**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-Q

(Mark One)

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

**For the Quarterly Period Ended March 31, 2022**

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: **0-12305**

## REPRO MED SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

| **New York** | **13-3044880** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **24 Carpenter Road, Chester, New York** | **10918** |
| (Address of principal executive offices) | (Zip Code) |

**(845) 469-2042**
(Registrant's telephone number, including area code)

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common stock, $0.01 par value** | **KRMD** | **The Nasdaq Stock Market** |

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. **[X]** Yes [_] No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **[X]** 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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer [_] | Accelerated filer [_] |
| Non-accelerated filer **[X]** | Smaller reporting company **[X]** |
| | Emerging growth company [_] |

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

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

As of May 4, 2022, 44,868,605 shares of common stock, $0.01 par value per share, were outstanding, which excludes 3,420,502 shares of treasury stock.

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**REPRO MED SYSTEMS, INC.**
**FORM 10-Q**
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2022**
**TABLE OF CONTENTS**

**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited)**

**REPRO MED SYSTEMS, INC.**
**BALANCE SHEETS**
**(UNAUDITED)**

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 22,577,247 | $ 25,334,889 |
| Accounts receivable less allowance for doubtful accounts of $24,271 for March 31, 2022 and December 31, 2021 | 3,145,397 | 3,592,886 |
| Inventory | 6,017,737 | 6,106,338 |
| Other Receivables | 680,075 | 718,220 |
| Prepaid expenses | 1,510,851 | 1,568,821 |
| TOTAL CURRENT ASSETS | 33,931,307 | 37,321,154 |
| Property and equipment, net | 1,763,269 | 1,106,445 |
| Intangible assets, net of accumulated amortization of $278,897 and $263,729 at March 31, 2022 and December 31, 2021, respectively | 795,339 | 808,813 |
| Operating lease right-of-use assets | 4,309,282 | 95,553 |
| Deferred income tax assets, net | 2,538,853 | 1,941,254 |
| Other assets | 89,587 | 19,812 |
| TOTAL ASSETS | $ 43,427,637 | $ 41,293,031 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 1,267,980 | $ 1,227,533 |
| Accrued expenses | 2,171,724 | 2,709,704 |
| Note Payable | 255,614 | 508,583 |
| Other Liabilities | 115,625 | 90,000 |
| Accrued payroll and related taxes | 506,315 | 160,603 |
| Operating lease liability - current | 395,359 | 95,553 |
| TOTAL CURRENT LIABILITIES | 4,712,617 | 4,791,976 |
| Operating lease liability, net of current portion | 3,913,923 | — |
| TOTAL LIABILITIES | 8,626,540 | 4,791,976 |
| Commitments and contingencies (Refer to Note 3) | | |
| STOCKHOLDERS' EQUITY | | |
| Common stock, $0.01 par value, 75,000,000 shares authorized, 48,121,289 and 48,044,162 shares issued, 44,700,787 and 44,623,660 shares outstanding at March 31, 2022 and December 31, 2021, respectively | 481,212 | 480,441 |
| Additional paid-in capital | 41,611,030 | 40,774,245 |
| Treasury stock, 3,420,502 shares at March 31, 2022 and December 31, 2021, at cost | (3,843,562) | (3,843,562) |
| Retained deficit | (3,447,583) | (910,069) |
| TOTAL STOCKHOLDERS' EQUITY | 34,801,097 | 36,501,055 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 43,427,637 | $ 41,293,031 |

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



**REPRO MED SYSTEMS, INC.**
**STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| NET SALES | $ 6,244,330 | $ 5,430,951 |
| Cost of goods sold | 2,622,025 | 2,199,097 |
| Gross Profit | 3,622,305 | 3,231,854 |
| | | |
| OPERATING EXPENSES | | |
| Selling, general and administrative | 5,491,213 | 4,992,829 |
| Research and development | 1,148,355 | 336,841 |
| Depreciation and amortization | 109,252 | 115,473 |
| Total Operating Expenses | 6,748,820 | 5,445,143 |
| | | |
| Net Operating Loss | (3,126,515) | (2,213,289) |
| | | |
| Non-Operating Expense | | |
| Loss on currency exchange | (7,135) | (15,717) |
| Gain on disposal of fixed assets, net | — | 736 |
| Interest (Expense)/Income, net | (1,463) | 9,771 |
| TOTAL OTHER EXPENSE | (8,598) | (5,210) |
| | | |
| LOSS BEFORE INCOME TAXES | (3,135,113) | (2,218,499) |
| | | |
| Income Tax Benefit | 597,599 | 942,361 |
| | | |
| NET LOSS | $ (2,537,514) | $ (1,276,138) |
| | | |
| NET LOSS PER SHARE | | |
| | | |
| Basic | $ (0.06) | $ (0.03) |
| Diluted | $ (0.06) | $ (0.03) |
| | | |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | |
| | | |
| Basic | 44,667,977 | 43,960,936 |
| Diluted | 44,667,977 | 43,960,936 |

