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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2020

OR

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

For the transition period from ____________ to ____________

Commission File Number: 001-37714

Sensus Healthcare, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-1647271**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
851 Broken Sound Pkwy., NW #215, Boca Raton, Florida	**33487**
(Address of principal executive office)	Zip Code)

(561) 922-5808
(Registrant's telephone number, including area code)

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, par value $0.01 per share	SRTS	Nasdaq Stock Market, LLC

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

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of July 31, 2020, 16,502,353 shares of the Registrant's Common Stock, $0.01 par value, were outstanding**.**

SENSUS HEALTHCARE, INC.
QUARTERLY REPORT ON FORM 10-Q
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INTRODUCTORY NOTE

Caution Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements about our beliefs, plans, objectives, goals, expectations, estimates, and intentions, among other things. The words “may,” “could,” “should,” “would,” “will,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “target,” “goal, and similar expressions are intended to identify forward-looking statements. All forward-looking statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our actual future results may differ materially from those set forth in our forward-looking statements.

Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K, as well as:

- the effects of widespread public health epidemics, including the novel coronavirus (COVID-19), that are beyond our control and any adverse impact in our business, results of operations and financial condition;
- our ability to achieve and sustain profitability;
- our ability to successfully commercialize and achieve market acceptance of our products;
- our ability to compete effectively in selling our products and services, including responding to technological change and cost containment efforts of our customers;
- the regulatory requirements applicable to us and our competitors, including any adverse regulatory action taken against us;
- our need and ability to obtain additional financing in the future, as well as complying with the restrictions our existing revolving credit facility imposes;
- our ability to expand, manage and maintain our direct sales and marketing organizations;
- our ability to successfully develop new products, improve or enhance existing products or acquire complementary products, technologies, services or businesses;
- our ability to obtain and maintain intellectual property of sufficient scope to adequately protect our products, including the SRT-100, and our ability to avoid infringing or otherwise violating the intellectual property rights of third parties;
- market risks regarding consolidation in the healthcare industry;
- the level of availability of government and third-party pay or reimbursement for clinical procedures using our products;
- the willingness of healthcare providers to purchase our products if coverage, reimbursement and pricing from third party payors for procedures using our products declines;
- our ability to effectively manage our anticipated growth, including hiring and retaining qualified personnel;
- our ability to manufacture our products to meet demand;
- our reliance on third party manufacturers and sole- or single-source suppliers;
- our ability to reduce the per unit manufacturing cost of our products;
- our ability to efficiently manage our manufacturing processes;
- regulatory, legal risks, and operating risks, that our international operations subject us to;
- off-label use of our products;
- information technology risks including risks from cyberattacks and other data breaches, and their adverse effect on our reputation;
- the fact that product quality issues or product defects may harm our business;
- the accuracy of our financial statements and accounting estimates, including allowances for accounts receivable and inventory obsolescence;
- any product liability claims;
- limited trading in our shares and the concentration of ownership of our shares;
- new legislation, administrative rules, or executive orders, including those that impact taxes and international trade regulation;
- the provisions in our certificate of incorporation, bylaws, or Delaware law that discourage takeovers or that limit certain disputes to be brought exclusively in the Delaware Court of Chancery;
- the concentration of sales to customers in the U.S. and China, including any adverse impact of political developments in China and the COVID-19 epidemic; and
- our ability to manage the risk of the foregoing.

Factors in addition to those listed above or in *Item 1A Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2019 or discussed in this Form 10-Q also could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us or on our behalf speak only as of the date they are made. We do not undertake to update any forward-looking statement, except as may be required by applicable law.

PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SENSUS HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of June 30,	As of December 31,

	2020 (unaudited)	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 18,414,542	$ 8,100,288
Investment in debt securities	459,295	7,389,407
Accounts receivable, net	1,086,258	14,011,180
Inventories	5,462,996	2,997,120
Prepaid and other current assets	1,683,976	1,505,175
Total Current Assets	27,107,067	34,003,170
Property and Equipment, Net	979,022	1,082,428
Patent Rights, Net	289,158	337,351
Deposits	101,988	101,561
Operating Lease Right-of-Use Assets, Net	1,232,568	1,400,037
Total Assets	$ 29,709,803	$ 36,924,547
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,860,885	$ 4,779,435
Deferred revenue, current portion	1,518,255	1,191,898
Operating lease liabilities, current portion	301,217	309,524
Product warranties	119,692	187,454
Total Current Liabilities	4,800,049	6,468,311
Loan Payable	1,022,785	—
Operating Lease Liabilities	965,718	1,115,529
Deferred Revenue, Net of Current Portion	851,515	1,339,285
Total Liabilities	7,640,067	8,923,125
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, 5,000,000 shares authorized and none issued and outstanding	—	—
Common stock, $0.01 par value – 50,000,000 authorized; 16,575,561 issued and 16,502,353 outstanding at June 30, 2020; 16,540,478 issued and 16,485,780 outstanding at December 31, 2019	165,755	165,404
Additional paid-in capital	43,601,105	43,314,123
Treasury stock, 73,208 and 54,698 shares at cost, at June 30, 2020 and December 31, 2019, respectively	(309,901)	(252,570)
Accumulated deficit	(21,387,223)	(15,225,535)
Total Stockholders' Equity	22,069,736	28,001,422
Total Liabilities and Stockholders' Equity	$ 29,709,803	$ 36,924,547

See accompanying notes to the unaudited condensed consolidated financial statements.

