilities between Levels 1, 2, or 3.

The table below provides information on our liabilities that are measured at fair value on a recurring basis:

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
At January 31, 2023				
Acquisition earnout liability (1)	$ 3,738,000	$ —	$ —	$ 3,738,000
At January 31, 2022				
Acquisition earnout liability (1)	$ 8,833,000	$ —	$ —	$ 8,833,000

(1) The fair value of the acquisition earnout liability is based upon a probability-weighted discounted cash flow that was completed at the date of acquisition and updated as of January 31, 2023. The change in the fair value of the acquisition earnout ability decreased $5,095,000 for the year ended January 31, 2023, which includes payment of $5,024,000 of the first year earnout, and a $71,000 change recognized in "Acquisition earnout valuation adjustments" in the accompanying consolidated statement of operations.

The probability-weighted discounted cash flow is calculated using a Monte Carlo valuation method. The valuation model provides numerous outcomes. The outcomes are averaged and discounted to present value, which provides the current value point estimate. The significant inputs include our forecast of Avelead SaaS revenue, the probabilities associated with each of (i) a change in control or (ii) a certain client termination, as well as other normal and customary inputs to financial models, including but not limited to, risk factors and interest rates.

The fair value of the Company's term loan under its Second Amended and Restated Loan and Security Agreement was determined through an analysis of the interest rate spread from the date of closing the loan (August 2021) to the date of the most recent balance sheets, January 31, 2023 and January 31, 2022. The term loan bears interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. The prime rate is variable and, thus accommodates changes in the market interest rate. However, the interest rate spread (the 1.5% added to the Prime Rate) is fixed. We estimated the impact of the changes in the interest rate spread by analogizing the effect of the change in the Corporate bond rates, reduced for any changes in the market interest rate. This provided us with an estimated change to the interest rate spread of approximately 0.5% from the date we entered the debt agreement to January 31, 2023 and January 31, 2022. The fair value of the debt as of January 31, 2023 and January 31, 2022 was estimated to be $9,550,000 and $9,798,000, respectively, or a discount to book value of $200,000 and $202,000, respectively. Long-term debt is classified as Level 2.

Revenue Recognition

We derive revenue from the sale of internally-developed software, either by licensing for local installation or by a SaaS delivery model, through our direct sales force or through third-party resellers. Licensed, locally-installed clients on a perpetual model utilize our support and maintenance services for a separate fee, whereas term-based locally installed license fees and SaaS fees include support and maintenance. We also derive revenue from professional services that support the implementation, configuration, training and optimization of the applications, as well as audit services and consulting services.

We recognize revenue in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Clients* ("ASC 606"), under the core principle of recognizing revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

We commence revenue recognition (Step 5 below) in accordance with that core principle after applying the following steps:

- Step 1: Identify the contract(s) with a client
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Often contracts contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct goods or services that are promised to the client. Revenue is recognized net of any taxes collected from clients and subsequently remitted to governmental authorities.

If we determine that we have not satisfied a performance obligation, we defer recognition of the revenue until the performance obligation is satisfied. Maintenance and support and SaaS agreements are generally non-cancellable or contain significant penalties for early cancellation, although clients typically have the right to terminate their contracts for cause if we fail to perform material obligations. However, if non-standard acceptance periods, non-standard performance criteria, or cancellation or right of refund terms are required, revenue is recognized upon the satisfaction of such criteria.

The determined transaction price is allocated based on the standalone selling price of the performance obligations in contract. Significant judgment is required to determine the standalone selling price ("SSP") for each performance obligation, the amount allocated to each performance obligation and whether it depicts the amount that the Company expects to receive in exchange for the related product and/or service. The Company recognizes revenue for implementation of its eValuator SaaS solution over the contract term, as it has been determined that those implementation services are not a distinct performance obligation. Services for other SaaS and Software solutions such as CDI, RevID and Compare, have been determined as a distinct performance obligation. For these agreements, the Company estimates SSP of its software licenses using the residual approach when the software license is sold with other services and observable SSPs exist for the other services. The Company estimates the SSP for maintenance, professional services, software as a service and audit services based on observable standalone sales.

Contract Combination

The Company may execute more than one contract or agreement with a single client. The Company evaluates whether the agreements were negotiated as a package with a single objective, whether the amount of consideration to be paid in one agreement depends on the price and/or performance of another agreement, or whether the goods or services promised in the agreements represent a single performance obligation. The conclusions reached can impact the allocation of the transaction price to each performance obligation and the timing of revenue recognition related to those arrangements.

The Company has utilized the portfolio approach as the practical expedient. We have applied the revenue model to a portfolio of contracts with similar characteristics where we expected that the financial statements would not differ materially from applying it to the individual contracts within that portfolio.

Software Licenses

The Company's software license arrangements provide the client with the right to use functional intellectual property. Implementation, support, and other services are typically considered distinct performance obligations when sold with a software license unless these services are determined to significantly modify the software. Revenue is recognized at a point in time. Typically, this is upon shipment of components or electronic download of software.

Maintenance and Support Services

Our maintenance and support obligations include multiple discrete performance obligations, with the two largest being unspecified product upgrades or enhancements, and technical support, which can be offered at various points during a contract period. We believe that the multiple discrete performance obligations within our overall maintenance and support obligations can be viewed as a single performance obligation since both the unspecified upgrades and technical support are activities to fulfill the maintenance performance obligation and are rendered concurrently. Maintenance and support agreements entitle clients to technology support, version upgrades, bug fixes and service packs. We recognize maintenance and support revenue over the contract term.

Software-Based Solution Professional Services

The Company provides various professional services to clients with software licenses. These include project management, software implementation and software modification services. Revenues from arrangements to provide professional services are generally distinct from the other promises in the contract and are recognized as the related services are performed. Consideration payable under these arrangements is either fixed fee or on a time-and-materials basis and is recognized over time as the services are performed.

Software as a Service

SaaS-based contracts include a right to use of the Company's platform and support which represent a single promise to provide continuous access to its software solutions. Implementation services for the Company's eValuator product are included as part of the single promise for its respective contracts. The Company recognizes revenue for implementation of the eValuator product over the contract term as it is determined that the implementation on eValuator is not a distinct performance obligation. Implementation services for other SaaS products are deemed to be separate performance obligations.

Audit Services

The Company provides technology-enabled coding audit services to help clients review and optimize their internal clinical documentation and coding functions across the applicable segment of the client's enterprise. Audit services are a separate performance obligation. We recognize revenue over time as the services are performed.

Disaggregation of Revenue

The following table provides information about disaggregated revenue by type and nature of revenue stream:

	Fiscal Year	
	2022	**2021**
Over time revenue	$ 16,809,000	$ 12,400,000
Point in time revenue	8,080,000	4,979,000
Total revenue	$ 24,889,000	$ 17,379,000

The Company disaggregates revenue into each of (i) over time and (ii) point in time revenue. For over time revenue, revenue is recognized incrementally, as each portion of the performance obligation is satisfied. The Company includes revenue categories of (i) SaaS and (ii) maintenance and support as over time revenue. For point in time revenue, the performance obligation is recognized at the point in time when the obligation is fully satisfied. The Company includes revenue categories of (i) software licenses, (ii) professional services, and (iii) audit services as point in time revenue. For fiscal years ended January 31, 2023 and January 31, 2022, Avelead accounts for $6,231,000 of the over time revenue and $3,590,000 of the point in time revenue, respectively.

Contract Assets and Deferred Revenues

The Company receives payments from clients based upon contractual billing schedules. Contract receivables include amounts related to the Company's contractual right to consideration for completed performance obligations not yet invoiced. Deferred revenues include payments received in advance of performance under the contract. Our contract receivables and deferred revenue are reported on an individual contract basis at the end of each reporting period. Contract receivables are classified as current or noncurrent based on the timing of when we expect to bill the client. Deferred revenue is classified as current or noncurrent based on the timing of when we expect to recognize revenue. In the year ended January 31, 2023, we recognized approximately $5,636,000 in revenue from deferred revenues outstanding as of January 31, 2022. Revenue allocated to remaining performance obligations was $25,070,000 as of January 31, 2023, of which the Company expects to recognize approximately 73% over the next 12 months and the remainder thereafter.

Deferred costs (costs to fulfill a contract and contract acquisition costs)

We defer the direct costs, which include salaries and benefits, for professional services related to SaaS contracts as a cost to fulfill a contract. These deferred costs will be amortized on a straight-line basis over the contractual term. As of January 31, 2023, and 2022, we had deferred costs of $94,000 and $125,000, respectively, net of accumulated amortization of $176,000 and $93,000, respectively. Amortization expense of these costs was $83,000 and $110,000 in fiscal 2022 and 2021, respectively. There were no impairment losses for these capitalized costs for the fiscal years 2022 and 2021.

Contract acquisition costs, which consist of sales commissions paid or payable, is considered incremental and recoverable costs of obtaining a contract with a client. Sales commissions for initial and renewal contracts are deferred and then amortized on a straight-line basis over the contract term. As a practical expedient, we expense sales commissions as incurred when the amortization period of related deferred commission costs would have been one year or less.

Deferred commissions costs paid and payable, which are included on the consolidated balance sheets within other non-current assets totaled $1,534,000 and $806,000, respectively, as of January 31, 2023 and 2022. In fiscal 2022 and 2021, amortization expense associated with deferred sales commissions was $411,000 and $339,000, respectively, and was included in selling, general and administrative expenses on the consolidated statements of operations. There were no impairment losses for these capitalized costs for fiscal years 2022 and 2021.

Concentrations

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of accounts receivable. The Company's accounts receivable are concentrated in the healthcare industry. However, the Company's clients typically are well-established hospitals, medical facilities or major health information systems companies with good credit histories that resell the Company's solutions. Payments from clients have been received within normal time frames for the industry. However, some hospitals and medical facilities have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities and extended payment of receivables from these entities is not uncommon.

To date, the Company has relied on a limited number of clients and remarketing partners for a substantial portion of its total revenues. The Company expects that a significant portion of its future revenues will continue to be generated by a limited number of clients and its remarketing partners.