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



**REPRO MED SYSTEMS, INC.**
**STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| | For the Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | $ (2,537,514) | $ (1,276,138) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation expense | 837,556 | 734,184 |
| Depreciation and amortization | 109,252 | 115,473 |
| Deferred income taxes | (597,599) | (943,211) |
| Gain on disposal of fixed assets | — | (736) |
| | | |
| Changes in operating assets and liabilities: | | |
| Decrease/(Increase) in accounts receivable | 447,489 | (988,387) |
| Decrease in other receivables | 38,145 | — |
| Decrease/(Increase) in inventory | 88,601 | (1,229,052) |
| (Increase)/Decrease in prepaid expenses and other assets | (11,805) | 117,455 |

| | | |
|---|---|---|
| Increase in accounts payable | 40,447 | 1,290,603 |
| Increase in accrued payroll and related taxes | 345,712 | 428,769 |
| Decrease in accrued expenses | (537,981) | (854,613) |
| Increase in other liabilities | 25,625 | — |
| NET CASH USED IN OPERATING ACTIVITIES | (1,752,072) | (2,605,653) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (750,908) | (95,477) |
| Proceeds from disposal of property and equipment | — | 9,065 |
| Purchases of intangible assets | (1,694) | (15,792) |
| NET CASH USED IN INVESTING ACTIVITIES | (752,602) | (102,204) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on indebtedness | (252,968) | — |
| Proceeds from issuance of equity | — | 1,230,000 |
| Common stock issuance as settlement for litigation | — | 938,094 |
| Payments on finance lease liability | — | (803) |
| NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES | (252,968) | 2,167,291 |
| | | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,757,642) | (540,566) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 25,334,889 | 27,315,286 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 22,577,247 | $ 26,774,720 |
| | | |
| Supplemental Information | | |
| Cash paid during the periods for: | | |
| Interest | $ 4,425 | $ 28 |
| Income Taxes | $ — | $ 850 |
| | | |
| Schedule of Non-Cash Operating, Investing and Financing Activities: | | |
| Issuance of common stock as compensation | $ 142,500 | $ 56,250 |
| Issuance of common stock as settlement for litigation | $ — | $ 938,094 |

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



**REPRO MED SYSTEMS, INC.**
**STATEMENTS OF STOCKHOLDERS' EQUITY**
**(Unaudited)**

**Three Months Ended March 31, 2022**

| | Common Stock | | Additional Paid-in | Retained | Treasury | Total Stockholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Stock | Equity |
| BALANCE, DECEMBER 31, 2021 | 48,044,162 | $ 480,441 | $ 40,774,245 | $ (910,069) | $ (3,843,562) | $ 36,501,055 |
| Issuance of stock-based compensation | 47,500 | 475 | 142,025 | — | — | 142,500 |
| Compensation expense related to stock options | — | — | 524,670 | — | — | 524,670 |
| Compensation related to Restricted Stock | — | — | 170,386 | — | — | 170,386 |
| Issuance upon options exercised | 29,627 | 296 | (296) | — | — | — |
| Net loss | — | — | — | (2,537,514) | — | (2,537,514) |
| BALANCE, MARCH 31, 2022 | 48,121,289 | $ 481,212 | $ 41,611,030 | $ (3,447,583) | $ (3,843,562) | $ 34,801,097 |

**Three Months Ended March 31, 2021**

| | Common Stock | | Additional Paid-in | Retained | Treasury | Total Stockholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Stock | Equity |
| BALANCE, DECEMBER 31, 2020 | 46,680,119 | $ 466,801 | $ 35,880,986 | $ 3,652,754 | $ (3,843,562) | $ 36,156,979 |
| Issuance of stock-based compensation | 10,124 | 101 | 56,149 | — | — | 56,250 |
| Compensation expense related to stock options | — | — | 677,934 | — | — | 677,934 |
| Litigation settlement share issuance | 95,238 | 952 | 937,142 | — | — | 938,094 |
| Issuance upon options exercised | 1,110,580 | 11,106 | 1,218,894 | — | — | 1,230,000 |
| Net loss | — | — | — | (1,276,138) | — | (1,276,138) |
| BALANCE, MARCH 31, 2021 | 47,896,061 | $ 478,960 | $ 38,771,105 | $ 2,376,616 | $ (3,843,562) | $ 37,783,119 |

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

**REPRO MED SYSTEMS, INC.**
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

## NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### NATURE OF OPERATIONS

REPRO MED SYSTEMS, INC. d/b/a KORU Medical Systems (the "Company," "KORU Medical," "we," "us" or "our") designs, manufactures and markets proprietary portable and innovative medical devices primarily for the ambulatory infusion market as governed by the United States Food and Drug Administration (the "FDA") quality and regulatory system and international standards for quality system management. The Company operates as one segment.

### BASIS OF PRESENTATION

The accompanying financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2021 ("Annual Report"). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP") have been condensed or omitted from the accompanying financial statements. The accompanying year-end balance sheet was derived from the audited financial statements included in the Annual Report. The accompanying interim financial statements are unaudited and reflect all adjustments which are in the opinion of management necessary for a fair statement of the Company's financial position, results of operations, and cash flows for the periods presented. All such adjustments are of a normal, recurring nature. The Company's results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows that it may achieve in future periods.

### CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Company holds cash in excess of $250,000 at its depository, which exceeds the FDIC insurance limits and is, therefore, uninsured.

### INVENTORY

Inventories of raw materials are stated at the lower of standard cost, which approximates average cost, or market value including allocable overhead. Work-in-process and finished goods are stated at the lower of standard cost or market value and include direct labor and allocable overhead.

### PATENTS

Costs incurred in obtaining patents have been capitalized and are being amortized over the legal life of the patents.

### INCOME TAXES

Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences.

The Company believes that it has no uncertain tax positions requiring disclosure or adjustment. Generally, tax years starting with 2019 are subject to examination by income tax authorities.

### PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the respective assets.



### STOCK-BASED COMPENSATION

The Company maintains a stock option plan under which it grants stock options to certain executives, key employees and consultants. The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. All options are charged against income at their fair value. The entire compensation expense of the award is recognized over the vesting period. Shares of stock granted for director fees are recorded at the fair value of the shares at the grant date.

The Company also maintains an omnibus equity incentive plan. To date the Company has only granted shares of stock for director fees under this plan and those shares of stock granted are recorded at the fair value of the shares at the grant date.