SENSUS HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues	$ 1,182,948	$ 7,476,296	$ 2,862,394	$ 12,912,895
Cost of Sales	543,294	2,537,102	1,514,238	4,657,723
Gross Profit	639,654	4,939,194	1,348,156	8,255,172
Operating Expenses				
Selling and marketing	1,161,845	1,995,263	2,952,815	4,525,608
General and administrative	904,103	963,641	2,233,660	1,976,803
Research and development	1,148,328	1,934,807	2,373,510	3,900,314
Total Operating Expenses	3,214,276	4,893,711	7,559,985	10,402,725
Income (Loss) From Operations	(2,574,622)	45,483	(6,211,829)	(2,147,553)
Other Income (Expense)				
Interest income	14,485	66,825	64,586	138,843
Interest expense	(14,445)	—	(14,445)	—
Other Income (Expense), net	40	66,825	50,141	138,843
Net Income (Loss)	$ (2,574,582)	$ 112,308	$ (6,161,688)	$ (2,008,710)
Net Income (Loss) per share –				
Basic	$ (0.16)	$ 0.01	$ (0.38)	$ (0.12)
Diluted	$ (0.16)	$ 0.01	$ (0.38)	$ (0.12)
Weighted average number of shares used in computing net loss per share –				
Basic	16,421,928	16,368,171	16,414,341	16,244,635
Diluted	16,421,928	16,382,918	16,414,341	16,244,635

See accompanying notes to the unaudited condensed consolidated financial statements.

SENSUS HEALTHCARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In	Treasury Stock		Accumulated	
	Shares	Amount	Capital	Shares	Amount	Deficit	Total
December 31, 2018	**16,145,915**	**$ 161,459**	**$39,957,905**	**(33,454)**	**$ (133,816)**	**$(13,525,532)**	**$26,460,016**
Stock based compensation	-	-	154,535	-	-	-	154,535
Exercise of warrants	400,281	4,002	2,697,895	-	-	-	2,701,897
Net loss	-	-	-	-	-	(2,121,018)	(2,121,018)
March 31, 2019 (unaudited)	**16,546,196**	**$ 165,461**	**$42,810,335**	**(33,454)**	**$ (133,816)**	**$(15,646,550)**	**$27,195,430**
Stock based compensation	-	-	158,145	-	-	-	158,145
Surrender of Shares for tax withholding on stock compensation	-	-	-	(21,244)	(118,754)	-	(118,754)
Exercise of warrants	5,532	56	37,285	-	-	-	37,341
Net income	-	-	-	-	-	112,308	112,308
June 30, 2019 (unaudited)	**16,551,728**	**$ 165,517**	**$43,005,765**	**(54,698)**	**$ (252,570)**	**$(15,534,242)**	**$27,384,470**
December 31, 2019	**16,540,478**	**$ 165,404**	**$43,314,123**	**(54,698)**	**$ (252,570)**	**$(15,225,535)**	**$28,001,422**
Stock based compensation	30,000	300	155,479	-	-	-	155,779
Surrender of Shares for tax withholding on stock compensation	-	-	-	(742)	(3,139)	-	(3,139)
Net loss	-	-	-	-	-	(3,587,106)	(3,587,106)
March 31, 2020 (unaudited)	**16,570,478**	**$ 165,704**	**$43,469,602**	**(55,440)**	**$ (255,709)**	**$(18,812,641)**	**$24,566,956**
Stock based compensation	5,000	50	130,944	-	-	-	130,994
Surrender of Shares for tax withholding on stock compensation	-	-	-	(17,768)	(54,192)	-	(54,192)
Exercise of warrants	83	1	559	-	-	-	560
Net loss	-	-	-	-	-	(2,574,582)	(2,574,582)
June 30, 2020 (unaudited)	**16,575,561**	**$ 165,755**	**$43,601,105**	**(73,208)**	**$ (309,901)**	**$(21,387,223)**	**$22,069,736**

See accompanying notes to the unaudited condensed consolidated financial statements.

SENSUS HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Six Months Ended June 30,	
	2020	2019
Cash Flows From Operating Activities		
Net loss	$ (6,161,688)	$ (2,008,710)
Adjustments to reconcile net loss to net cash and cash equivalents provided by (used in) operating activities:		
Bad debts (recovery)	24,000	(7,253)
Depreciation and amortization	300,151	281,162
Provision for product warranties	139,909	116,402
Stock based compensation	286,773	312,680
Decrease (increase) in:		
Accounts receivable	12,900,922	936,353
Inventories	(2,465,876)	(523,902)
Prepaid and other current assets	(11,756)	109,114
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,076,671)	(731,195)
Deferred revenue	(161,413)	677,396
Product warranties	(207,671)	(103,643)
Total Adjustments	8,728,368	1,067,114
Net Cash Provided By (Used In) Operating Activities	2,566,680	(941,596)
Cash Flows from Investing Activities		
Acquisition of property and equipment	(148,552)	(229,426)
Investment in debt securities - held to maturity	—	(3,699,718)
Investments matured	6,930,112	1,200,000
Net Cash Provided By (Used In) Investing Activities	6,781,560	(2,729,144)
Cash Flows from Financing Activities		
Loan proceeds	1,022,785	—
Withholding taxes on stock compensation	(57,331)	(118,754)
Exercise of warrants	560	2,739,238
Net Cash Provided By Financing Activities	966,014	2,620,484
Net Increase (Decrease) in Cash and Cash Equivalents	10,314,254	(1,050,256)
Cash and Cash Equivalents – Beginning	8,100,288	12,484,256
Cash and Cash Equivalents – Ending	$ 18,414,542	$ 11,434,000
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 12,456	$ —
Non-Cash Investing and Financing Activities		
Transfer of inventory to property and equipment	$ —	$ 51,234
Lease liabilities arising from obtaining right-of-use-assets	$ —	$ 1,714,814

See accompanying notes to the unaudited condensed consolidated financial statements.

Note 1 — Organization and Summary of Significant Accounting Policies

Description of the Business

Sensus Healthcare, Inc. (the "Company") is a manufacturer of radiation therapy devices and has established a distribution and marketing network to sell the devices to healthcare providers globally. The Company operates as one segment from its corporate headquarters located in Boca Raton, Florida.

Basis of Presentation

The accompanying unaudited condensed financial statements in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and the rules and regulations of the U.S. Securities and Exchange Commission, or SEC. Accordingly, they do not include certain footnotes and financial presentations normally required under GAAP for complete financial statements. The interim financial information is unaudited, but reflects all normal adjustments and accruals which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2019 included in the Company's Form 10-K, filed with the SEC. The results for the six months ended June 30, 2020 are not necessarily indicative of results to be expected for the year ending December 31, 2020, any other interim periods, or any future year or period.