Goodwill and Intangible Assets

Goodwill and other intangible assets were recognized in conjunction with the Avelead acquisition, and certain other acquisitions from fiscal years 2013 and prior (prior to divestiture of such assets). Identifiable intangible assets include purchased intangible assets with finite lives, which primarily consist of internally-developed software and client relationships. Finite-lived purchased intangible assets are amortized over their expected period of benefit, which generally ranges from one to 15 years, using the straight-line method.

The Company assesses the useful lives and possible impairment of intangible assets when an event occurs that may trigger such a review. Factors considered important which could trigger a review include:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for the overall business;
- identification of other impaired assets within a reporting unit;
- disposition of a significant portion of an operating segment;
- significant negative industry or economic trends;
- significant decline in the Company's stock price for a sustained period; and
- a decline in the market capitalization relative to the net book value.

Determining whether a triggering event has occurred involves significant judgment by the Company.

The Company assesses goodwill annually (as of November 1), or more frequently when events and circumstances, such as the ones mentioned above, occur indicating that the recorded goodwill may be impaired. During the years ended January 31, 2023 and 2022, the Company did not note any of the above qualitative factors, which would be considered a triggering event for goodwill impairment. In assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of a reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments by management. These judgments include the consideration of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, events which are specific to the Company and trends in the market price of the Company's common stock. Each factor is assessed to determine whether it impacts the impairment test positively or negatively, and the magnitude of any such impact.

Reporting units are determined based on the organizational structure the entity has in place at the date of the impairment test. A reporting unit is an operating segment or component business unit with the following characteristics: (a) it has discrete financial information, (b) segment management regularly reviews its operating results (generally an operating segment has a segment manager who is directly accountable to and maintains regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts or plans for the segment), and (c) its economic characteristics are dissimilar from other units (this contemplates the nature of the products and services, the nature of the production process, the type or class of client for the products and services and the methods used to distribute the products and services). The Company determined that it has one operating segment and two reporting units.

The Company estimates the fair value of its reporting unit using the income approach, via discounted cash flow valuation models which include, but are not limited to, assumptions such as a "risk-free" rate of return on an investment, the weighted average cost of capital of a market participant and future revenue, operating margin, working capital and capital expenditure trends. Determining the fair value of reporting units and goodwill includes significant judgment by management, and different judgments could yield different results.

The Company performed its annual assessment of goodwill, using the approach described above. Based on the analysis performed, the fair value of the reporting units exceeded the carrying amount of the reporting unit, including goodwill, and, therefore, a goodwill impairment loss was not recognized.

Equity Awards

The Company accounts for share-based payments based on the grant-date fair value of the awards with compensation cost recognized as expense over the requisite service period. For awards to non-employees, the Company recognizes compensation expense in the same manner as if the entity had paid cash for the goods or services. The Company incurred total annual compensation expense related to stock-based awards of $1,761,000 in fiscal 2022, which includes $81,000 of capitalized non-employee stock compensation, and $2,216,000 in fiscal 2021.

The fair value of the stock options granted are estimated at the date of grant using a Black-Scholes option pricing model. Option pricing model input assumptions such as expected term, expected volatility and risk-free interest rate impact the fair value estimate. The Company recognizes forfeitures as they occur. These assumptions are subjective and are generally derived from external (such as, risk-free rate of interest) and historical data (such as, volatility factor, expected term and forfeiture rates). Future grants of equity awards accounted for as stock-based compensation could have a material impact on reported expenses depending upon the number, value and vesting period of future awards.

The Company issues restricted stock awards in the form of Company common stock. The fair value of these awards is based on the market close price per share on the grant date. The Company expenses the compensation cost of these awards as the restriction period lapses, which is typically a one- to four-year service period to the Company. In fiscal 2022 and 2021, 127,429 and 257,571 shares of common stock were surrendered to the Company to satisfy tax withholding obligations totaling $197,000 and $464,000, respectively, in connection with the vesting of restricted stock awards. Shares surrendered by the restricted stock award recipients in accordance with the applicable plan are deemed cancelled, and therefore are not available to be reissued. The Company awarded 890,731 and 562,500 shares of restricted stock to its executive officers and directors of the Company in fiscal 2022 and 2021, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. 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 and for tax credit and loss carry-forwards. 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. In assessing net deferred tax assets, the Company considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The Company establishes a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. See Note 7 - Income Taxes for further details.

The Company provides for uncertain tax positions and the related interest and penalties based upon management's assessment of whether certain tax positions are more likely than not to be sustained upon examination by tax authorities. At January 31, 2023, the Company believes it has appropriately accounted for any uncertain tax positions.

Net Earnings (Loss) Per Common Share

The Company presents basic and diluted earnings per share ("EPS") data for our common stock.

Our unvested restricted stock awards are considered non-participating securities because holders are not entitled to non-forfeitable rights to dividends or dividend equivalents during the vesting term. In accordance with ASC 260, securities are deemed not to be participating in losses if there is no obligation to fund such losses. Diluted EPS for our common stock is computed using the treasury stock method.

The following is the calculation of the basic and diluted net loss per share of common stock:

	Fiscal Year	
	2022	**2021**
Basic earnings (loss) per share:		
Continuing operations		
Loss from continuing operations, net of tax	$ (11,379,000)	$ (6,917,000)
Basic net loss per share of common stock from continuing operations	$ (0.23)	$ (0.16)
Discontinued operations		
Income available to common stockholders from discontinued operations	$ —	$ 375,000
Basic net earnings per share of common stock from discontinued operations	$ —	$ 0.01
Diluted earnings (loss) per share (1):		
Continuing operations		
Loss available to common stockholders from continuing operations	$ (11,379,000)	$ (6,917,000)
Diluted net loss per share of common stock from continuing operations	$ (0.23)	$ (0.16)
Discontinued operations		
Income available to common stockholders from discontinued operations	$ —	$ 375,000
Diluted net earnings per share of common stock from discontinued operations	$ —	$ 0.01
Net loss	$ (11,379,000)	$ (6,542,000)
Weighted average shares outstanding - Basic (1)	49,324,858	42,815,239
Effect of dilutive securities - Stock options and Restricted stock (2)	—	458,335
Weighted average shares outstanding – Diluted	49,324,858	43,273,574
Basic net loss per share of common stock	$ (0.23)	$ (0.15)
Diluted net loss per share of common stock	$ (0.23)	$ (0.15)

(1) Excludes the effect of unvested restricted shares of common stock, which are considered non-participating securities. As of January 31, 2023 and 2022, there were 1,848,031 and 1,043,350 unvested restricted shares of common stock, respectively.

(2) Diluted net loss per share excludes the effect of shares that are anti-dilutive. As of January 31, 2023, there were 628,598 outstanding stock options and 1,848,031 unvested restricted shares of common stock. As of January 31, 2022, there were 1,062,130 outstanding stock options and 1,043,350 unvested restricted shares of common stock.

Other Operating Costs

Acquisition-related Costs

	Fiscal Year 2022	Fiscal Year 2021
Separation agreement expense	$ —	$ 706,000
Broker fees	—	553,000
Professional fees	149,000	850,000
Executive bonuses	—	705,000
Loss on exit from operating lease	—	42,000
Total	$ 149,000	$ 2,856,000

For fiscal 2022 and 2021, the Company incurred certain acquisition-related costs relating to the acquisition of Avelead totaling $149,000 and $2,856,000, respectively. For fiscal 2022, these expenses consisted primarily of professional service fees. For fiscal 2021, of the total acquisition-related costs, $705,000 was from bonuses paid to certain executives in executing priorities, primarily related to the acquisition, and $850,000 related to professional fees.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the normal course of business. We consider the likelihood of the loss or impairment of an asset or the incurrence of a liability as well as our ability to reasonably estimate the amount of loss in determining loss contingencies. An estimated loss contingency is accrued when it is probable that a liability has been incurred or an asset has been impaired, and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether to accrue for a loss contingency and adjust any previous accrual.

Accounting Pronouncements Recently Adopted

In July 2021, the FASB issued ASU 2021-05, Lessors - Certain Leases with Variable Lease Payments to ASC Topic 842, Leases (“ASC 842”) (“ASU 2021-05”). ASU 2021-05 provides additional ASC 842 classification guidance as it relates to a lessor’s accounting for certain leases with variable lease payments. ASU 2021-05 requires a lessor to classify a lease with variable payments that do not depend on an index or rate as an operating lease if either a sales-type lease or direct financing lease classification would trigger a day-one loss. ASU 2021-05 became effective for the Company on February 1, 2022. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements or disclosures.

Recent Accounting Pronouncements Not Yet Adopted

In November 2019, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which improves guidance around accounting for financial losses on accounts receivable. For smaller reporting entities, ASU 2016-13 is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. The Company’s adoption of ASU 2016-13 is effective February 1, 2023. An analysis of contract receivables, including credit losses, was conducted during the first quarter of fiscal 2023. Based on the balance of the allowance for bad debt reserve as of January 31, 2023 and the result of the analysis of contract receivables during first quarter of fiscal 2023, the Company does not anticipate that the adoption of this ASU will have a material impact on our consolidated financial statements.

NOTE 3 — BUSINESS COMBINATION AND DIVESTITURE

Avelead Acquisition

The Company acquired all of the equity interests of Avelead as part of the Company’s strategic expansion into the revenue cycle management, acute-care healthcare space (the “Transaction”). The Transaction was completed on August 16, 2021.

The aggregate consideration for the purchase of Avelead was approximately $29.7 million (at fair value) consisting of (i) $12.5 million in cash, net of cash acquired, (ii) $6.5 million in common stock, and (iii) approximately $10.7 million in contingent consideration (see below). The Company issued 5,021,972 shares of its restricted common stock (the "Acquisition Restricted Common Stock"). The Acquisition Restricted Common Stock has a fair value as of the closing date of acquisition of $6.5 million. Additionally, the Company contracted two types of contingent consideration; the first is referred to herein as "SaaS Contingent Consideration" and the second is referred to herein as "Renewal Contingent Consideration." The SaaS Contingent Consideration and Renewal Contingent Consideration have an aggregate value of approximately $10.7 million as of the date of closing. The owners of Avelead are also referred to herein as "Sellers" and are enumerated in the UPA (as defined below).