The Company issues restricted stock awards. Restricted stock awards are equity classified and measured at the fair market value of the underlying stock at the grant date. The fair value of restricted stock awards vesting at certain market capitalization thresholds were estimated on the date of grant using the Brownian Motion Monte Carlo lattice model. The fair value of restricted stock awards with time-based vesting were estimated on the date of grant at the current stock price. We recognize restricted stock expense using the straight-line attribution method over the requisite service period and account for forfeitures as they occur.

### NET LOSS PER COMMON SHARE

Basic earnings per share are computed on the weighted average of common shares outstanding during each year. Diluted earnings per share include only an increase in the weighted average shares by the common shares issuable upon exercise of employee and consultant stock options. See "NOTE 4 — STOCK-BASED COMPENSATION" for further detail.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Net loss | $ (2,537,514) | $ (1,276,138) |
| Weighted Average Outstanding Shares: | | |
| Outstanding shares | 44,667,977 | 43,960,936 |
| Option shares includable | —(a) | —(a) |
| | 44,667,977 | 43,960,936 |
| Net loss per share | | |
| Basic | $ (0.06) | $ (0.03) |
| Diluted | $ (0.06) | $ (0.03) |

(a) For the three months ended March 31, 2022 and March 31, 2021, option shares of 346,020 and 183,681 were not included as the impact is anti-dilutive. For the three months ended March 31, 2022 and March 31, 2021, restricted shares of 1,000,000 and zero respectively, were not included as the impact is anti-dilutive.

USE OF ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Important estimates include but are not limited to asset lives, valuation allowances, inventory valuation, and accruals.



REVENUE RECOGNITION

Our revenues derive from three business sources: (i) domestic core, (ii) international core, and (iii) novel therapies. Our core domestic and international revenues consist of sales of our syringe drivers, tubing and needles ("Product Revenue") for the delivery of subcutaneous drugs that are FDA cleared for use with the KORU Medical infusion system, with the primary delivery for immunoglobulin to treat PIDD and CIDP. Novel therapies consist of Product Revenue for feasibility/clinical trials (pre-clinical studies, Phase I, Phase II, Phase III) of biopharmaceutical companies in the drug development process as well as non-recurring engineering services revenues ("NRE") received from biopharmaceutical companies to ready or customize the FREEDOM System for clinical and commercial use.

For Product Revenues, we recognize revenues when shipment occurs, and at which point the customer obtains control and ownership of the goods. Shipping costs generally are billed to customers and are included in sales.

The Company generally does not accept return of goods shipped unless it is a Company error. The only credits provided to customers are for defective merchandise. The Company warrants the syringe driver from defects in materials and workmanship under normal use and the warranty does not include a performance obligation. The costs under the warranty are expensed as incurred.

Provisions for distributor pricing and annual customer growth rebates are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded or when it is probable the annual growth target will be achieved. Rebates are provided to distributors for the difference in selling price to distributor and pricing specified to select customers.

Our NRE revenue will be complimentary to our existing product line offering. This revenue stream can fluctuate and may not be consistent from period to period, as the main area of opportunity is in relation to clinical trial support. Engineering work performed on our product may be specialized and tailored to the specific needs of each independent clinical trial and not uniform in nature. The clinical trial size and scope of protocols may also range greatly from customer to customer, and there is no expectation of repeat customers on a consistent basis compared to our normal course of business. We recognize NRE revenue under an input method, which recognizes revenue on the basis of our efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labor hours expended, costs incurred, or time elapsed) relative to the total expected inputs to the satisfaction of that performance obligation. The input method that we use is based on costs incurred.

The following table summarizes net sales by geography for the three months ended March 31, 2022, and 2021:

| | Three Months Ended March 31, | | % of Total Net Sales | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| **Net Sales** | | | | |
| Domestic | $ 5,301,388 | $ 4,446,789 | 84.9% | 81.9% |
| International | 942,942 | 984,162 | 15.1% | 18.1% |
| **Total Net Sales** | $ 6,244,330 | $ 5,430,951 | | |

LEASES

In February 2016, the FASB issued a standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by the Company for those leases classified as operating leases under current GAAP, while our accounting for capital leases remains substantially unchanged. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows

arising from leases. The standard became effective for us on January 1, 2019. The standard had a material impact on our balance sheets but did not have a material impact on our statements of operations. See "NOTE 6 — LEASES" for further detail.

ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this ASU simplify the accounting for income taxes by removing several exceptions including the exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted this standard on January 1, 2021, and it had no impact on our financial statement disclosures.



ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is assessing the impact of the adoption of the ASU on its financial statements, disclosure requirements and methods of adoption.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provided elective amendments for entities that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments may be applied to impacted contracts and hedges prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance will have on its financial statements.

The Company considers the applicability and impact of all recently issued accounting pronouncements. Recent accounting pronouncements not specifically identified in our disclosures are either not applicable to the Company or are not expected to have a material effect on our financial condition or results of operations.

FAIR VALUE MEASUREMENTS

Fair value is the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. To measure fair value, the Company uses the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Value is determined using pricing models, discounted cash flow methodologies, or similar techniques and includes instruments for which the determination of fair value requires significant judgment or estimation.

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses are considered to be representative of their fair values because of the short-term nature of those instruments. There were no transfers between levels in the fair value hierarchy during the three months ended March 31, 2022.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount. The impairment loss, if recognized, would be based on the excess of the carrying value of the impaired asset over its respective fair value. No impairment losses have been recorded through March 31, 2022.

RECLASSIFICATION

Certain reclassifications have been made to conform prior period data to the current presentation. These reclassifications had no effect on reported net income.

**NOTE 2 — PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Furniture and office equipment | $ 826,503 | $ 818,897 |
| Construction in progress | 638,489 | — |
| Leasehold improvements | 556,907 | 556,907 |
| Manufacturing equipment and tooling | 2,134,764 | 2,042,675 |
| Total property and equipment | 4,156,663 | 3,418,479 |
| Less: accumulated depreciation and amortization | (2,393,394) | (2,312,034) |
| Property and equipment, net | $ 1,763,269 | $ 1,106,445 |

Depreciation expense was $94,085 and $100,403 for the three months ended March 31, 2022, and 2021, respectively.