Principles of consolidation

The accompanying condensed consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary in Israel. All inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates as to which it is reasonably possible that a change could occur in the near term include, inventory reserves, receivable allowances, recoverability of long-lived assets and the Company's product warranties. Actual results could differ from those estimates.

Impact of COVID-19

The outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the U.S. and global economies and created uncertainty regarding potential impacts to the Company's employees, operations, and customer demand. The Company, which provides medical devices, is considered an "essential business" and has been able to continue to operate and service its customers. However, the COVID-19 pandemic has significantly impacted the Company's sales in the first half of 2020, as social distancing forced physicians to temporarily close their practices, and could further impact the Company's operations and the operations of the Company's customers, suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local, state and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the Company may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time.

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers," using the modified retrospective method for all contracts as of the date of adoption. The adoption of this standard did not result in a significant change to the Company's historical revenue recognition policies and there were no necessary adjustments required to retained earnings upon adoption.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services, which is generally upon shipment of the goods and performance of the services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenue consists of sales of the Company's devices and services related to maintaining and repairing the devices. The agreement for the sale of the devices and the service contract are usually signed at the same time, and in some instances a service contract is signed on a stand-alone basis. Revenue for service contracts is recognized over the service contract period on a straight-line basis. The Company determined that in practice no significant discount is given on the service contract when it is offered with the device purchase as compared to when it is sold on a stand-alone basis. The service level provided is identical whether the service contract is purchased stand-alone or together with the device. There is no termination provision in the service contract nor any penalties in practice for cancellation of the service contract. The service contract is not considered a performance obligation until it is paid, and it does not provide a material right for a significant discount when purchased with the device. The service portion of a sales contract or a stand-alone service contract is accounted for over the period of time of the service contract only when the customer exercises the option by paying for the service contract.

Disaggregated revenue for the three and six months ended June 30, 2020 and 2019 was as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Product Revenue	$ 69,579	$ 6,969,527	$ 1,145,581	$ 11,900,452
Service Revenue	1,113,369	506,769	1,716,813	1,012,443
Total Revenue	$ 1,182,948	$ 7,476,296	$ 2,862,394	$ 12,912,895

The Company operates in a highly regulated environment, primarily in the U.S. dermatology market, in which state regulatory approval is sometimes required prior to the customer being able to use the product. In these cases, where regulatory approval is pending, revenue is deferred until such time as regulatory approval is obtained.

Deferred revenue as of June 30, 2020 was as follows:

	Service
Balance, beginning of period	$ 2,531,183
Revenue recognized	(1,378,925)
Amounts invoiced	1,217,512
Balance, end of period	$ 2,369,770

The Company does not disclose information about remaining performance obligations with respect to deposits for products that have original expected durations of one year or less. Estimated service revenue to be recognized in the future related to the performance obligations that are unsatisfied (or partially unsatisfied) as of June 30, 2020 was as follows:

Year	**Service Revenue**
2020 (July 1 – December 31, 2020)	$ 837,120
2021	1,083,914
2022	389,235
2023	39,667
2024	19,834
Total	$ 2,369,770

The Company provides warranties in conjunction with the sale of its products. These warranties entitle the customer to repair, replacement, or modification of the defective product subject to the terms of the respective warranty. The Company records an estimate of future warranty claims at the time the Company recognizes revenue from the sale of the product based upon management's estimate of the future claims rate.

Shipping and handling costs are expensed as incurred and are included in cost of sales.

Segment and Geographical Information

The Company's revenue is generated primarily from customers in the United States, which represented approximately 100% and 91% for the three months ended June 30, 2020 and 2019, respectively, and approximately 99% and 86% for the six months ended June 30, 2020 and 2019, respectively. A customer in the U.S. accounted for approximately 30% and 70% of revenues for the three months ended June 30, 2020 and 2019, respectively; approximately 19% and 64% for the six months ended June 30, 2020 and 2019, respectively; and approximately 3% and 74% of the accounts receivable as of June 30, 2020 and December 31, 2019, respectively. Another customer in the U.S. accounted for more than 10% of revenues for the six months ended June 30, 2020 and 0% of the accounts receivable as of June 30, 2020.

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents with financial institutions which balances exceed federally insured limits ($250,000 for deposits). As of June 30, 2020 and December 31, 2019, the Company had approximately $18,125,000 and $7,740,000, respectively in excess of federally insured limits.

For purposes of the statement of cash flows, the Company considers all highly liquid financial instruments with maturities of three months or less when purchased to be cash equivalents.

Investments

Short-term investments consist of investments which the Company expects to convert into cash within one year and long-term investments are those that the Company expects to convert to cash after one year. The Company classifies its investments in debt securities at the time of purchase as held-to-maturity and reevaluates such classification on a quarterly basis. Held-to-maturity investments consist of securities that the Company has the intent and ability to retain until maturity. These securities are carried at amortized cost plus accrued interest and consist of the following:

	Amortized Cost	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**
Short-Term:				
Corporate bonds	$ 6,690,678	$ 4,251	$ —	$ 6,694,929
United States Treasury bonds	698,729	1,302	—	700,031
Total Short Term:	7,389,407	5,553	—	7,394,960
Total Investments December 31, 2019	$ 7,389,407	$ 5,553	$ —	$ 7,394,960
Short-Term:				
Corporate bonds	$ 459,295	$ 404	$ —	$ 459,699
Total Short Term:	459,295	404	—	459,699
Total Investments June 30, 2020	$ 459,295	$ 404	$ —	$ 459,699

Accounts Receivable

The Company does business and extends credit based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances. The allowance for doubtful accounts was approximately $24,000 and

$80,000 as of June 30, 2020 and December 31, 2019.

Inventories

Inventories consist of finished product and components and are stated at the lower of cost or net realizable value, determined using the first-in-first-out method.