The Unit Purchase Agreement (hereafter referred to as the "UPA"), stated that the purchase price for Avelead at closing included a cash payment of $11.9 million. Additionally, the Company paid $285,000 of the Sellers' closing costs, $285,000 related to the working capital adjustment as defined in the UPA. Finally, at closing, the Company issued the Acquisition Restricted Common Stock with a fair value of approximately $6.5 million, based on a 30-day average of the closing price of the Company's common stock prior to the closing date. The SaaS Contingent Consideration and the Renewal Contingent Consideration described in more detail below were included in the UPA as potential future consideration for the Transaction. These are reflected on the Company's consolidated balance sheet as "Acquisition earnout liability."

The Company acquired Avelead on a cash-free and debt-free basis. The Transaction was structured as a purchase of units (equity), however, Avelead was taxed as a partnership. Accordingly, the Company realized a step-up in the tax basis of the assets acquired and the goodwill is tax deductible. The gross deferred tax assets and liabilities will be consolidated, and the gross deferred tax assets have a full valuation allowance.

The contingent consideration is comprised of "SaaS Contingent Consideration" and "Renewal Contingent Consideration" which are described in more detail as follows:

- The SaaS Contingent Consideration is calculated based upon Avelead's recurring SaaS revenue recognized during the first and second year. The Company will pay the SaaS Contingent Consideration as follows: (i) 50% in cash and (ii) 50% in shares of Company common stock valued at the time the earnout is paid subject to a collar, as described below.

    - The first year of SaaS Contingent Consideration was calculated as 75% of Avelead's recognized SaaS revenue from September 1, 2021 to August 31, 2022. The first-year payment was subject to a deduction of $665,000 spread equally between the cash and common stock portion of the earnout consideration. Assuming that Avelead is within 80% of its forecasted SaaS revenue in the first year earnout, the Company agreed to a floor and ceiling on the value of the Company's restricted common stock issued as consideration for the earnout. That collar had a floor of $3.50 per share and a ceiling of $5.50 per share for the first year earnout. This first year SaaS Contingent Consideration was paid on November 21, 2022 (see below).

    - The second year of SaaS Contingent Consideration is calculated as 40% of Avelead's recognized SaaS revenue from September 1, 2022 to August 31, 2023. The second year earnout will be paid on or about October 15, 2023, subject to a dispute and resolution period. Assuming that Avelead is within 80% of its forecasted SaaS revenue in the second year earnout, the Company agreed to a floor and ceiling on the Company's restricted common stock issued as consideration for the earnout. That collar has a floor of $4.50 per share and a ceiling of $6.50 per share for the second year earnout.

1 *If Avelead does not achieve 80% of its forecasted revenue, the price per share will revert back to the Company's market price based upon a 30-day average.*

- The Renewal Contingent Consideration is tied directly to a successful renewal of a specific client of Avelead. To meet the definition of a renewal, Avelead must achieve a minimum threshold of contracted revenue in an updated, annual, renewed contract with the specified client. The renewal occurs on or about June 1, 2022 and June 1, 2023. The Company will remit the Renewal Contingent Consideration on or about each of October 15, 2022 and 2023, respectively. The Renewal Contingent Consideration is payable in shares of Company restricted common stock valued as of the date of closing. Accordingly, upon achieving the Renewal Contingent Consideration, the Company will issue 627,747 shares of restricted common stock on or about each of October 15, 2022 and October 15, 2023, subject to a dispute and resolution period. The Renewal Contingent Consideration is either earned or not earned based upon the renewal of the specified client at the minimum amount of contracted revenue. There is no pro-ration of the underlying Renewal Contingent Consideration. This first year SaaS Contingent Consideration was paid on November 21, 2022 (see below).

On November 21, 2022, the Company made the first year earnout payments and issued shares of common stock, par value $0.01 per share, subject to certain restrictions, to the selling shareholders of Avelead in accordance with the UPA. In connection with the first year earnout payment, the Company made cash payments of $2,012,000 and issued 1,243,292 unregistered securities in the form of restricted common stock, par value $0.01 per share, for the SaaS Contingent Consideration and 627,746 unregistered securities in the form of restricted common stock, par value $0.01 per share, for the Renewal Contingent Consideration. The estimated aggregate value of the first year earnout payment is $4,000,000 for the SaaS Contingent Consideration and $1,000,000 for the Renewal Contingent Consideration. The second year earnout payment, if any, under the UPA will be payable on or about October 2023. These liabilities are reflected at the fair value of the future commitment on the Company’s consolidated balance sheet, as Acquisition Earnout Liability.

The components of the total consideration are as follows:

(in thousands)		
Components of total consideration, net of cash acquired:		
Cash	$	11,900
Cash, seller expenses		285
Cash, working capital adjustment		285
Restricted Common Stock		6,554
Acquisition earnout liabilities		10,684(a)
Total consideration	**$**	**29,708**

(a) Acquisition earnout liabilities represent the net present value and risk adjusted probability of the required future payments underlying the Company's SaaS Contingent Consideration and Renewal Contingent Consideration as described above. The first year earnout paid out on November 21, 2022, consisting of cash in the amount $2,012,000 and 1,871,038 restricted shares of common stock. The acquisition second year earnout liability is shown as a short-term liability as of January 31, 2023.

The acquisition earnout liability is re-measured on a quarterly basis and the change to the liability is recorded as a valuation adjustment recorded through "acquisition earnout valuation adjustments" in the accompanying consolidated statements of operations. The valuation adjustment recorded for the period ended January 31, 2023, was $71,000. A range of possible outcomes is not available under the specific valuation method that was used in determining fair value of the acquisition earnout liability.

The Company is presenting the allocation of the total consideration to net tangible and intangible assets as of the date of the closing of Avelead as follows:

(in thousands)		
Net tangible assets:		
Accounts receivable	$	1,246
Unbilled revenue		200
Prepaid expenses		178
Fixed assets		37
Accounts payable		(490)
Accrued expenses		(397)
Deferred revenues		(863)
Net tangible assets		(89)
Goodwill		12,377
Client Relationships (SaaS)		8,370
Client Relationships (Consulting)		1,330
Internally Developed Software		6,380
Trademarks and Tradenames		1,340
Net assets acquired and liabilities assumed	**$**	**29,708**

The Company determined the fair value of the client relationship intangible assets and the trade name and developed software technology intangible assets using the multi-period excess earning method and the relief from royalty method, respectively. The intangible assets recorded as a result of the Avelead acquisition, and their related estimated useful lives are as follows:

	Estimated Useful Lives
Goodwill	*Indefinite*
Client Relationships (SaaS)	*10 years*
Client Relationships (Consulting)	*8 years*
Internally Developed Software	*9 years*
Trademarks and Tradenames	*15 years*

The Company's unaudited pro forma revenues and (loss) income from continuing operations, assuming Avelead was acquired on February 1, 2020, are as follows. The unaudited pro forma information is not necessarily indicative of the results of operations that the Company would have reported had the acquisition actually occurred at the beginning of these periods nor is it necessarily indicative of future results. The unaudited pro forma financial information does not reflect the impact of events occurring after the acquisition. The nature and amount of any material, nonrecurring pro forma adjustments directly attributable to the business combination are included in the pro forma revenue and net earnings reflected below (unaudited):

Unaudited Pro forma	**Year Ended January 31, 2022**
Revenues	$ 22,631,000
Operating expenses	(31,278,000)
Acquisition-related costs	(4,284,000
Operating loss	(12,931,000)
Other (expense) income	1,312,000
PPP loan forgiveness	3,059,000
Income tax expense	(109,000)
Loss from continuing operations	$ (8,669,000)

Included in the accompanying consolidated statement of operations for the year ended January 31, 2022 (following the closing of the Avelead acquisition) are $4,524,000 and $(1,506,000) of Avelead revenue and loss from continuing operations.

Refer to Note 2 – Summary of Significant Accounting Policies – Other operating costs -Acquisition-related costs. Costs related to the acquisition of Avelead are expensed as incurred.

The Company entered into one employment agreement and one separation agreement with each of the two Sellers. Included in the transaction costs of Avelead is the cost of a two-year separation agreement with one Seller. This separation agreement was expensed at the closing of the transaction as there were no material future obligations of the Seller to the Company within acquisition-related costs. The employment agreement is a two-year employment agreement that entitles the Seller to a six-month separation pay in the case of termination without cause. The expense for the employment agreement is recognized ratably over the service period customary with other employment agreements within selling, general, and administrative expense.

The Company granted options to purchase 583,333 shares of the Company's common stock to the Sellers at the closing of the Avelead acquisition. These options have a strike price of $1.53 per share, the closing stock price on the trading date immediately preceding the closing. 500,000 options were awarded to one Seller that will vest, monthly, over a three (3) year service period. The remaining 83,333 options were awarded to another Seller and vested immediately upon issuance. The Company utilized the Black-Scholes method to determine the grant-date fair value of these options. The 83,333 options have a grant-date fair value of approximately $6,000 and are recorded in acquisition-related cost in the accompanying consolidated statement of operations. The 500,000 options have a grant-date fair value of approximately $395,000 and are expensed over the vesting period within selling, general, and administrative expenses.

Additionally, the Company granted 100,000 restricted stock awards (RSAs) to certain Avelead employees as of the closing date.

NOTE 4 — OPERATING LEASES

We determine whether an arrangement is a lease at inception. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since our lease arrangements do not provide an implicit rate, we use our incremental borrowing rate for the expected remaining lease term at commencement date for new and existing leases in determining the present value of future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term.

Alpharetta Office Lease

On October 1, 2021, the Company entered into an agreement with a third-party to sublease its office space in Alpharetta, Georgia, (the "Sublease Agreement"). The sublease term is for 18 months which coincides with the Company's underlying lease (see below). The Company expects to receive $292,000 from the sublessee over the term of the sublease. The sublease did not relieve the Company of its original obligation under the lease, and therefore the Company did not adjust the operating lease right-of-use asset and related liability. The Company incurred an amount of fees and expenses to enter into the Sublease Agreement that were recorded as "acquisition-related costs" for fiscal 2021. As of January 31, 2023, the Company recorded $195,000 as other income related to the sublease.