**NOTE 3 — COMMITMENTS AND CONTINGENCIES**

**LEGAL PROCEEDINGS**

The Company has been and may again become involved in legal proceedings, claims and litigation arising in the ordinary course of business. KORU Medical is not presently a party to any litigation or other legal proceeding that is believed to be material to its financial condition.

**NOTE 4 — STOCK-BASED COMPENSATION**

The Company has two equity incentive plans: the 2015 Stock Option Plan, as amended (the "2015 Plan") and the 2021 Omnibus Equity Incentive Plan (the "2021 Plan"). As of March 31, 2022, there were options to purchase 3,638,750 shares of the Company's common stock outstanding to certain executives, key employees and consultants under the 2015 Plan, of which 135,000 were issued during the three months ended March 31, 2022. Additional options may be issued under the 2015 Plan as outstanding options are forfeited, subject to a maximum 6,000,000 available for issuance under the 2015 Plan. The 2021 Plan provides for the grant of up to 1,000,000 incentive stock options, nonqualified stock options, stock awards, restricted stock awards, restricted stock units and/or stock appreciation rights to employees, consultants and directors. For the quarter ended March 31, 2022, there had been issued 47,500 shares of common stock as directors fees under the 2021 Plan.

Effective January 1, 2021, each non-employee director of the Company (other than the Chairman of the Board) and Board advisor were eligible to receive of $75,000 annually, to be paid quarterly $12,500 in cash and $6,250 in common stock. The Chairman of the Board is eligible to receive $100,000 annually, to be paid quarterly $12,500 in cash and $12,500 in common stock. Effective May 18, 2021, each non-employee director of the Company (other than the Chairman of the Board) and Board advisor are eligible to receive of $110,000 annually, to be paid quarterly $12,500 in cash and $15,000 in common stock. The Chairman of the Board is eligible to receive $140,000 annually, to be paid quarterly $12,500 in cash and $22,500 in common stock. All payments were and are pro-rated for partial service.

On April 12, 2021, pursuant to an employment agreement entered into on March 15, 2021, with Linda Tharby, the Company's President and Chief Executive Officer, the Company issued three restricted stock awards for an aggregate 1,000,000 shares of common stock for an aggregate stock price of $3,310,000 and each vesting subject to employment on the respective vesting date. These awards were issued as an inducement for her employment.

**2015 STOCK OPTION PLAN, as amended**

**Time Based Stock Options**

The per share weighted average fair value of stock options granted during the three months ended March 31, 2022 and March 31, 2021 was $2.45 and $3.06, respectively. The fair value of each award is estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the three months ended March 31, 2022 and March 31, 2021. Historical information was the primary basis for the selection of the expected volatility, expected dividend yield and the expected lives of the options. The risk-free interest rate was selected based upon yields of the U.S. Treasury issues with a term equal to the expected life of the option being valued. We have recognized tax benefits associated with stock-based compensation of $49,406 and $43,067 for the three months ended March 31, 2022 and 2021, respectively.



| | March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Dividend yield | 0.00% | 0.00% |
| Expected Volatility | 76.1 – 77.5% | 74.01 – 74.28% |
| Weighted-average volatility | — | — |
| Expected dividends | — | — |
| Expected term (in years) | 10 | 10 |
| Risk-free rate | 1.81 – 1.87% | 1.20 – 1.62% |

The following table summarizes the status of the 2015 Plan with respect to time based stock options:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |

| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
|---|---|---|---|---|
| Outstanding at January 1 | 3,672,500 | $ 3.42 | 2,922,494 | $ 2.46 |
| Granted | 135,000 | $ 3.07 | 1,250,000 | $ 3.94 |
| Exercised | 75,000 | $ 1.60 | 1,000,000 | $ 1.23 |
| Forfeited | 93,750 | $ 1.57 | — | $ — |
| Outstanding at March 31 | 3,638,750 | $ 3.49 | 3,172,494 | $ 3.43 |
| Options exercisable at March 31 | 1,358,750 | $ 2.83 | 803,119 | $ 2.09 |
| Weighted average fair value of options granted during the period | — | $ 2.45 | — | $ 3.06 |
| Stock-based compensation expense | — | $ 524,670 | — | $ 1,086,681 |

Total stock-based compensation expense was $524,670 and $1,086,681 for the three months ended March 31, 2022, and 2021, respectively. Cash received from option exercises for the three months ended March 31, 2022, and 2021 was $0 and $1,230,000, respectively.

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2022, and 2021 was $0.3 million and $3.8 million, respectively. There were 75,000 options exercised during the three months ended March 31, 2022, and 1.0 million during the three months ended March 31, 2021.

The following table presents information pertaining to options outstanding at March 31, 2022:

| Range of Exercise Price | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $1.57-$9.76 | 3,638,750 | 8.5 years | $ 3.49 | 1,358,750 | $ 2.83 |

As of March 31, 2022, there was $5,861,444 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the 2015 Plan. That cost is expected to be recognized over a weighted-average period of 46 months. The total fair value of shares vested as of March 31, 2022, and March 31, 2021, was $2,815,943 and $1,230,434, respectively.

**Performance Based Stock Options**

There were no stock options granted during the three months ended March 31, 2022, and 2021.