Earnings Per Share

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted net income per share is computed by giving effect to all potential dilutive common share equivalents outstanding for the period, using the treasury stock method for options and warrants, as well as unvested restricted shares. In periods when the Company has incurred a net loss, options, warrants and unvested shares are considered common share equivalents but have been excluded from the calculation of diluted net loss per share as their effect is antidilutive. Shares were excluded as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Shares	—	21,494	—	4,890
Warrants	—	—	—	8,992
Stock options	—	33,962	—	41,605

Advertising Costs

Advertising and promotion expenses are charged to expense as incurred. Advertising and promotion expense included in selling expense in the accompanying statements of operations amounted to approximately $75,000 and $188,000 for the three months ended June 30, 2020 and 2019, respectively, and $344,000 and $728,000 for the six months ended June 30, 2020 and 2019, respectively.

Leases

The Company evaluates arrangements at inception to determine if an arrangement is or contains a lease. Operating lease assets represent the Company's right to use an underlying asset for the lease term, and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date of the lease based upon the present value of lease payments over the lease term. When determining the lease term, the Company includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company uses an incremental borrowing rate that the Company would expect to incur for a fully collateralized loan over a similar term under similar economic conditions to determine the present value of the lease payments.

The lease payments used to determine the Company's operating lease assets may include lease incentives and stated rent increases and are recognized in the Company's operating lease assets in the Company's condensed consolidated balance sheets. Operating lease assets are amortized to rent expense over the lease term and included in operating expenses in the condensed consolidated statements of operations.

Note 2 — Property and Equipment

	As of June 30, 2020 (unaudited)	As of December 31, 2019	Estimated Useful Lives
Operations equipment	$ 1,420,422	$ 1,280,209	3 years
Tradeshow and demo equipment	918,701	914,891	3 years
Computer equipment	122,213	117,596	3 years
	2,461,336	2,312,696	
Less accumulated depreciation	(1,482,314)	(1,230,268)	
Property and Equipment, Net	$ 979,022	$ 1,082,428	

Depreciation expense was approximately $123,000 and $129,000, for the three months ended June 30, 2020 and 2019, respectively, and approximately $252,000 and $233,000, for the six months ended June 30, 2020 and 2019, respectively.

Note 3 — Patent Rights

	As of June 30, 2020 (unaudited)	As of December 31, 2019
Gross carrying amount	$ 1,253,018	$ 1,253,018
Less accumulated amortization	(963,860)	(915,667)
Patent Rights, Net	$ 289,158	$ 337,351

Amortization expense was approximately $24,000 for the three months ended June 30, 2020 and 2019, and approximately $48,000 for the six months ended June 30, 2020 and 2019. As of June 30, 2020, future remaining amortization expense is as follows:

Year	
2020 (July 1 – December 31, 2020)	$ 48,193
2021	96,386
2022	96,386
2023	48,193
Total	$ 289,158

Note 4 — Debt

The Company has a revolving credit facility that, through April 2020, provided for maximum borrowings equal to the lesser of (a) the $5 million commitment amount or (b) a borrowing base equal to 80% of eligible accounts receivable plus a $2.5 million non-formula sublimit. In October 2019, the term of the facility was extended through January 29, 2020; in January 2020, the term was further extended through April 28, 2020; and in April 2020, the term was further extended to April 1, 2022 and the maximum borrowings were increased to the lesser of (a) the $10 million commitment amount or (b) the borrowing base plus a $3 million non-formula sublimit.

Interest on any borrowings, at Prime plus 0.75% (4.00% at June 30, 2020) and Prime plus 1.50% on non-formula borrowings (4.75% at June 30, 2020), is payable monthly, and the outstanding principal and interest are due on the maturity date. The facility is secured by all of the Company's assets and limits the amount of additional indebtedness; restricts the sale, disposition or transfer of assets of the Company; and requires the maintenance of a monthly adjusted quick ratio restrictive covenant, as defined in the agreement. The Company was in compliance with its financial covenants as of June 30, 2020 and December 31, 2019. There were no borrowings outstanding under the revolving credit facility at June 30, 2020 and December 31, 2019. The Company pays commitment fees of 0.25% per annum on the average unused portion of the line of credit.

On April 20, 2020, the Company received a loan under the Small Business Administration Paycheck Protection Program enabled by the CARES Act of 2020, in the amount of $1,022,785 to be used for employee compensation and facilities costs. The loan has a six-month deferral period during which no payments will be due; however, interest will accrue. The loan matures in April 2022 and provides for interest at the rate of 1% per annum. The loan is subject to forgiveness for principal that is used for the limited purposes that expressly qualify for forgiveness under SBA requirements; however, the Company has no assurance that the loan will be forgiven.

Note 5 — Product Warranties

Changes in product warranty liability were as follows for the six months ended June 30, 2020:

Balance, beginning of period	$	187,454
Warranties accrued during the period		139,909
Payments on warranty claims		(207,671)
Balance, end of period	$	119,692

Note 6 — Leases

Operating Lease Agreements

The Company leases its headquarters office from an unrelated third party.. The lease was last renewed in 2016 and expires in September 2022. The Company's Israeli subsidiary entered into a two-year lease for office space starting in September 2018. Both leases include an option to extend with prior notice and with terms to be negotiated. The Company currently does not have any lease with a term under 12 months.

In March 2019, the Company's Israeli subsidiary signed a 10-year lease for a 5,800 square foot manufacturing facility. The landlord provided a rent-free grace period from April to July 2019, after which the 10-year lease term began. The initial monthly rental payment was approximately $5,300 and will be subject to periodic escalations at amounts specified in the lease plus the consumer price index. In addition, the Company is responsible for maintenance fees covering its portion of the expenses of common areas. After 2, 4, 6 and 8 years, and with 180 days' prior notice, the Company has the right to terminate the lease at its sole discretion without penalty.

The following table presents information about the amount, timing and uncertainty of cash flows arising from the Company's operating leases as of June 30, 2020.