The Company entered into a lease for office space in Alpharetta, Georgia, on March 1, 2020. The lease expired on March 31, 2023. At inception, the Company recorded a right-of use asset of $540,000, and related current and long-term operating lease obligation in the accompanying consolidated balance sheet. As of January 31, 2023, operating lease right-of use assets totaled $32,000, and the associated lease liability of $35,000 is included in current liabilities. The Company used a discount rate of 6.5% to determine the lease liability. As of January 31, 2023 and 2022, the Company had lease operating costs of approximately $194,000 and $194,000, respectively. The Company paid cash of approximately $210,000 and $203,000 for the lease in fiscal 2022 and fiscal 2021, respectively.

Maturities of operating lease liabilities associated with the Company's operating lease as of January 31, 2023 are as follows for payments due based upon the Company's fiscal year:

2023	$ 36,000
Total lease payments	36,000
Less present value adjustment	(1,000)
Present value of lease liabilities	$ 35,000

Suwanee Office Lease

Upon acquiring Avelead on August 16, 2021 (refer to Note 3 – Business Combination and Divestiture), the Company assumed an operating lease agreement for the corporate office space of Avelead. The 36-month term lease commenced March 1, 2019 and initially expired on February 28, 2022. As of January 31, 2023, the Company recorded $73,000 in rent expense. The lessor is an entity controlled by one of the Sellers that is employed by the Company. In February 2022, the Company renewed the lease for twelve months. The Company made monthly lease payments of $5,998.67 for a total of $71,984 over the term of the lease. The lease expired on February 28, 2023 and was not renewed.

NOTE 5 — DEBT

Outstanding principal balances on debt consisted of the following at:

	January 31, 2023	January 31, 2022
Term loan	$ 9,750,000	$ 10,000,000
Deferred financing cost	(36,000)	(96,000)
Total	9,714,000	9,904,000
Less: Current portion	(750,000)	(250,000)
Non-current portion of debt	$ 8,964,000	$ 9,654,000

Debt Modification

On November 29, 2022, the Company executed the Second Modification to the Second Amended and Restated Debt Agreement (the "Second Modification Debt Agreement"). The Second Modification Debt Agreement includes an expansion of the Company's total borrowing to include a $2,000,000 revolving line of credit. The revolving line of credit is co-terminus with the term loan and matures on August 26, 2026. There are no requirements to draw on the line of credit. Amounts outstanding under the line of credit portion of the Second Modification Debt Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%. The Second Modification Debt Agreement amended the covenants. At January 31, 2023, there was no outstanding balance on the revolving line of credit.

Under the Second Modification Debt Agreement, the Company has a term loan facility with an initial maximum principal amount of $10,000,000. Amounts outstanding under the Second Modification Debt Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime "floor" rate of 3.25%.

The Second Modification Debt Agreement includes customary financial covenants as follows:

a. **Minimum Cash.** Borrowers shall, at all times, maintain unrestricted cash in an amount not less than Two Million Dollars ($2,000,000).

b. **Maximum Debt to ARR Ratio.** Borrowers' Maximum Debt to ARR Ratio, measured on a quarterly basis as of the last day of each fiscal quarter, shall not be greater than the amount set forth under the heading "Maximum Debt to ARR Ratio" as of, and for each of the dates appearing adjacent to such "Maximum Debt to ARR Ratio".

Quarter Ending	Maximum Debt to ARR Ratio
October 31, 2022	0.80 to 1.00
January 31, 2023	0.70 to 1.00
April 30, 2023	0.65 to 1.00
July 31, 2023	0.60 to 1.00
October 31, 2023	0.55 to 1.00
January 31, 2024	0.50 to 1.00

c. **Maximum Debt to Adjusted EBITDA Ratio.** Commencing with the quarter ending April 30, 2024, Borrowers' Maximum Debt to Adjusted EBITDA Ratio, measured on a quarterly basis as of the last day of each fiscal quarter for the trailing four (4) quarter period then ended, shall not be greater than the amount set forth under the heading "Maximum Debt to Adjusted EBITDA Ratio" as of, and for each of the dates appearing adjacent to such "Maximum Debt to Adjusted EBITDA Ratio".

Quarter Ending	Maximum Debt to Adjusted EBITDA Ratio
April 30, 2024	3.50 to 1.00
July 31, 2024 and on the last day of each quarter, thereafter	2.00 to 1.00

d. **Fixed Charge Coverage Ratio**. Commencing with the quarter ending April 30, 2024, Borrowers shall maintain a Fixed Charge Coverage Ratio of not less than 1.20 to 1.00, measured on a quarterly basis as of the last day of each fiscal quarter for the trailing four (4) quarter period then ended.

The Second Modification Debt Agreement also includes customary negative covenants, subject to exceptions, which limit transfers, capital expenditures, indebtedness, certain liens, investments, acquisitions, dispositions of assets, restricted payments, and the business activities of the Company, as well as customary representations and warranties, affirmative covenants and events of default, including cross defaults and a change of control default. The line of credit also is subject to customary prepayment requirements. For the period ended January 31, 2023, the Company was in compliance with the Second Modification Debt Agreement covenants. Substantially all the assets of the Company are collateralized by the Second Modification Debt Agreement.

The Company recorded $20,000 in deferred financing costs related to the Second Modification Debt Agreement. These deferred financing costs are being amortized over the remaining term of the loan. The Company also incurred $50,000 in financing costs at the earlier of the term date of the loan, or pre-payment. These costs are being accreted, through interest expense, to the full value of the $250,000 over the remaining term of the loan. The full value of $250,000 includes the $200,000 costs incurred in connection with the Second Amended and Restated Loan Agreement (see below).

Term Loan Agreement

On August 26, 2021, the Company and its subsidiaries entered into the Second Amended and Restated Loan and Security Agreement with Bridge Bank. Pursuant to the Second Amended and Restated Loan and Security Agreement, Bridge Bank agreed to provide the Company and its subsidiaries with a new term loan facility in the maximum principal amount of $10,000,000. Amounts outstanding under the term loan of the Second Amended and Restated Loan and Security Agreement bear interest at a per annum rate equal to the Prime Rate (as published in The Wall Street Journal) plus 1.5%, with a Prime “floor” rate of 3.25%.

The Second Amended and Restated Loan and Security Agreement has a five-year term, and the maximum principal amount was advanced in a single-cash advance on or about the closing date. Interest accrued under the Second Amended and Restated Loan and Security Agreement is due monthly, and the Company shall make monthly interest-only payments through the one-year anniversary of the closing date. From the first anniversary of the closing date through the maturity date, the Company shall make monthly payments of principal and interest that increase over the term of the agreement. The Second Amended and Restated Loan and Security Agreement requires principal repayments on the anniversary date of the closing of the debt agreement of $500,000 in the second year, $1,000,000 in the third year, $2,000,000 in the fourth year, and $3,000,000 in the fifth year, respectively, with the remaining outstanding principal balance and all accrued but unpaid interest due in full on the maturity date. The Second Amended and Restated Loan and Security Agreement may also require early repayments if certain conditions are met.

The Company recorded $130,000 in deferred financing costs related to the Second Amended and Restated Loan and Security Agreement. These deferred financing costs are being amortized over the term of the loan. The Company will also incur $200,000 in financing costs at the earlier of the term date of the loan, or pre-payment. These costs are being accreted, through interest expense, to the full value of the $200,000 over the term of the loan.

Term Loan related to "The Coronavirus Aid, Relief, and Economic Security Act"

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, was signed into law on March 17, 2020. Among other things, the CARES Act provided for a business loan program known as the Paycheck Protection Program ("PPP"). Qualifying companies were able to borrow, through the U.S. Small Business Administration ("SBA"), up to two months of payroll expenses. On April 21, 2020, the Company received approximately $2,301,000 through the SBA under the PPP. These funds were utilized by the Company to fund payroll expenses and avoid further staffing reductions during the slowdown resulting from COVID-19.

The PPP loan carried an interest rate of 1.0% per annum. Principal and interest payments were due, beginning on the tenth month from the effective date, sufficient to satisfy the loan on the second anniversary date. However, under certain criteria, the loan could be forgiven.

In June 2021, the Company was notified that the full $2,301,000 of the PPP loan and accrued interest of $26,000 had been forgiven. The loan amount and accrued interest were recognized as an extinguishment of debt and has been recorded as other income on the consolidated statement of operations.

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following:

	January 31, 2023			
	Estimated Useful Life	**Gross Assets**	**Accumulated Amortization**	**Net Assets**
Finite-lived assets:				
Client relationships	8-10 years	$ 9,700,000	$ 1,463,000	$ 8,237,000
Internally Developed Software	9 years	$ 6,380,000	$ 1,034,000	$ 5,346,000
Trademarks and Tradenames	15 years	$ 1,340,000	$ 130,000	$ 1,210,000
Total		$ 17,420,000	$ 2,627,000	$ 14,793,000

			January 31, 2022	
	Estimated Useful Life	Gross Assets	Accumulated Amortization	Net Assets
Finite-lived assets:				
Client relationships	8-10 years	$ 14,164,000	$ 4,755,000	$ 9,409,000
Internally Developed Software	9 years	6,380,000	325,000	6,055,000
Trademarks and Tradenames	15 years	1,340,000	41,000	1,299,000
Total		$ 21,884,000	$ 5,121,000	$ 16,763,000

The Company recognized amortization expense on intangible assets of $1,971,000 and $1,281,000 for fiscal 2022 and 2021, respectively.

Amortization over the next five fiscal years for intangible assets is estimated as follows:

	Annual Amortization Expense
2023	$ 1,801,000
2024	1,801,000
2025	1,801,000
2026	1,801,000
2027	1,801,000
Thereafter	5,788,000
Total	$ 14,793,000

The Company wrote-off fully amortized intangible assets during fiscal 2022 of $4,464,000. There was no impact to the consolidated statements of operations as this eliminated the asset and accumulated amortization of the fully amortized intangible assets.