The following table summarizes the status of the 2015 Plan with respect to performance-based stock options:

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at January 1 | — | $ — | 1,000,000 | $ 1.70 |
| Granted | — | $ — | — | $ — |
| Exercised | — | $ — | — | $ — |
| Forfeited | — | $ — | 1,000,000 | $ 1.70 |
| Outstanding at March 31 | — | $ — | — | $ — |
| Options exercisable at March 31 | — | $ — | — | $ — |
| Weighted average fair value of options granted during the period | — | $ — | — | $ — |
| Stock-based compensation expense | — | $ — | — | $ (408,747) |

Total performance stock-based compensation expense totaled zero and ($408,747) for the three months ended March 31, 2022, and 2021, respectively. All performance-based stock options were forfeited and there was no unrecognized compensation cost remaining.

**RESTRICTED STOCK AWARDS**

On April 12, 2021, pursuant to an employment agreement entered into on March 15, 2021, with Linda Tharby, the Company's President and Chief Executive Officer and as an inducement to her employment, the Company issued three restricted stock awards for an aggregate 1,000,000 shares of common stock for an aggregate stock price of $3,310,000 and each vesting subject to employment on

the respective vesting date. The following table summarizes the activities for our unvested restricted stock awards for the three months ended March 31, 2022, and 2021.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Shares | Weighted Average Grant-Date Fair Value | Shares | Weighted Average Grant-Date Fair Value |
| Unvested at January 1 | 1,000,000 | $ 3.01 | — | $ — |
| Granted | — | $ — | — | $ — |
| Vested | — | $ — | — | $ — |
| Forfeited/canceled | — | $ — | — | $ — |
| Unvested at March 31 | 1,000,000 | $ 3.01 | — | $ — |

As of March 31, 2022, there was $2,129,339 of unrecognized compensation cost related to unvested employee restricted shares. This amount is expected to be recognized over a weighted-average period of 39 months. We have recognized tax benefits associated with restricted stock award compensation of $35,781 and zero for the three months ended March 31, 2022 and 2021 respectively.

| Range of Exercise Price | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| $3.31 | 1,000,000 | 3.20 years | $ 3.01 | — | $ 3.01 |



**NOTE 5 — DEBT OBLIGATIONS**

On July 26, 2021, the Company entered into a commercial insurance premium finance and security agreement with AON Premium Finance, LLC in the aggregate principal amount of $0.9 million bearing an annual percentage rate of 4.17%, to finance its insurance premiums. Monthly payments are due on the first of each month beginning August 1, 2021 through June 1, 2022.

On April 14, 2020, the Company issued a promissory note to KeyBank in the aggregate principal amount of $3.5 million (the "Note") as an extension of its line of credit, replacing its then current line of credit agreement. The $3.5 million Note is in the form of a variable rate non-disclosable revolving line of credit with an interest rate of Prime Rate announced by the Bank minus 0.75%. The Note was renewed on June 24, 2021, in the same form with an interest rate of Prime Rate announced by the Bank minus 1.50%. Interest is due monthly, and all principal and unpaid interest is due on June 1, 2022. The $3.5 million Note may be prepaid at any time prior to maturity with no prepayment penalties. The $3.5 million Note contains events of default and other provisions customary for a loan of this type.

In connection with the Note, the Company entered into a Commercial Security Agreement with the Bank dated April 14, 2020 (the "Security Agreement"), pursuant to which the Company granted a security interest in substantially all assets of the Company to secure the obligations of the Company under the Note. The Security Agreement contains terms and conditions typical for the granting of security interests of this kind.

The Company had no amount outstanding against the line of credit as of March 31, 2022.

On April 27, 2020, the Company entered into a Progress Payment Loan and Security Agreement ("PPLSA") and a Master Security Agreement (the "MSA"), each dated as of April 20, 2020, with Key Equipment Finance, a division of the Bank ("KEF"), to provide up to $2.5 million in financing for equipment purchases from third party vendors. The PPLSA allows the Company to make draws with KEF to make certain payments to the equipment suppliers prior to the commencement of periodic payments under a term loan. Each draw under the PPLSA will bear interest at a variable rate equal to the then-current Prime Rate and will be secured by the financed equipment under the MSA. At the end of each calendar quarter or year, the advances made under the PPLSA will be converted to term loans, subject to KEF's approval of the equipment and certain other closing conditions being met. Once the draws under the PPLSA are converted into a term loan, each promissory note will bear interest at a fixed rate of 4.07% per annum, subject to adjustment based on KEF's cost of funds, with principal and interest payable in 84 equal consecutive monthly installments. Each fixed rate installment promissory note may be prepaid, subject to a penalty if prepaid before the fifth anniversary of its issuance. As of March 31, 2022, the Company had no amount outstanding against the PPLSA.

**NOTE 6 — LEASES**

We have operating leases for our new corporate office location and our existing corporate offices. These two leases have remaining lease terms of 10.5 years and 9 months, respectively.

The components of lease expense were as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Operating lease cost | $ 78,442 | $ 37,921 |
| Short-term lease cost | 49,709 | 34,889 |
| Total lease cost | $ 128,151 | $ 72,810 |
| | | |
| Finance lease cost: | | |
| Amortization of right-of-use assets | $ — | $ 795 |
| Interest on lease liabilities | — | 28 |
| Total finance lease cost | $ — | $ 823 |



Supplemental cash flow information related to leases was as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 63,193 | $ 35,248 |
| Financing cash flows from finance leases | — | 803 |

Supplemental balance sheet information related to leases was as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Operating Leases** | | |
| Operating lease right-of-use assets | $ 4,309,282 | $ 95,553 |
| | | |
| Operating lease current liabilities | 395,359 | 95,553 |
| Operating lease long term liabilities | 3,913,923 | — |
| Total operating lease liabilities | $ 4,309,282 | $ 95,553 |
| | | |
| **Finance Leases** | | |
| Property and equipment, at cost | $ — | $ 12,725 |
| Accumulated depreciation | — | (12,725) |
| Property and equipment, net | $ — | $ — |
| | | |
| Finance lease current liabilities | — | — |
| Finance lease long term liabilities | — | — |
| Total finance lease liabilities | $ — | $ — |