Maturity of Operating Lease Liabilities		**Amount**
2020 (July 1 – December 31, 2020)	$	176,032
2021		348,122
2022		284,578
2023		104,343
2024		105,843
Thereafter		494,731
Total undiscounted operating leases payments	$	1,513,649
Less: Imputed interest		(246,714)
Present Value of Operating Lease Liabilities	$	1,266,935

Other Information	
Weighted-average remaining lease term	6.2 years
Weighted-average discount rate	5.0%

An initial Right of Use (ROU) asset of approximately $805,000 was recognized as a non-cash assets addition with the adoption of the new lease accounting standard. The ROU asset was reduced by approximately $168,000 and $330,000 for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively. Cash paid for amounts included in the present value of operating lease liabilities was approximately $183,000 and $310,000 for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively, is included in operating cash flows. Operating lease cost was approximately $192,000 and $159,000 for the six months ended June 30, 2020 and 2019, respectively.

Note 7 — Commitments and Contingencies

Manufacturing Agreement

In 2010, the Company entered into a three-year contract manufacturing agreement with an unrelated third party for the production and manufacture of the SRT-100 (and subsequently the SRT-100 Vision and the SRT-100 Plus), in accordance with the Company's product specifications. The agreement renews for successive one-year periods unless either party notifies the other party in writing, at least 60 days prior to the anniversary date of the agreement, that it will not renew the agreement. The Company or the manufacturer has the option to terminate the agreement upon 90 days' written notice.

Purchases from this manufacturer totaled approximately $230,000 and $1,819,000 for the three months ended June 30, 2020 and 2019, respectively, and approximately $1,808,000 and $3,730,000 for the six months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, and December 31, 2019 approximately $822,000 and $1,104,000, respectively, was due to this manufacturer, which is presented in accounts payable and accrued expenses in the accompanying balance sheets.

Legal contingencies

The Company is party to certain legal proceedings in the ordinary course of business. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and related contingencies.

In 2015, the Company learned that the Department of Justice (the "Department") had commenced an investigation of the billing to Medicare by a physician who had treated patients with the Company's SRT-100. The Company has received two Civil Investigative Demands from the Department seeking documents and written responses in connection with that investigation. The Company has fully cooperated with the investigation. The Department has advised the Company that it was considering expanding the investigation to determine whether the Company had any involvement in the physician's use of certain reimbursement codes. The Company disputes that it has engaged in any wrongdoing with respect to such reimbursement claims; among other things, the Company does not submit claims for reimbursement or provide coding or billing advice to physicians. To the Company's knowledge, the Department has made no determination as to whether the Company engaged in any wrongdoing, or whether to pursue any legal action against the Company. Should the Department decide to pursue legal action, the Company believes it has strong and meritorious defenses and will vigorously defend itself. At this time, the Company is unable to estimate the cost associated with this matter.

Note 8 — Employee Benefit Plans

The Company sponsor a 401(k) defined contribution retirement plan that allows eligible employees to contribute a portion of their compensation through payroll deductions in accordance with specified plan guidelines. The Company makes contributions to the plans that include matching a percentage of the employees' contributions up to certain limits. Expenses related to this plan totaled approximately $31,000 and $28,000 for the three months ended June 30, 2020 and 2019, respectively, and approximately $63,000 and $55,000 for the six months ended June 30, 2020 and 2019, respectively.

Note 9 — Stockholders' Equity

The Company has authorized 50,000,000 shares of common stock, of which 16,575,561 were issued and 16,502,353 outstanding at June 30, 2020; 16,540,478 shares were issued and 16,485,780 were outstanding as of December 31, 2019.

Warrants

The following table summarizes the Company's warrant activity:

	Warrants		
	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)
Outstanding – December 31, 2019	2,032,187	$ 6.75	0.51
Granted	—	—	—
Exercised	(83)	—	—
Expired	(1,894,104)	—	—
Outstanding – June 30, 2020	138,000	$ 6.75	0.94
Exercisable – June 30, 2020	138,000	$ 6.75	0.94

The intrinsic value of the common stock warrants was approximately $0 as of June 30, 2020, and December 31, 2019, respectively.

2016 and 2017 Equity Incentive Plans

On January 25, 2018, 80,000 fully vested shares were granted to the Company's nonemployee directors, and stock options covering 229,334 shares with a four-year vesting period were granted to certain employees. The shares were recorded at the fair value of $5.55 per share for a total of $444,000, and the stock options were valued using a Black Scholes model at $3.52 per option using the assumptions noted in the following table:

Expected volatility	67.8%
Risk-free interest rate	2.5%
Expected life	6.25 years
Dividend yield	0.0%

Expected Volatility. Expected volatility is a measure of the amount by which the Company's stock price is expected to fluctuate. Expected volatility is based on the historical volatility of the price of our common shares. The Company estimated the expected volatility of the stock options at grant date.

Risk-Free Interest Rate. The risk-free interest rate is based on the implied yield on U.S. Treasury zero-coupon issues with remaining terms equivalent to the expected term of our stock-based awards.

Expected Term or Life. The expected term or life of stock options granted represents the expected weighted average period of time from the date of grant to the estimated date that the stock option will be fully exercised. The weighted average expected option term is determined using the "simplified method" for options as allowed by the accounting guidance. The "simplified method" calculates the expected term as the average of the vesting term and original contractual term of the options.

The stock options had an intrinsic value of $0 as of June 30, 2020 and December 31, 2019, respectively.

The Company recognizes forfeitures as they occur rather than estimating a forfeiture rate. The reduction of stock compensation expense related to the forfeitures was $0 for the six months ended June 30, 2020 and 2019, respectively.

Unrecognized stock compensation expense was approximately $528,000 as of June 30, 2020, which will be recognized over the remaining vesting period.