NOTE 7 — INCOME TAXES

For fiscal 2022 and 2021, income taxes for continuing operations consist of the following:

	Fiscal Year	
	2022	2021
Current tax expense:		
Federal	$ —	$ —
State	(62,000)	(14,000)
Total current tax expense	$ (62,000)	$ (14,000)
Deferred tax expense:		
Federal	$ (6,000)	$ (80,000)
State	(3,000)	(15,000)
Total deferred tax expense	$ (9,000)	$ (95,000)
Total provision	$ (71,000)	$ (109,000)

The income tax expense differs from the amount computed using the federal statutory income tax rates of 21% for fiscal 2022 and 2021 continuing operations as follows:

	Fiscal Year	
	2022	2021
Federal tax benefit at statutory rate	$ (2,390,000)	$ (1,430,000)
State and local tax expense, net of federal	52,000	26,000
Increase in valuation allowance	2,029,000	1,950,000
Permanent items:		
PPP loan	—	(483,000)
Other	20,000	3,000
Reserve for uncertain tax position	18,000	(24,000)
Federal R&D tax credit	(91,000)	(120,000)
Stock-based compensation	289,000	(45,000)
Other	2,000	(8,000)
Income tax expense	$ (71,000)	$ (109,000)

The Company provides deferred income taxes for temporary differences between assets and liabilities recognized for financial reporting and income tax purposes. The income tax effects of these temporary differences and credits are as follows:

	January 31,	
	2023	2022
Deferred tax assets:		
Allowance for doubtful accounts	$ 39,000	$ 24,000
Deferred revenue	122,000	60,000
Accruals	232,000	168,000
Net operating loss carryforwards	11,242,000	10,908,000
Stock compensation expense	342,000	510,000
Finite-lived intangible assets	1,344,000	—
R&D tax credit	1,407,000	1,334,000
Other	2,000	23,000
Total deferred tax assets	14,730,000	13,027,000
Valuation allowance	(14,347,000)	(12,318,000)
Net deferred tax assets	383,000	709,000
Deferred tax liabilities:		
Property and equipment	(5,000)	(6,000)
Finite-lived intangible liabilities	(482,000)	(798,000)
Total deferred tax liabilities	(487,000)	(804,000)
Net deferred tax liabilities	$ (104,000)	$ (95,000)

At January 31, 2023, the Company had U.S. federal net operating loss carry forwards of $49,884,000 and $29,083,000 of these net operating losses expire at various dates through fiscal 2038. The remaining $20,801,000 of these net operating losses can be carried forward indefinitely under the provisions of the Tax Cuts and Jobs Act (TCJA). The TCJA also eliminated the ability to carry back net operating losses. The Company also had state net operating loss carry forwards of $24,095,000 and Federal R&D credit carry forwards of $1,666,000 and Georgia R&D credit carry forwards of $94,000, all of which expire at various dates through fiscal 2042.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company established a valuation allowance of $14,347,000 and $12,318,000 at January 31, 2023 and 2022, respectively. The increase in the valuation allowance of $2,029,000 was driven primarily by the Company's federal net operating losses.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income taxes in multiple state and local jurisdictions. The Company has concluded all U.S. federal tax matters for years through January 31, 2019. All material state and local income tax matters have been concluded for years through January 31, 2018. The Company is no longer subject to IRS examination for periods prior to the tax year ended January 31, 2019; however, carry forward losses that were generated prior to the tax year ended January 31, 2019 may still be adjusted by the IRS if they are used in a future period.

The Company has recorded a reserve, including interest and penalties, for uncertain tax positions of $333,000 and $315,000 as of January 31, 2023 and 2022, respectively. As of January 31, 2023 and 2022, the Company had no accrued interest and penalties associated with unrecognized tax benefits.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits (excluding interest and penalties) is as follows:

	2022	2021
Beginning of fiscal year	$ 315,000	$ 339,000
Additions for tax positions for the current year	11,000	4,000
Additions for tax positions of prior years	7,000	—
Subtractions for tax positions of prior years	—	(28,000)
End of fiscal year	$ 333,000	$ 315,000

NOTE 8 — EQUITY

Capital Raise

On October 24, 2022, the Company entered into purchase agreements with certain investors pursuant to which the Company agreed to issue and sell in a registered direct offering (the "2022 Offering") an aggregate of 6,299,989 shares of common stock, par value $0.01 per share, at a purchase price of $1.32 per share. The gross proceeds to the Company from the 2022 Offering were approximately $8,316,000. The Company intends to use the proceeds of the 2022 Offering for general corporate purposes. The 2022 Offering closed on October 26, 2022.

On February 25, 2021, the Company entered into an underwriting agreement with Craig-Hallum Capital Group LLC, as the sole managing underwriter, relating to the underwritten public offering of an aggregate of 10,062,500 shares of the Company's common stock, par value $0.01 per share, which included 1,312,500 shares of common stock sold pursuant to the underwriter's exercise of an option to purchase additional shares of common stock to cover over-allotments (the "2021 Offering"). The price to the public in the 2021 Offering was $1.60 per share of common stock. The gross proceeds to the Company from the 2021 Offering were approximately $16.1 million, before deducting underwriting discounts, commissions and estimated offering expenses. The 2021 Offering closed on March 2, 2021.

Registration of Shares Issued to 180 Consulting

On May 3, 2021, the Company filed a Registration Statement on Form S-3 (Registration No. 333-255723), which was subsequently amended on June 23, 2021, for purposes of registering for resale 248,424 shares of common stock issued to 180 Consulting, LLC ("180 Consulting"). The Registration Statement was declared effective by the SEC on July 14, 2021.

On June 22, 2022, the Company filed a Registration Statement on Form S-3 (Registration No. 333-265773) for purposes of registering for resale 272,653 shares of common stock issued to 180 Consulting, LLC ("180 Consulting"). The Registration Statement was declared effective by the SEC on July 1, 2022.

Authorized Shares Increase

On May 24, 2021, the Company amended its Certificate of Incorporation to increase the total number of authorized shares of the Company's common stock from 45,000,000 shares to 65,000,000 shares (the "Charter Amendment"). The Charter Amendment was previously approved by the board of directors of the Company, subject to stockholder approval, approved by the Company's stockholders at the 2021 Annual Meeting and ratified by the Company's stockholders at the 2021 Special Meeting.

Also at the 2021 Annual Meeting, the Company's stockholders approved an amendment to the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder by 2,000,000 shares, from 6,223,246 shares to 8,223,246 shares (the "Third Amended 2013 Plan Amendment"). The Company's stockholders ratified the approval and effectiveness of the Third Amended 2013 Plan Amendment at the 2021 Special Meeting.

At the 2022 Annual Meeting, the Company's stockholders approved an amendment to the Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan to increase the number of shares of the Company's common stock authorized for issuance thereunder by 2,000,000 shares, from 8,223,246 shares to 10,223,246 shares. The Company's stockholders also approved an amendment to the Company's Certificate of Incorporation, as amended, to increase the total number of authorized shares of the Company's common stock from 65,000,000 shares to 85,000,000 shares.

NOTE 9 — MAJOR CLIENTS

During fiscal 2022, two individual clients accounted for 10% or more of our continuing operations revenue. These clients accounted for 20% and 12%, respectively, of total continuing operations revenue for fiscal 2022. During fiscal 2021, one individual client accounted for 10% or more of our continuing operations revenue. This client accounted for 15% of total continuing operations revenue for fiscal 2021. Four clients represented 13%, 12%, 12% and 10%, respectively, of continuing operations accounts receivable as of January 31, 2023, and three clients represented 24%, 16%, and 15%, respectively, of continuing operations accounts receivable as of January 31, 2022. Many of our clients are invoiced on an annual basis.

NOTE 10 — EMPLOYEE RETIREMENT PLAN

The Company has established a 401(k) retirement plan that covers all associates. Company contributions to the plan may be made at the discretion of the board of directors. The Company's matched amount is 50% up to the first 4% of compensation deferred by each associate. The total compensation expense for this matching contribution was $258,000 and $188,000 in fiscal 2022 and 2021, respectively.

NOTE 11 — STOCK-BASED COMPENSATION

Stock Option Plans

The Company's Third Amended and Restated 2013 Stock Incentive Plan (the "2013 Plan") replaced the 2005 Incentive Compensation Plan (the "2005 Plan"). The 2005 Plan expired based upon its terms. Accordingly, all the outstanding awards and any unallocated pool of un-issued options under the 2005 Plan were re-characterized to the 2013 Plan. Under these plans, the Company is authorized to issue equity awards (stock options, stock appreciation rights or "SARs", and restricted stock) to directors and associates of the Company. Under the 2013 Plan, as amended, the Company is authorized to issue a number of shares not to exceed 10,223,246. The options granted under the 2013 Plan have terms of ten years or less, and typically vest and become fully exercisable ratably over three years of continuous service to the Company from the date of grant. At January 31, 2023 and 2022, options to purchase 628,958 and 937,130 shares of the Company's common stock, respectively, had been granted and were outstanding under these plans. There are no SARs outstanding.

Inducement grants are approved by the Company's compensation committee pursuant to NASDAQ Marketplace Rule 5635(c)(4). The terms of the grants were nearly identical to the terms and conditions of the Company's stock incentive plans in effect at the time of each inducement grant. For the year ended January 31, 2023 and 2022, with regard to inducement grants, no stock options were issued, no options expired, no options were forfeited, and no stock options were exercised. As of January 31, 2023 and 2022, there were 0 and 125,000 options outstanding, respectively, under inducement grants.

A summary of stock option activity follows:

	Options	Weighted Average Exercise Price	Remaining Life in Years	Aggregate intrinsic value
Outstanding as of January 31, 2022	1,062,130	$ 2.65	6.11	$ 21,000
Granted	—	—		
Exercised	(5,000)	1.18		
Expired	(428,172)	3.68		
Forfeited	—	—		
Outstanding as of January 31, 2023	628,958	$ 1.95	7.31	$ 360,000
Exercisable as of January 31, 2023	365,069	$ 3.36	3.72	$ 193,000
Vested or expected to vest as of January 31, 2023	628,958	$ 1.95	7.31	$ 360,000

No options were granted in fiscal 2022. 583,333 options were granted in fiscal 2021, with a weighted average grant date fair value of $1.53.

The fiscal 2022 and 2021 stock-based compensation was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for each fiscal year:

	2022	2021
Expected life	—	5.01 years
Risk-free interest rate	—	0.75%
Weighted average volatility factor	—	0.72
Dividend yield	—	—
Forfeiture rate	—	—

At January 31, 2023, there was $203,000 of unrecognized compensation cost related to non-vested stock-option awards. That cost is expected to be recognized over a remaining weighted average period of 1.54 years. The expense associated with stock option awards was $132,000 and $69,000, respectively, for fiscal 2022 and 2021. Cash received from the exercise of options was $6,000 in fiscal 2022. No options were exercised during fiscal 2021.