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Weighted Average Remaining Lease Term** | | |
| Operating leases | 10.4 Years | 0.6 Years |
| Finance leases | 0 Years | 0 Years |
| | | |
| **Weighted Average Discount Rate** | | |
| Operating leases | 4.05% | 4.75% |
| Finance leases | — | 4.75% |

Maturities of lease liabilities are as follows:

| Year Ending December 31, | Operating Leases | Finance Leases |
|---|---|---|
| 2022 (excluding the three months ended March 31, 2022) | $ 435,067 | $ — |
| 2023 | 499,503 | — |
| 2024 | 499,503 | — |
| 2025 | 499,503 | — |
| 2026 | 499,503 | — |
| Thereafter | 2,830,518 | — |
| Total undiscounted lease payments | 5,263,597 | — |
| Less: imputed interest | (954,315) | — |
| Total lease liabilities | $ 4,309,282 | $ — |

**PART I — ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Quarterly Report on Form 10-Q contains certain "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and information relating to us that are based on the beliefs of the management, as well as assumptions made and information currently available.

Our actual results may vary materially from the forward-looking statements made in this report due to important factors such as uncertainties associated with COVID-19, customer ordering patterns, availability and costs of raw materials and labor and our ability to recover such costs, our ability to convert inventory to a source of cash, future operating results, growth of new patient starts, Food and Drug Administration and foreign authority regulations and the outcome of regulatory audits, introduction of competitive products, acceptance of and demand for new and existing products, ability to penetrate new markets, success in enforcing and obtaining patents, reimbursement related risks, government regulation of the home health care industry, success of our research and development effort, expanding the market of FREEDOM60® demand in the SCIg market, availability of sufficient capital if or when needed, dependence on key personnel, and the impact of recent accounting pronouncements. When used in this report, the words "estimate," "project," "believe," "may," "will," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements reflect current views with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revision to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Throughout this report, the "Company," "KORU Medical," "we," "us" or "our" refers to Repro Med Systems, Inc.

**OVERVIEW**

The Company designs, manufactures and markets proprietary portable and innovative medical devices primarily for the ambulatory infusion market as governed by the United States Food and Drug Administration (the "FDA") quality and regulatory system and international standards for quality system management.

KORU Medical continues to monitor its operations and government recommendations as they relate to the COVID-19 pandemic. We cannot predict the effects the pandemic may have on our business, in particular with respect to demand for our products, our strategy, and our prospects, the effects on our customers, or the impact on our financial results. For example, our future net sales growth may continue to be impacted due to fewer new prescriptions for individuals with Primary Immune Deficiency Disease ("PIDD") and Chronic Inflammatory Demyelinating Polyneuropathy ("CIDP") as a result of patients not seeking care during the pandemic. We believe that the pandemic has precipitated limited availability and rising costs of raw materials and labor, which may impact our financial results if current trends continue.

Our revenues derive from three business sources: (i) domestic core, (ii) international core, and (iii) novel therapies. Our core domestic and international revenues consist of sales of our products for the delivery of subcutaneous drugs that are FDA cleared for use with the KORU Medical infusion system, with the primary delivery for immunoglobulin to treat PIDD and CIDP. Novel therapies consist of product revenues of our infusion system (syringe drivers, tubing and needles) for feasibility/clinical trials (pre-clinical studies, Phase I, Phase II, Phase III) of biopharmaceutical companies in the drug development process as well as non-recurring engineering services revenues ("NRE") received from biopharmaceutical companies to ready or customize the FREEDOM System for clinical and commercial use.

The Company began its implementation of secondary sourcing of our needle and tubing sets to Command at the beginning of 2021 and is expected to complete the implementation by the second half of 2022. The Company has entered into a lease commencing March 1, 2022 for a new manufacturing facility and corporate headquarters, into which the Company expects to move in June 2022.

The Company ended the quarter with $6.2 million in net revenues, or a 15.0% increase, compared with $5.4 million in the same period last year driven by growth in domestic core, both pumps and consumables, and novel therapies.

Our gross margin, which is our gross profit stated as a percentage of net sales, for the three months ended March 31, 2022, was 58.0%, a decline from prior year period of 59.5%. The majority of the decline was driven by more lower margin NRE revenues for a pre-commercialization innovation development agreement for a large SCIg customer in the 2022 period and year over year higher manufacturing costs in our core business due to increasing raw material and labor costs, partially offset by increased price and mix.



Operating expenses for the three months ended March 31, 2022, were $6.7 million, up from $5.4 million for the same period last year, driven primarily by research and development efforts to support our core and novel therapies business, and by new hires to support commercialization and business development, and quality and regulatory consulting, partially offset by reorganization costs of $1.0 million last year.

**RESULTS OF OPERATIONS**

**Three months ended March 31, 2022, compared to March 31, 2021**

Net Sales

The following table summarizes our net sales for the three months ended March 31, 2022, and 2021:

| | Three Months Ended March 31, | | Change from Prior Year | | % of Total Net Sales | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | $ | % | 2022 | 2021 |
| **Net Sales** | | | | | | |
| Domestic Core | $ 4,993,536 | $ 4,412,417 | $ 581,119 | 13.2% | 80.0% | 81.2% |

| | | | | | | |
|---|---|---|---|---|---|---|
| International Core | 894,942 | 978,906 | (83,964) | (8.6%) | 14.3% | 18.0% |
| Novel Therapies | 355,852 | 39,628 | 316,224 | 798.0% | 5.7% | 0.8% |
| **Total** | $ 6,244,330 | $ 5,430,951 | $ 813,379 | 15.0% | | |

Total net sales were $6.2 million for the three months ended March 31, 2022, a 15.0% increase from $5.4 million in the same period of 2021, with strong year over year growth driven by domestic core, up 13.2%, due to growth in pumps and consumables driven by an overall increase in the subcutaneous immunoglobulin market, as well as our key growth initiatives including prefills and label expansions. Total novel therapies sales were $0.4 million for the three months ended March 31, 2022, a $0.3 million increase from the same period of 2021 primarily due to recognition of initial NRE revenues for a pre-commercialization innovation development agreement for a large SCIg customer. International core was down 8.6% year over year, due to quarterly buying pattern changes of a few smaller customers.