A summary of restricted stock activity is presented as follows:

	Shares	Weighted Average Grant Date Fair Value

Unvested balance at December 31, 2019	80,417	$	5.70
Granted	35,000		4.11
Vested	(66,667)		5.24
Forfeited	—		—
Unvested balance at June 30, 2020	48,750	$	5.19

The following table summarizes the Company's stock option activity:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)
Outstanding – December 31, 2019	229,334	$	5.55	8.07
Granted	—		—	—
Exercised	—		—	—
Expired	—		—	—
Outstanding – June 30, 2020	229,334	$	5.55	7.57
Exercisable – June 30, 2020	229,334	$	5.55	7.57

Treasury Stock

The Company accounts for purchases of treasury stock under the cost method, with the cost of such purchases reflected in treasury stock in the accompanying condensed balance sheet. As of June 30, 2020 and December 31, 2019, the Company had 73,208 and 54,698 treasury shares, respectively.

Note 10 — Income Taxes

Book income before taxes was negative for the six months ended June 30, 2020. Tax expense for the six months ended June 30, 2020 and 2019 was $0.

There are no uncertain tax positions that would require recognition in the financial statements. If the Company incurs an income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim period, disclosure and transition.

As of June 30, 2020, the Company has U.S. federal and certain state tax returns subject to examination, beginning with those filed for the year 2016.

Note 11 — Subsequent Events

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the financial statements are issued for potential recognition or disclosure. Other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

On August 3, 2020, the Company acquired the business and assets of two mobile aesthetic laser companies in the state of Florida with the intention to establish a new line of business, add recurring revenue stream and gain access to dermatology practices across the state. These all-cash acquisitions are not significant, individually or in the aggregate, and do not provide for any earn-outs or contingency payments.

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

You should read the following discussion and analysis in conjunction with the information set forth within the financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and with our Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2019 ("Annual Report"). The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, our plans, estimates, beliefs and expectations that involve risks and uncertainties, and other non-historical statements in this discussion, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "target," "goal," and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those contained in or implied by any forward-looking statements. Please see the Introductory Note and Item 1A. Risk Factors of our Annual Report, as updated in our Report on Form 10-Q for the quarter ended March 31, 2020, and in our other filings made from time to time with the SEC after the date of this report.

Overview

We are a medical device company that is committed to providing highly effective, non-invasive and cost-effective treatments for both oncological and non-oncological skin conditions. We use a proprietary low-energy X-ray technology known as superficial radiation therapy ("SRT"), which is a result of over a decade of dedicated research and development. We have successfully incorporated SRT into our portfolio of treatment devices: the SRT-100™, SRT-100+™ and SRT-100 Vision™. In February 2019, we received FDA clearance of Sculptura™, a robotic radiation oncology system that provides targeted intraoperative triple-modulated radiotherapy and Brachytherapy utilizing our proprietary, state-of-the-art 3D Beam Sculpting™ to treat patients undergoing cancer treatment during surgery, or at the tumor site, with a single dose.

Components of our results of operations

We manage our business globally within one reportable segment, which is consistent with how our management reviews our business, prioritizes investment and resource allocation decisions and assesses operating performance.

Significant Developments

The outbreak of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the U.S. and global economies and created uncertainty regarding potential impacts to our employees, operations, and customer demand. We provide medical devices and are considered an "essential business" and have been able to continue to operate. However, the COVID-19 pandemic has significantly impacted our sales and could further impact our operations and the operations of our customers, suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on our customers, suppliers, and vendors, the remedial actions and stimulus measures adopted by local, state and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic subsides, we may continue to experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, we cannot reasonably estimate the impact at this time.

Results of Operations

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues	$ 1,182,948	$ 7,476,296	$ 2,862,394	$ 12,912,895
Cost of Sales	543,294	2,537,102	1,514,238	4,657,723
Gross Profit	639,654	4,939,194	1,348,156	8,255,172
Operating Expenses				
Selling and marketing	1,161,845	1,995,263	2,952,815	4,525,608
General and administrative	904,103	963,641	2,233,660	1,976,803
Research and development	1,148,328	1,934,807	2,373,510	3,900,314
Total Operating Expenses	3,214,276	4,893,711	7,559,985	10,402,725
Income (Loss) From Operations	(2,574,622)	45,483	(6,211,829)	(2,147,553)
Other Income (Expense)				
Interest income	14,485	66,825	64,586	138,843
Interest expense	(14,445)	—	(14,445)	—
Other Income (Expense), net	40	66,825	50,141	138,843
Net Income (Loss)	$ (2,574,582)	$ 112,308	$ (6,161,688)	$ (2,008,710)

Three months ended June 30, 2020 compared to the three months ended June 30, 2019

Revenue. Revenue was $1,182,948 for the three months ended June 30, 2020 compared to $7,476,296 for the three months ended June 30, 2019, a decrease of $6,293,348 or 84.2%. The decrease was driven by the lower number of units sold, reflecting the impact of the COVID-19 outbreak, through the second quarter. We expected COVID-19 to significantly impact our business in the second quarter of 2020. Whether and to what extent our revenue improves in the second half of 2020 is largely dependent upon the status of the COVID-19 pandemic and the market's response to the pandemic.

Cost of sales. Cost of sales was $543,294 for the three months ended June 30, 2020 compared to $2,537,102 for the three months ended June 30, 2019, a decrease of $1,993,808, or 78.6%. The decrease in cost of sales was commensurate with the decrease in sales.

Gross profit. Gross profit was $639,654 for the three months ended June 30, 2020 compared to $4,939,194 for the three months ended June 30, 2019, a decrease of $4,299,540, or 87.0%. Our overall gross profit percentage was 54.1% in the three months ended June 30, 2020 compared to 66.1% in the corresponding period in 2019. The decrease in gross profit was mostly due to the decrease in units sold as a result of the COVID-19 outbreak. We could expect an increase in gross margin, as a percentage of revenue, for the second half of 2020 if we experience an increase in sales, which is largely dependent upon the status of the COVID-19 pandemic and the market's response to the pandemic.

Selling and marketing. Selling and marketing expense was $1,161,845 for the three months ended June 30, 2020 compared to $1,995,263 for the three months ended June 30, 2019, a decrease of $833,418, or 41.8%. The decrease was primarily attributable to cancellations of trade shows due to COVID-19, a decrease in commission expense due to lower sales and reduced spending on marketing activities.