The 2013 Plan contains change in control provisions whereby any outstanding equity awards under the plans subject to vesting, which have not fully vested as of the date of the change in control, shall automatically vest and become immediately exercisable. One of the change in control provisions is deemed to occur if there is a change in beneficial ownership, or authority to vote, directly or indirectly, of securities representing 20% or more of the total of all of the Company's then-outstanding voting securities, unless through a transaction arranged by or consummated with the prior approval of the Board of Directors. Other change in control provisions relate to mergers and acquisitions or a determination of change in control by the Company's Board of Directors.

Restricted Stock

The Company is authorized to grant restricted stock awards to associates and directors under the 2013 Plan. The Company has also issued restricted stock as inducement grants to certain new employees. The restrictions on the shares granted generally lapse over a one- to four-year term of continuous employment from the date of grant. On November 1, 2022, our CEO was awarded 50,000 shares of restricted stock that will vest in three substantially equal annual installments commencing on the first anniversary of the date of grant. On May 20, 2022, our CEO was awarded 150,000 shares of restricted stock that will vest in three substantially equal annual installments commencing on the first anniversary of the date of grant. On March 4, 2021, our CEO was awarded 150,000 shares of restricted stock that will vest in four substantially equal quarterly installments commencing on the first anniversary of the date of grant. The grant date fair value per share of restricted stock, which is based on the closing price of our common stock on the grant date, is expensed on a straight-line basis as the restriction period lapses. The shares represented by restricted stock awards are considered outstanding at the grant date, as the recipients are entitled to voting rights. A summary of restricted stock award activity for fiscal 2022 and 2021 is presented below:

	Non-vested Number of Shares	Weighted Average Grant Date Fair Value
Non-vested balance at January 31, 2021	931,125	$ 1.09
Granted	1,257,500	1.71
Vested	(1,095,175)	1.33
Forfeited	(50,100)	1.48
Non-vested balance at January 31, 2022	1,043,350	$ 1.57
Granted	1,505,731	1.47
Vested	(501,750)	1.63
Forfeited	(199,300)	1.49
Non-vested balance at January 31, 2023	1,848,031	$ 1.48

At January 31, 2023, there was $1,958,000 of unrecognized compensation cost related to restricted stock awards. That cost is expected to be recognized over a remaining period of 2.20 years.

The expense associated with restricted stock awards for associates and directors was $983,000 and $1,667,000, respectively, for fiscal 2022 and 2021.

NOTE 12— COMMITMENTS AND CONTINGENCIES

Consulting Agreement with 180 Consulting

On March 19, 2020 the Company entered into a Master Services Agreement (the "MSA") with 180 Consulting, pursuant to which 180 Consulting has provided and will continue to provide a variety of consulting services in support of eValuator products including product management, operational consulting, staff augmentation, internal systems platform integration and software engineering services, among others, through separate executed statements of work ("SOWs"). On September 20, 2021, the Company entered into a separate MSA in support of Avelead products. The Company has entered into twelve SOWs under the eValuator MSA, and two under the Avelead MSA. Some of the SOWs include the ability to earn stock at a conversion rate to be calculated 20 days after the execution of the related SOW. The MSA includes a termination clause upon a 90-day written notice. While no related party has a direct or indirect material interest in this MSA or the related SOWs, individuals providing services to us under the MSA and the SOWs may share workspace and administrative costs with 121G Consulting. 180 Consulting earned 394,127 shares for the year ended January 31, 2023 and has earned an aggregate of 915,204 shares through January 31, 2023. For services rendered by 180 Consulting during fiscal 2022, the Company incurred fees of $2,540,000, and $81,000 of capitalized non-employee stock compensation. In addition, on March 8, 2023, the Company issued to 180 Consulting an aggregate of 100,927 shares as compensation for services previously rendered during the three-months ended January 31, 2023. Such 100,927 shares were issued in a private placement in reliance on the exemption from registration available under Section 4(a)(2) of the Securities Act, including Regulation D promulgated thereunder. For services rendered by 180 Consulting during fiscal 2021, the Company incurred fees of $1,439,000.

Inclusive of the MSA executed with 180 Consulting are SOWs that provide for the Company to sublicense a software through 180 Consulting that is owned by 121G. This is a services agreement for access to software that assists the Company in implementing and integrating with our clients' technology. The license agreement is designed such that there is no material financial benefit that accrues to 121G. 180 Consulting licenses the software from 121G at cost. The Company paid approximately $301,000 and $227,000 for the SOWs that include the sublicense agreement in each of the fiscal years ended January 31, 2023 and 2022, respectively, which are included in the aforementioned totals above.

Litigation

We are, from time to time, a party to various legal proceedings and claims, which arise in the ordinary course of business. We are not aware of any legal matters that are reasonably possible to have a material adverse effect on the Company's consolidated results of operations, financial position or cash flows.

NOTE 13 – DISCONTINUED OPERATIONS

On February 24, 2020, the Company consummated the previously announced sale of the Company's legacy Enterprise Content Management business (the "ECM Assets") pursuant to that certain Asset Purchase Agreement, dated December 17, 2019, as amended (the "Asset Purchase Agreement"), to Hyland Software, Inc. (the "Purchaser"),

Pursuant to the Asset Purchase Agreement, the Purchaser acquired the ECM Assets and assumed certain liabilities of the Company for a purchase price of $16.0 million, subject to certain adjustments for client prepayments as set forth in the Asset Purchase Agreement.

At closing, the Company received approximately $5.4 million in net proceeds after (i) repaying the Company's $4.0 million term loan with Bridge Bank, (ii) adjusting for certain client prepayments, (iii) recording the escrow funds of $800,000 and (iv) incurring certain transaction costs. The gain on the sale of assets is summarized as follows:

Net Proceeds, including escrowed funds	**$**	**12,088,000**
Net tangible assets sold:		
Accounts Receivable		(1,130,000)
Prepaid Expenses		(576,000)
Deferred Revenues		4,010,000
Net tangible assets sold		2,304,000
Capitalized software development costs		(1,772,000)
Goodwill		(4,825,000)
Transaction cost		(1,782,000)
Gain on sale of discontinued operations	**$**	**6,013,000**

The transaction costs were primarily broker costs and costs of legal and accounting to effect the transaction. The Company allocated $4,825,000 in goodwill to the sale of the ECM Assets using a valuation of the ECM Assets and the remaining, go-forward business, to bifurcate its existing goodwill as of February 24, 2020. The amount of goodwill to be included in that carrying amount was based on the relative fair values of the business to be disposed of and the portion of the reporting unit that will be retained using our fair value approach as outlined in Note 2. Further, in accordance ASC 350-20-35-3A, when only a portion of goodwill is allocated to a business to be disposed of, the remaining portion of the goodwill associated with the reporting unit to be retained was tested for impairment and no impairment was recognized.

For fiscal 2021, the Company recorded the following into discontinued operations in the accompanying consolidated statements of operations:

		2021
Revenues:		
Transition service fees	$	498,000
Total revenues	$	498,000
Expenses:		
Cost of Sales	$	5,000
Transition service cost		92,000
Total expenses	$	97,000
Income from discontinued operations	$	401,000

The Company entered into an agreement with the Purchaser of the ECM Assets to maintain the current data center through a transition period. The transition services did not have a finite ending date at the signing of the agreement. However, the transition services were completed in the third quarter of fiscal 2021.

NOTE 14 - RELATED PARTY TRANSACTIONS

Refer to Note 3 – Business Combination and Divestiture. The Company acquired Avelead on August 16, 2021. In addition, the Company assumed a consulting agreement with AscendTek, LLC ("AscendTek"), a software development and system design company. AscendTek is owned by one of the Sellers of Avelead. The Company entered into a separation agreement with this Seller of Avelead on closing of the Avelead acquisition. From the acquisition date to the year ended January 31, 2022, the Company incurred approximately $64,000 in research and development services provided by AscendTek. For the fiscal year ended January 31, 2023, the Company incurred approximately $40,000 in research and development services provided by AscendTek. The Company terminated its relationship with AscendTek during the third quarter of fiscal 2022. Additionally, we assumed a lease for corporate office space from a Seller that is now employed by the Company. This lease term ended February 2022 but was renewed for a term of 12 months through February 2023. For the year ended January 31, 2023, the Company recorded rent expense of $73,000. See Note 4 – Operating Leases.

NOTE 15 — SUBSEQUENT EVENTS

We have evaluated subsequent events occurring after January 31, 2023, and based on our evaluation we did not identify any events that would have required recognition or disclosure in these consolidated financial statements, except for the following:

Silicon Valley Bank ("SVB") and Signature Bank were closed on March 10, 2023 and March 12, 2023, respectively, by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. At the time of closing, the Company did not maintain any of its cash or cash equivalents with SVB or Signature Bank, and the Company has no current direct investment in or contractual relationships with SVB, Signature Bank or their respective holding companies. The Company does not believe it will be impacted by the closure of SVB or Signature Bank and will continue to monitor the situation as it evolves.

Schedule II

Valuation and Qualifying Accounts and Reserves

Streamline Health Solutions, Inc and Subsidiaries.
For the two years ended January 31, 2023
(in thousands of dollars)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	(1) Deductions	Balance at End of Period
Year ended January 31, 2023:				
Allowance for doubtful accounts	$ 76	$ 189	$ (133)	$ 132
Year ended January 31, 2022:				
Allowance for doubtful accounts	$ 65	$ 11	$ —	$ 76

(1) Uncollectible accounts written off, net of recoveries.

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

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer (who serves as our principal executive officer) and our Senior Vice President and Chief Financial Officer (who serves as our principal financial officer) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(c)) as of the end of the period covered by this Report (January 31, 2023). Based on that evaluation, our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of January 31, 2023.

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 Rule 13a-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed by, and under the supervision of, our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer and effected by our management and our Board of Directors to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. 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.

An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected.

Our management, including our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2023, and concluded that our internal control over financial reporting was effective as of January 31, 2023. In making the assessment of internal control over financial reporting, management used the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Control Over Financial Reporting

There were 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 year ended January 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have performed additional analyses and other procedures to enable management to conclude that our consolidated financial statements included in this report fairly, in all material respects, our financial condition and results of operations as of the year ended January 31, 2023.