Gross Profit

Our gross profit for the three months ended March 31, 2022, and 2021 is as follows:

| | Three Months Ended March 31, | | Change from Prior Year | |
|---|---|---|---|---|
| | 2022 | 2021 | $ | % |
| Gross Profit | $ 3,622,305 | $ 3,231,854 | $ 390,451 | 12.1% |
| Stated as a Percentage of Net Sales | 58.0% | 59.5% | | |

Gross profit increased by $0.4 million or 12.1% in the first quarter of 2022, while gross margin decreased by 1.5 margin points to 58.0% primarily driven by increased lower margin NRE revenues for a pre-commercialization innovation development agreement for a large SCIg customer and year over year higher manufacturing costs in our core business due to increasing raw material and labor costs, partially offset by increased price and mix.

Selling, general and administrative, and Research and development

Our selling, general and administrative, and research and development costs for the three months ended March 31, 2022, and 2021 are as follows:

| | Three Months Ended March 31, | | Change from Prior Year | |
|---|---|---|---|---|
| | 2022 | 2021 | $ | % |
| Selling, general and administrative | $ 5,491,213 | $ 4,992,829 | $ 498,384 | 10.0% |
| Research and development | 1,148,355 | 336,841 | 811,514 | 240.9% |
| | $ 6,639,568 | $ 5,329,670 | $ 1,309,898 | 24.6% |
| Stated as a Percentage of Net Sales | 106.3% | 98.1% | | |

Selling, general and administrative expenses increased $0.5 million, or 10.0%, during the three months ended March 31, 2022, compared to the same period last year, driven by $1.5 million in costs associated with new hires in the second half of 2021 to support commercialization and business development, and quality and regulatory consulting, partially offset by costs associated with the departure and replacement of the former chief executive officer and the recruitment of two new Board members of $1.0 million last year.



Research and development expenses increased $0.8 million, or 240.9%, during the three months ended March 31, 2022, compared with the same period last year due to higher salary and related expenses to build our internal capability and consulting fees to support product development.

Depreciation and amortization

Depreciation and amortization expense decreased by 5.4% to $109,252 in the three months ended March 31, 2022, compared with $115,473 in the three months ended March 31, 2021. We continue to invest in capital assets, mostly related to manufacturing and computer equipment, offset by assets reaching their remaining useful life.

Net Loss

| | Three Months Ended March 31, | | Change from Prior Year | |
|---|---|---|---|---|
| | 2022 | 2021 | $ | % |
| Net Loss | $ (2,537,514) | $ (1,276,138) | $ (1,261,376) | (98.8%) |
| Stated as a Percentage of Net Sales | (40.6%) | (23.5%) | | |

Our net loss was $2.5 million in the three months ended March 31, 2022, compared with net loss of $1.3 million in same period last year mostly driven by higher selling, general and administrative expenses and higher research and development expenses, partially offset by higher gross profit, all as described above. A tax benefit of $0.6 million resulting from the loss was also recorded during the three months ended March 31, 2022.

**LIQUIDITY AND CAPITAL RESOURCES**

Our principal source of liquidity is our cash on hand of $22.6 million as of March 31, 2022. Our principal source of operating cash inflows is from sales of our products to customers. Our principal cash outflows relate to the purchase and production of inventory and related costs, research and development expenses and selling, general and administrative expenses.

To develop new products, support future growth, achieve operating efficiencies, and maintain product quality, we are continuing to invest in manufacturing technologies, facilities and equipment, and research and development. We estimate expenses to be between $27.0 million and $28.0 million in 2022. We expect our 2022 capital investments for manufacturing and leasehold improvements for

our new facility to be in aggregate between $1.5 million and $2.0 million, net of pre-approved financing arrangements totaling approximately $1.0 million, which are expected to be executed in the second quarter of 2022.

Our inventory position was $6.0 million at March 31, 2022. We expect these levels to rise in the short term as we build to ensure timely order fulfillment as we complete the transition of the manufacturing of our needle sets and tubing products to our secondary source and for supply continuity as we move our manufacturing facility to our new location in 2022. As the relocation and transition to our secondary source are completed, which we expect by the end of 2022, this inventory is expected to convert to a source of cash.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act contains a provision known as the Employee Retention Credit ("ERC"), a refundable payroll tax credit for qualified wages paid to retained full-time employees between March 13, 2020, and December 31, 2020. The Consolidations Appropriations Act (CAA), signed into law on December 27, 2020, significantly modified and expanded the provisions of the ERC to include wages paid in 2021. For 2021, the ERC provides employers a refundable federal tax credit equal to 70% of the first $10,000 of qualified wages and benefits paid to retained employees between January 1, 2021, and December 31, 2021. Credits may be claimed immediately by reducing payroll taxes sent to the Internal Revenue Service. To the extent that the credit exceeds employment withholdings, the employer may request a refund of prior taxes paid. The Company determined that it qualified for this credit and anticipated utilizing benefits under this act to aid its liquidity position and as a result recorded a receivable of $0.7 million as of December 31, 2021. As of March 31, 2022, the credit has not been received.