General and administrative. General and administrative expense was $904,103 for the three months ended June 30, 2020 compared to $963,641 for the three months ended June 30, 2019, a decrease of $59,538, or 6.2%. The net decrease in general and administrative expense was primarily due to a reduction in headcount.

Research and development. Research and development expense was $1,148,328 for the three months ended June 30, 2020 compared to $1,934,807 for the three months ended June 30, 2019, a decrease of $786,479, or 40.6%. The decrease in research and development spending was primarily attributable to the Sculptura™ project as production began.

Other income (expense). We incur interest expense in connection with our secured credit facility with Silicon Valley Bank and our loan under the Small Business Administration Paycheck Protection Program, and we receive interest income from our cash investments. Interest income decreased due to maturing of our investment in debt securities.

Six months ended June 30, 2020 compared to the six months ended June 30, 2019

Revenue. Revenue was $2,862,394 for the six months ended June 30, 2020 compared to $12,912,895 for the six months ended June 30, 2019, a decrease of $10,050,501 or 77.8%. Whether and to what extent our revenue improves in the second half of 2020 is largely dependent upon the status of the COVID-19 pandemic and the market's response to the pandemic.

Cost of sales. Cost of sales was $1,514,238 for the six months ended June 30, 2020 compared to $4,657,723 for the six months ended June 30, 2019, a decrease of $3,143,485, or 67.5%. The decrease in cost of sales was commensurate with the decrease in sales.

Gross profit. Gross profit was $1,348,156 for the six months ended June 30, 2020 compared to $8,255,172 for the six months ended June 30, 2019, a decrease of $6,907,016, or 83.7%. Our overall gross profit percentage was 47.1% in the six months ended June 30, 2020 compared to 63.9% in the corresponding period in 2019. The decrease in gross profit was mostly due to the decrease in units sold as a result of the COVID-19 outbreak. An increase in gross margin, as a percentage of revenue, may occur for the second half of 2020 if we experience an increase in sales, which is largely dependent upon the status of the COVID-19 pandemic and the market's response to the pandemic.

Selling and marketing. Selling and marketing expense was $2,952,815 for the six months ended June 30, 2020 compared to $4,525,608 for the six months ended June

30, 2019, a decrease of $1,572,793, or 34.8%. The decrease was primarily attributable to a decrease in tradeshows expense due to cancellations related to COVID-19, a decrease in commission expense due to lower sales and reduced spending on marketing activities.

General and administrative. General and administrative expense was $2,233,660 for the six months ended June 30, 2020 compared to $1,976,803 for the six months ended June 30, 2019, an increase of $256,856, or 13.0%. The net increase in general and administrative expense was primarily due to one-time severance expenses and related legal fees.

Research and development. Research and development expense was $2,373,510 for the six months ended June 30, 2020 compared to $3,900,314 for the six months ended June 30, 2019, a decrease of $1,526,804, or 39.1%. The decrease in research and development spending was primarily attributable to the Sculptura™ project as production began.

Other income (expense). We incur interest expense in connection with our secured credit facility with Silicon Valley Bank and our loan under the Small Business Administration Paycheck Protection Program, and we receive interest income from our cash investments. Interest income decreased due to maturing of our investment in debt securities.

Financial Condition

Our cash, cash equivalent and investment balance increased to $18.9 million at June 30, 2020 from $15.5 million at December 31, 2019, primarily due to cash provided in operating activities of $2.6 million.

There were no borrowings under the revolving line of credit at June 30, 2020 or December 31, 2019.

In light of the COVID-19 pandemic, we have taken proactive steps to manage our costs and bolster our liquidity. We increased our borrowing availability as a precautionary measure to preserve financial flexibility due to the current uncertainty in the global markets resulting from the COVID-19 pandemic. In addition, we received a loan under the Small Business Administration Paycheck Protection Program enabled by the CARES Act of 2020 to be used for employee compensation and facilities costs.

Liquidity and Capital Resources

Overview

Our liquidity position and capital requirements may be impacted by a number of factors, including the following:

- our ability to generate and increase revenue;
- fluctuations in gross margins, operating expenses and net results;
- the impact of COVID-19; and
- fluctuations in working capital.

Our primary short-term capital needs, which are subject to change, include expenditures related to:

- expansion of our sales, marketing and distribution activities; and
- expansion of our research and development activities.

We regularly evaluate our cash requirements for current operations, commitments, capital requirements and business development transactions, and we may elect to raise additional funds for these purposes in the future.

Cash flows

The following table provides a summary of our cash flows for the periods indicated:

	For the Six Months Ended June 30, (unaudited)	
	2020	**2019**
Net Cash Provided by (Used In):		
Operating Activities	$ 2,566,680	$ (941,596)
Investing Activities	6,781,560	(2,729,144)
Financing Activities	966,014	2,620,484
Total	$ 10,314,254	$ (1,050,256)

Cash flows from operating activities

Net cash provided by operating activities was $2,566,680 for the six months ended June 30, 2020, consisting of a net loss of $6,161,688 partially offset by a decrease in net operating assets of $7,977,535 and by non-cash charges of $750,833. The decrease in net operating assets was primarily due to a decrease in accounts receivable, partially offset by an increase in inventories, accounts payables and accrued expenses, warranties and deferred revenue. Non-cash charges consisted of stock compensation expense, depreciation and amortization, and a warranty provision. Net cash used in operating activities was $941,596 for the six months ended June 30, 2019, primarily reflecting the operating loss and the increase in accounts receivable and accounts payable and accrued expenses partially offset by an increase in deferred revenue.

Cash flows from investing activities

Net cash provided by investing activities was $6,781,560, mostly due to matured investments of $6,470,817 during the six months ended June 30, 2020. Net cash used in investing activities was $2,729,144 for the six months ended June 30, 2019 due to the purchase of debt securities held-to-maturity of $3,699,718, partially offset by $1,200,000 for investments matured.