Item 9B. *Other Information*

None.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Information regarding directors, executive officers and corporate governance will be set forth in the proxy statement for our 2023 Annual Meeting, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Report and is incorporated herein by reference.

Item 11. *Executive Compensation*

Information regarding executive compensation will be set forth in the proxy statement for our 2023 Annual Meeting, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Report and is incorporated herein by reference.

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

Information regarding security ownership of certain beneficial owners and management and related stockholder matters will be set forth in the proxy statement for our 2023 Annual Meeting, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Report and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions and Directors Independence*

Information regarding certain relationships and related transactions and director independence will be set forth in the proxy statement for our 2023 Annual Meeting, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Report and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

The Independent Registered Public Accounting Firm is FORVIS, LLP (PCAOB Firm ID No. 686) located in Atlanta, Georgia. Information regarding principal accountant fees and services will be set forth in the proxy statement for our 2023 Annual Meeting, which will be filed with the SEC within 120 days after the end of the fiscal year covered by this Report and is incorporated herein by reference.

PART IV

(32) **Item 15. *Exhibits and Financial Statement Schedules*)** See Index to Consolidated Financial Statements and Schedule Covered by Reports of Registered Public Accounting Firms included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Report. See Index to Exhibits contained in this Report.

(b) Exhibits

See Index to Exhibits contained in this Report.

Item 16. *Form 10-K Summary*

None.

INDEX TO EXHIBITS

EXHIBITS

2.1	Asset Purchase Agreement, dated December 17, 2019, by and among the Company, Streamline Health, Inc., and Hyland Software, Inc. (Incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K, as filed with the SEC on December 18, 2019).
2.2	Amendment No. 1 to the Asset Purchase Agreement, dated January 7, 2020, by and among the Company, Streamline Health, Inc., and Hyland Software, Inc. (Incorporated by reference from Exhibit 10.6 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on January 7, 2020).
2.3	Unit Purchase Agreement, dated August 16, 2021, by and among Streamline Health Solutions, Inc., Avelead Consulting, LLC, Jawad Shaikh and Badar Shaikh (Incorporated by reference from Exhibit 2.1 of the Company's Current Report on Form 8-K, as filed with the SEC on August 18, 2021).
3.1	Certificate of Incorporation of Streamline Health Solutions, Inc. f/k/a/ LanVision Systems, Inc., as amended through August 19, 2014 (Incorporated by reference from Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on September 15, 2014).
3.2	Certificate of Amendment of Certificate of Incorporation of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 3.1 of the Company's Current Report on Form 8-K, as filed with the SEC on May 24, 2021).
3.3	Certificate of Amendment of Certificate of Incorporation of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 3.1 of the Company's Current Report on Form 8-K, as filed with the SEC on June 8, 2022).
3.4	Amended and Restated Bylaws of Streamline Health Solutions, Inc., as amended and restated through March 29, 2014 (Incorporated by reference from Exhibit 3.1 of the Company's Current Report on Form 8-K, as filed with the SEC on April 3, 2014).
4.1	Specimen Common Stock Certificate of Streamline Health Solutions, Inc. (Incorporated by reference from the Company's Registration Statement on Form S-1, File Number 333-01494, as filed with the SEC on April 15, 1996).
4.2*	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
10.1#	Streamline Health Solutions, Inc. 1996 Employee Stock Purchase Plan, as amended and restated effective July 1, 2013 (Incorporated by reference from the Registration Statement on Form S-8, File Number 333-188763, as filed with the Commission on May 22, 2013).
10.2#	2005 Incentive Compensation Plan of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on May 26, 2005).
10.2(a)#	Amendment No. 2 to 2005 Incentive Compensation Plan of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 4.3 of the Company's Registration Statement on Form S-8, as filed with the SEC on November 15, 2012).
10.2(b)#	Amendment No. 3 to 2005 Incentive Compensation Plan of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 10.2(c) of the Company's Current Report on Form 8-K, as filed with the SEC on October 20, 2020).
10.2(c)#	Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan (Incorporated by reference from Appendix A to the Company's Definitive Proxy Statement on Schedule 14A, as filed with the SEC on April 22, 2019).

10.3#	Amendment No. 1 to Streamline Health Solutions, Inc. Third Amended and Restated 2013 Stock Incentive Plan (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on May 24, 2021).
10.3(a)#	Form of Restricted Stock Award Agreement for Non-Employee Directors (Incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K, as filed with the SEC on August 25, 2014).
10.3(b)#	Form of Restricted Stock Award Agreement for Executives (Incorporated by reference from Exhibit 10.3 of the Company's Current Report on Form 8-K, as filed with the SEC on August 25, 2014).
10.3(c)#	Form of Stock Option Agreement for Executives (Incorporated by reference from Exhibit 10.4 of the Company's Current Report on Form 8-K, as filed with the SEC on August 25, 2014).
10.3(d)#	Employment Agreement, dated October 17, 2019, by and between the Company and Wyche T. "Tee" Green, III (Incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K, as filed with the SEC on October 18, 2019).
10.3(e)	Employment Agreement dated September 10, 2018 by and between Streamline Health Solutions, Inc. and Thomas J. Gibson (Incorporated by reference from Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on September 12, 2018).
10.4#	Employment Agreement dated February 5, 2020 by and between Streamline Health Solutions, Inc. and Randolph W. Salisbury (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on February 6, 2020).
10.5#	Employment Agreement dated August 1, 2019 by and between Streamline Health Solutions, Inc. and William G. Garvis (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on August 6, 2019).
10.6#	Employment Agreement, dated as of August 16, 2021, by and between Avelead Consulting, LLC and Jawad Shaikh (Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K, as filed with the SEC on August 18, 2021).
10.7#	Restricted Stock Agreement by and between Streamline Health Solutions, Inc. and Jawad Shaikh, dated as of August 16, 2021 (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on August 18, 2021).
10.8#	Restricted Stock Agreement by and between Streamline Health Solutions, Inc. and Badar Shaikh, dated as of August 16, 2021 (Incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K, as filed with the SEC on August 18, 2021).
10.9#	Form of Indemnification Agreement for all directors and officers of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on June 7, 2006).
10.10#	Restricted Stock Agreement by and between Streamline Health Solutions, Inc. and Badar Shaikh, dated as of August 16, 2021 (Incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K, as filed with the SEC on August 18, 2021).
10.11#	Form of Indemnification Agreement for all directors and officers of Streamline Health Solutions, Inc. (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on June 7, 2006).
10.12	Loan and Security Agreement dated as of December 11, 2019 by and among Bridge Bank, a division of Western Alliance Bank, Streamline Health Solutions, Inc. and Streamline Health, Inc. (Incorporated by reference from Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q, as filed with the SEC on January 7, 2020).
10.12(a)	Amended and Restated Loan and Security Agreement dated as of March 2, 2021 by and among Western Alliance Bank, Streamline Health Solutions, Inc. and Streamline Health, Inc. (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on March 2, 2021).
10.12(b)	Second Amended and Restated Loan and Security Agreement, dated August 26, 2021, by and among Streamline Health Solutions, Inc., Streamline Health, Inc., Streamline Pay & Benefits, LLC, Streamline Consulting Solutions, LLC, Avelead Consulting, LLC and Western Alliance Bank (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on August 30, 2021.
10.12(c)	Waiver of Second Amended and Restated Loan and Security Agreement, dated August 26, 2022, by and among the Company, Streamline Health, LLC, Streamline Pay & Benefits, LLC, Avelead Consulting, LLC, Streamline Consulting Solutions, LLC and Western Alliance Bank (Incorporated by reference from Exhibit 10.2 of the Quarterly Report on Form 10-Q, filed September 8, 2022).
10.12(d)	Second Modification to Second Amended and Restated Loan and Security Agreement, dated November 29, 2022, by and between Streamline Health Solutions, Inc. and certain of its subsidiaries party thereto, and Western Alliance Bank (Incorporated by reference from Exhibit 10.1 of the Current Report on Form 8-K, filed December 5, 2022).

10.13	Securities Purchase Agreement, dated October 10, 2019, between the Company and each purchaser identified on the signature pages thereto (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K, as filed with the SEC on October 11, 2019).
10.14	Registration Rights Agreement, dated October 10, 2019, between the Company and each of the several purchasers signatory thereto (Incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K, as filed with the SEC on October 11, 2019).
10.15	Form of Common Stock Purchase Agreement dated as of October 24, 2022, by and among Streamline Health Solutions, Inc. and the purchasers thereto (Incorporated by reference from Exhibit 10.1 of the Current Report on Form 8-K, filed October 27, 2022).
10.16	Master Services and Non-Disclosure Agreement, dated as of March 18, 2020, by and between Streamline Health Solutions, Inc. and 180 Consulting, LLC (Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, as filed with the SEC on March 25, 2020).
10.16(a)	Statement of Work #1 to the Master Services and Non-Disclosure Agreement, dated as of March 18, 2020, by and between Streamline Health Solutions, Inc. and 180 Consulting, LLC (Incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K, as filed with the SEC on March 25, 2020).
10.16(b)	Statement of Work #2 to the Master Services and Non-Disclosure Agreement, dated as of March 18, 2020, by and between Streamline Health Solutions, Inc. and 180 Consulting, LLC (Incorporated by reference from Exhibit 10.3 to the Company's Current Report on Form 8-K, as filed with the SEC on March 25, 2020).
10.16(c)	Statement of Work #3 to the Master Services and Non-Disclosure Agreement, dated as of March 18, 2020, by and between Streamline Health Solutions, Inc. and 180 Consulting, LLC (Incorporated by reference from Exhibit 10.4 to the Company's Current Report on Form 8-K, as filed with the SEC on March 25, 2020).
10.16(d)	Statement of Work #4 to the Master Services and Non-Disclosure Agreement, dated as of March 18, 2020, by and between Streamline Health Solutions, Inc. and 180 Consulting, LLC (Incorporated by reference from Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on September 10, 2020).
10.17	Sublease Agreement (Incorporated by reference from Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on June 11, 2020).
21.1*	Subsidiaries of Streamline Health Solutions, Inc.
23.1*	Consent of Independent Registered Public Accounting Firm - FORVIS, LLP
24	Power of Attorney (included in signature page)
31.1*	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification by Chief Executive Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification by Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Streamline Health Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2023 filed with the SEC on April 27, 2023, formatted in XBRL includes: (i) Consolidated Balance Sheets at January 31, 2023 and 2022, (ii) Consolidated Statements of Operations for the two years ended January 31, 2023, (iii) Consolidated Statements of Changes in Stockholders' Equity for the two years ended January 31, 2023, (iv) Consolidated Statements of Cash Flows for the two years ended January 31, 2023, and (v) the Notes to Consolidated Financial Statements.
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 (embedded within the Inline XBRL document)

* Filed herewith.