We expect that our cash on hand, cash flows from operations, and our available credit facility will be sufficient to meet our requirements at least through the next 12 months. Continued execution on our longer-term strategic plan may require the Company to take on additional debt or raise capital through issuance of equity, or a combination of both in the periods post 12/31/2023. Our future capital requirements may vary from those currently planned and will depend on many factors, including our rate of sales growth, the timing and extent of spending on various strategic initiatives, our international expansion, the timing of new product introductions, market acceptance of our solutions, and overall economic conditions including the potential impact of global supply imbalances and COVID-19 on the global financial markets. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing sooner. There can be no assurance the Company will be able to obtain the financing or raise the capital required to fund planned expansion.



Cash Flows

The following table summarizes our cash flows:

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Net cash used in operating activities | $ (1,752,072) | $ (2,605,653) |
| Net cash used in investing activities | $ (752,602) | $ (102,204) |
| Net cash (used in)/provided by financing activities | $ (252,968) | $ 2,167,291 |

Operating Activities

Net cash used in operating activities of $1.8 million for the three months ended March 31, 2022, was primarily due to the net loss of $2.5 million and the deferred tax asset of $0.6 million, offset by favorable net working capital of $0.4 million driven by accounts receivable collections and non-cash charges for stock-based compensation of $0.8 million, and depreciation and amortization of $0.1 million.

Net cash used in operating activities of $2.6 million for the three months ended March 31, 2021 was primarily due to the net loss of $1.3 million, working capital changes which include an increase in inventory of $1.2 million related to the transition of manufacturing to our secondary source, an increase in accounts receivable of $1.0 million due to delayed payments at our largest distributor, as well as a decrease in accrued expenses of $0.9 million most of which was non-cash activity related to the issuance of common stock in settlement of litigation. Further contributing were deferred tax assets of $0.9 million increased for book to tax differences related to stock option expense. Offsetting these were primarily non-cash charges for stock-based compensation of $0.7 million, an increase in accounts payable of $1.3 million due to timing of payments and an increase in accrued payroll of $0.4 million related to the separation agreement with our former chief executive officer.

Investing Activities

Net cash used in investing activities of $0.8 million for the three months ended March 31, 2022, was for capital improvement expenditures for our new location and manufacturing and office equipment.

Net cash used in investing activities of $0.1 million for the three months ended March 31, 2021 was for capital expenditures for manufacturing and office equipment.

Financing Activities

The $0.3 million used by financing activities for the three months ended March 31, 2022, was for financed director and officer liability insurance.

The $2.2 million provided by financing activities for the three months ended March 31, 2021 is from options exercised and the non-cash activity related to the issuance of common stock in settlement of litigation.

**ACCOUNTING PRONOUNCEMENTS RECENTLY ADOPTED**

Refer to "NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the accompanying financial statements, which is incorporated herein by reference.

**ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

Refer to "NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the accompanying financial statements, which is incorporated herein by reference.

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

Not applicable.



**ITEM 4. CONTROLS AND PROCEDURES**

The Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as such is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon their evaluations, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) is accumulated and communicated to the Company's management, including its Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II – OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The Company has been and may again become involved in legal proceedings, claims and litigation arising in the ordinary course of business. KORU Medical is not presently a party to any litigation or other legal proceeding that is believed to be material to its financial condition.

**ITEM 1A. RISK FACTORS**

Our operations and financial results are subject to various risks and uncertainties, including those described in "PART 1, ITEM 1A. RISK FACTORS" in our Annual Report on Form 10-K for the year ended December 31, 2021, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended December 31, 2021.

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

On March 4, 2022, we issued 20,107 shares of our common stock to our Chief Executive Officer as a portion of her 2021 annual bonus in accordance with the terms of her employment agreement. These shares were issued in reliance on the exemption from registration under Section 4(2) under the Securities Act of 1933, as amended.



**PART II – ITEM 6. EXHIBITS.**

| Exhibit No. | Description |
|---|---|
| 31.1 | Certification of Principal Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act 2002 |
| 31.2 | Certification of Principal Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act 2002 |
| 32.1 | Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act 2002 |
| 32.2 | Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act 2002 |
| 101.INS | Inline XBRL Instance Document - the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

**SIGNATURES**

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

REPRO MED SYSTEMS, INC.

May 4, 2022 /s/ Linda Tharby
Linda Tharby, President and Chief Executive Officer

(Principal Executive Officer)

May 4, 2022 /s/ Karen Fisher
Karen Fisher, Chief Financial Officer and Treasurer

(Principal Financial Officer)

**EXHIBIT 31.1**

RULE 13A-14(A) / 15D-14(A) CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER

I, Linda Tharby, Principal Executive Officer, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Repro Med Systems, Inc. (the "Report");

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

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

4) The registrant's other certifying 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 and have:

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

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

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

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

5) 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 this equivalent function):

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

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

Date: May 4,2022

/s/ Linda Tharby
Linda Tharby
President and Chief Executive Officer

**EXHIBIT 31.2**

RULE 13A-14(A) / 15D-14(A) CERTIFICATION OF
PRINCIPAL FINANCIAL OFFICER

I, Karen Fisher, Principal Financial Officer, certify that:

1) I have reviewed this Quarterly Report on Form 10-Q of Repro Med Systems, Inc. (the "Report");

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

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

4) The registrant's other certifying 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 and have:

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

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

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

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

5) 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 this equivalent function):

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

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

Date: May 4,2022

/s/ Karen Fisher
Karen Fisher
Chief Financial Officer and Treasurer

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Repro Med Systems, Inc. (the "Company") on Form 10-Q (the "Report") for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission, I, Linda Tharby, Principal Executive Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4,2022

/s/ Linda Tharby
Linda Tharby
President and Chief Executive Officer

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Repro Med Systems, Inc. (the "Company") on Form 10-Q (the "Report") for the quarter ended March 31, 2022 as filed with the Securities and Exchange Commission, I, Karen Fisher, Principal Financial Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2022

/s/ Karen Fisher
Karen Fisher
Chief Financial Officer and Treasurer