Cash flows from financing activities

Net cash provided by financing activities was $966,014 during the six months ended June 30, 2020 mostly from a loan under the Small Business Administration Paycheck Protection Program of $1,022,785. Net cash provided by financing activities was $2,729,144 during the six months ended June 30, 2019, mainly from exercise of 405,813 investor warrants.

Indebtedness

Please see Note 4 to the financial statements.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and do not currently have, any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the U.S., or GAAP. We have identified certain accounting policies as critical to understanding our financial condition and results of our operations. For a detailed discussion on the application of these and other accounting policies, see the notes to our financial statements and our Annual Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2019.

JOBS Act

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. For as long as we are an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, reduced disclosure obligations relating to the presentation of financial statements in Management's Discussion and Analysis of Financial Condition and Results of Operations, exemptions from the requirements of holding advisory "say-on-pay" votes on executive compensation, and shareholder advisory votes on golden parachute compensation. We have availed ourselves of the reduced reporting obligations in this Quarterly Report on Form 10-Q, and expect to continue to avail ourselves of the reduced reporting obligations available to emerging growth companies in future filings.

In addition, an emerging growth company can delay its adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we have chosen to "opt out" of such extended transition period, and as a result, we plan to comply with any new or revised accounting standards on the relevant dates on which non-emerging growth companies must adopt such standards. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

As of June 30, 2020, the end of the period covered by this Form 10-Q, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that, as of June 30, 2020, the end of the period covered by this Form 10-Q, we maintained effective disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party to certain legal proceedings in the ordinary course of business. The Company assesses, in conjunction with its legal counsel, the need to record a liability for litigation and related contingencies. See Note 7, Commitments and Contingencies.

Item 1A. Risk Factors

The following updates the risk factors previously reported in Part 1, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019:

Our business, results of operations and financial condition could be materially adversely affected by the effects of widespread public health epidemics, including COVID-19, that are beyond our control.

Any outbreaks of contagious diseases, public health epidemics and other adverse public health developments in countries where we, our customers, or our suppliers operate could have a material and adverse effect on our business, results of operations and financial condition. The COVID-19 outbreak, has impacted our sales as social distancing and related concerns have forced physicians to temporarily close their practices during the first quarter of 2020, and is expected to continue to adversely impact our business, and the nature and extent of the impact is highly uncertain and beyond our control. Uncertain factors relating to COVID-19 include the duration, spread and severity of the virus, the effects of the COVID-19 pandemic on our customers, vendors and suppliers, and the actions or perception of actions that may be taken to contain or treat its impact, including declarations of states of emergency, business closures, manufacturing restrictions and a prolonged period of travel, commercial and/or other similar restrictions and limitations.

As a result of COVID-19 and the measures designed to contain its spread, our sales have been, and are expected to continue to be negatively impacted as a result of disruption in demand, which could have a material and adverse effect on our business, results of operations and financial condition. Similarly, our suppliers may not have the materials, capacity, or capability to manufacture our products according to our schedule and specifications. If our suppliers' operations are impacted, we may need to seek alternate suppliers, which may be more expensive, may not be available, or may result in delays in shipments to us and subsequently to our customers, each of which would affect our results of operations. The duration of the related financial impact to us, cannot be estimated at this time. Should such disruption continue for an extended period of time, the impact could have a material adverse effect on our business, results of operations and financial condition.

An investment in our securities involves risks. You should carefully consider the risk factors disclosed in our Form 10-K filed with the SEC for the year ended December 31, 2019, together with the other information in this Quarterly Report on Form 10-Q, including the financial statements and related notes, before deciding whether to purchase, hold, or sell our securities. The occurrence of any of these risks could harm our business, financial condition, or results of operations or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. You should consider all of the risk factors described when evaluating our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Sales of Unregistered Securities

There were no unregistered sales of securities during the three months ended June 30, 2020.

(b) Use of Proceeds from the Sale of Registered Securities

None.

(c) Purchases of Equity Securities by the Registrant and Affiliated Purchases.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Javier Rampolla, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of Joseph C. Sardano, Chairman and Chief Executive Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Javier Rampolla, Chief Financial Officer of Sensus Healthcare, Inc., Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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.

	SENSUS HEALTHCARE, INC.
Date: August 10, 2020	/s/ Joseph C. Sardano Joseph C. Sardano Chief Executive Officer (Principal Executive Officer)
Date: August 10, 2020	/s/ Javier Rampolla Javier Rampolla Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EX-31.1 2 f10q0620ex31-1_sensushealth.htm CERTIFICATION

Exhibit 31.1

Certification of CEO Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph C. Sardano, certify that:

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

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

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

4. The registrant's other certifying 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 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 the equivalent functions):

   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 the 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: August 10, 2020

/s/ Joseph C. Sardano
Joseph C. Sardano
Chairman and Chief Executive Officer

EX-31.2 3 f10q0620ex31-2_sensushealth.htm CERTIFICATION

Exhibit 31.2

Certification of CEO Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Javier Rampolla, certify that:

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

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

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

4. The registrant's other certifying 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 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 the equivalent functions):

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 the 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: August 10, 2020

/s/ Javier Rampolla
Javier Rampolla
Chief Financial Officer

EX-32.1 4 f10q0620ex32-1_sensushealth.htm CERTIFICATION

Exhibit 32.1

Certification of CEO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Joseph C. Sardano, the Chairman and Chief Executive Officer of Sensus Healthcare, Inc. (the "Company"), certify that, to my knowledge:

(1) the Quarterly Report for the Company on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement, 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.

/s/ Joseph C. Sardano
Joseph C. Sardano
Chairman and Chief Executive Officer

August 10, 2020

EX-32.2 5 f10q0620ex32-2_sensushealth.htm CERTIFICATION

Exhibit 32.2

Certification of CFO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Javier Rampolla, the Chief Financial Officer of Sensus Healthcare, Inc. (the "Company"), certify that, to my knowledge:

(1) the Quarterly Report for the Company on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered therein.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement, 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.

/s/ Javier Rampolla
Javier Rampolla
Chief Financial Officer

August 10, 2020