\# Management Contracts and Compensatory Arrangements.

Our SEC file number reference for documents filed with the SEC pursuant to the Exchange Act, is 000-28132.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

STREAMLINE HEALTH SOLUTIONS, INC.

By: *_/S/ WYCHE T. "TEE" GREEN, III_*
Wyche T. "Tee" Green, III
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Wyche T. "Tee" Green, III and Thomas J. Gibson, and each of them, his attorneys-in-fact, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign this annual report on Form 10-K and any and all amendments to this annual report on Form 10-K, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

DATE: April 27, 2023

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 in the capacities and on the date indicated.

/S/ WYCHE T. "TEE" GREEN, III Wyche T. "Tee" Green, III	Chief Executive Officer and Director (Principal Executive Officer)	April 27,2023
/s/ JONATHAN R. PHILLIPS Jonathan R. Phillips	Director	April 27,2023
/s/ JUSTIN FERAYORNI Justin Ferayorni	Director	April 27,2023
/s/ JUDITH E. STARKEY Judith E. Starkey	Director	April 27,2023
/s/ KENAN H. LUCAS Kenan H. Lucas	Director	April 27,2023
/s/ THOMAS J. GIBSON Thomas J. Gibson	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 27,2023

Exhibit 4.2

DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

Streamline Health Solutions, Inc. (the "Company," "we," "our," and "us") has authority to issue 90,000,000 shares of all classes of stock, consisting of 85,000,000 shares of Common Stock, par value $0.01 per share (the "Common Stock"), and 5,000,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock"). The following summary describes the Common Stock of the Company, which is the only class of securities of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

The following description is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to (i) our Certificate of Incorporation, as amended through June 7, 2022 (as so amended, the "Certificate of Incorporation"), and (ii) our Amended and Restated Bylaws, as amended and restated through March 28, 2014 (as so amended, the "Bylaws"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. We encourage you to read our Certificate of Incorporation, our Bylaws and the applicable provisions of the Delaware General Corporation Law (the "DGCL"), for additional information.

Common Stock

Voting. Holders of Common Stock are entitled to one vote per share for the election of directors and on all other matters that require stockholder approval, subject in all cases to the rights of any outstanding Preferred Stock, if any. Holders of our Common Stock do not have cumulative voting rights.

Our Bylaws provide that the holders of a majority of all of the shares of our capital stock issued, outstanding and entitled to vote shall constitute a quorum for the transaction of business. When a quorum is present, the affirmative vote of the majority of shares of our capital stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders, unless the question is one upon which by express provisions of an applicable law, our Certificate of Incorporation or our Bylaws a different vote is required, in which case such express provision shall govern and control the decision of such question. Our Bylaws provide that, when a quorum is present at a meeting of stockholders at which directors are to be elected, directors are elected by a plurality of the votes of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Our Certificate of Incorporation provides that the affirmative vote of the holders of not less than 66 2/3% of the outstanding shares of Common Stock entitled to vote upon the election of directors shall be required to effect: (1) an amendment to the Certificate of Incorporation, (2) a merger or consolidation of the Company with or into another corporation, or the sale or transfer of all or substantially all of the assets of the Company to another entity; or (3) the removal of a member of the Board of Directors.

Dividends and Other Distributions. Subject to the rights of holders of any then outstanding shares of our Preferred Stock, our holders of Common Stock are entitled to receive such dividends as may be declared from time to time by our Board of Directors from funds legally available therefor. We do not currently pay cash dividends on our Common Stock, and we currently intend to retain any future earnings for use in our business. Any future determination as to the declaration of dividends on our Common Stock will be made at the discretion of the Board of Directors and will depend on our earnings, operating and financial condition, capital requirements and other factors deemed relevant by the Board of Directors, including the applicable requirements of the DGCL, which provides that dividends are payable only out of surplus or net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. The payment of dividends on our Common Stock may be restricted by the provisions of credit agreements or other financing documents that we may enter into or the terms of securities that we may issue from time to time.

Merger, Consolidation or Sale of Assets. Subject to any preferential rights of any outstanding Preferred Stock, if any, holders of our Common Stock shall be entitled to receive all cash, securities and other property received by us pro rata on the basis of the number of shares of Common Stock held by each of them in any of the following situations: (1) our merger or consolidation with or into another corporation in which we do not survive, (2) the sale or transfer of all or substantially all of our assets to another entity or (3) a merger or consolidation in which we are the surviving entity but the Common Stock shall be exchanged for stock, securities or property of another entity.

Distribution on Dissolution. After payment or provision for all liabilities, and subject to any preferential rights of any outstanding Preferred Stock, if any, in the event of our liquidation, dissolution or winding up, holders of our Common Stock are entitled to receive a portion of the remaining funds to be distributed. Such funds shall be paid to the holders of our Common Stock pro rata on the basis of the number of shares of Common Stock held by each of them.

Other Rights. The shares of our Common Stock are not subject to any redemption provisions and are not convertible. Holders of our Common Stock do not have any preemptive rights enabling such holders to purchase, subscribe for or receive shares of any class of our Common Stock or any other securities convertible into shares of any class of our Common Stock or any redemption rights. Holders of Common Stock have no sinking fund rights.

All outstanding shares of our Common Stock are fully paid and non-assessable. All shares of Common Stock have equal rights and preferences.

The rights, preferences and privileges of holders of our Common Stock are subject to, and may be adversely affected by, those of the holders of Preferred Stock, and will be subject to those of the holders of any shares of our Preferred Stock that we may issue in the future. As of April 28, 2022, we had no shares of Preferred Stock outstanding.

Listing

Our Common Stock is listed on the NASDAQ Capital Market under the symbol “STRM.”

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Computershare Inc., 250 Royall Street, Canton, Massachusetts 02021.

Delaware Anti-Takeover Law and Provisions of our Certificate of Incorporation and Bylaws

Delaware Anti-Takeover Law. We are subject to Section 203 of the DGCL. Section 203 generally prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of such business combination, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers of the corporation and (b) shares issued under employee stock plans under which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or subsequent to the date of such business combination, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder or any merger or consolidation involving the corporation and another entity that is caused by the interested stockholder;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of its stock owned by the interested stockholder; or
- any receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any affiliate or associate of such entity or person.

Our Certificate of Incorporation and Bylaws. Provisions of our Certificate of Incorporation and Bylaws may delay or discourage transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our Common Stock. Among other things, our Certificate of Incorporation and Bylaws:

- permit our Board of Directors to issue up to 5,000,000 shares of Preferred Stock, with such designations, powers, preferences and rights as our Board of Directors may authorize (including the right to approve an acquisition or other change in control);
- provide that the authorized number of directors may be changed only by the Board of Directors;
- provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum; and
- do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of capital stock entitled to vote in any election of directors to elect all of the directors standing for election, if they should so choose).

The amendment or repeal of any of these provisions of our Certificate of Incorporation would require approval of holders of not less than 66 2/3% of the outstanding shares of Common Stock entitled to vote upon the election of directors. Our Bylaws may be amended by an affirmative vote of a majority of the entire Board of Directors.

Exhibit 21.1

STREAMLINE HEALTH SOLUTIONS, INC.

SUBSIDIARIES OF STREAMLINE HEALTH SOLUTIONS, INC.

Name	Jurisdiction of Incorporation	% Owned
Streamline Health, LLC	Delaware	100%
Avelead Consulting, LLC	Delaware	100%
Streamline Consulting, LLC	Delaware	100%
Streamline Pay & Benefits, LLC	Delaware	100%

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (Nos. 333-233727, 333-234567, 333-255723, 333-265773 and 333-267187) and Forms S-8 (Nos. 333-188764, 333-208752, 333-220953, 333-233728, 333-258445 and 333-265774) of Streamline Health Solutions, Inc. and its subsidiaries of our report dated April 27, 2023, with respect to our audit of the consolidated balance sheet of Streamline Health Solutions, Inc. and its subsidiaries as of January 31, 2023, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related financial statement schedule, included in this Annual Report on Form 10-K.

/s/ FORVIS, LLP (Formerly, Dixon Hughes Goodman LLP)

Atlanta, Georgia
April 27, 2023

Exhibit 31.1

STREAMLINE HEALTH SOLUTIONS, INC.

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

I, Wyche T. “Tee” Green, certify that:

I have reviewed this annual report on Form 10-K of Streamline Health Solutions, Inc.

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

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

The registrant’s other certifying officer and I:

- are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant;

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

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

- evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case on an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

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

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

- any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

April 27, 2023	*/S/ WYCHE T. “TEE” GREEN, III*
	Chief Executive Officer and President

Exhibit 31.2

STREAMLINE HEALTH SOLUTIONS, INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Gibson, certify that:

I have reviewed this annual report on Form 10-K of Streamline Health Solutions, Inc.

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

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

The registrant's other certifying officer and I:

- are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant;

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

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

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

- disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case on an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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

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

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

April 27, 2023	*/s/ THOMAS J. GIBSON*
	Chief Financial Officer

Exhibit 32.1

STREAMLINE HEALTH SOLUTIONS, INC.

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

I, Wyche T. “Tee” Green, Chief Executive Officer and President of Streamline Health Solutions, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- The annual report on Form 10-K of the Company for the annual period ended January 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

/S/ WYCHE T. “TEE” GREEN, III
Chief Executive Officer and President

April 27, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

STREAMLINE HEALTH SOLUTIONS, INC.

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

I, Thomas J. Gibson, Chief Financial Officer of Streamline Health Solutions, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- The annual report on Form 10-K of the Company for the annual period ended January 31, 2023 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

/s/ THOMAS J. GIBSON
Chief Financial Officer

April 27, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.