

Net Medical Xpress Solutions, Inc.

8206 Louisiana Blvd. NE, Suite A
Albuquerque, New Mexico 87113
Telephone: 505-255-1999
Website: www.netmedical.com
Website: www.immunityscience.store
Email: accounting@netmedical.com

Quarterly Report For the Quarterly Ended March 31, 2024 (Reporting Period)

Outstanding Shares

The number of shares outstanding of our Common Stock was:

37,667,581 as of March 31, 2024

37,667,581 December 31, 2023

Shell Status

Indicate by check mark whether the Company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:

No:

Indicate by check mark whether the Company's shell status has changed since the previous reporting period:

Yes:

No:

Change in Control

Indicate by check mark whether a Change in Control of the Company has occurred over this reporting period:

Yes:

No:

1) Name and address(es) of the issuer and its predecessors

New Mexico Software, Inc. beginning 1996.

NMXS.Com, Inc. beginning 1999 in a reverse merger with Raddatz Exploration, Inc.

New Mexico Software, Inc. beginning 2006.

Net Medical Xpress Solutions, Inc. beginning 2013.

We are a Nevada Corporation, and our status is "active".

Our Common Stock has not been the subject of any trading suspension issued by the SEC or FINRA.

We have not had any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that has occurred within the past 12 months.

The address of our principal executive office is:

8206 Louisiana Blvd. NE, Suite A
Albuquerque, NM 87113

Check box if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes:

2) Security Information

Transfer Agent

Name: Empire Stock Transfer, Inc.
Phone: 702-818-5898
Email: info@empirestock.com
Address: 1859 Whitney Mesa Dr.
Henderson, NV 89014

Publicly Quoted or Traded Securities:

Trading symbol:	NMXS	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	64000U204	
Par or stated value:	\$0.001 per share	
Total shares authorized:	200,000,000	at date: 03/31/2024
Total shares outstanding:	37,667,581	at date: 03/31/2024
Number of shares in the Public Float:	10,648,118	at date: 03/31/2024
Total number of shareholders of record:	399	at date: 03/31/2024

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

Exact title and class of securities outstanding:	Class A Voting Preferred Stock	
Par or stated value:	\$1.00 per share	
Total shares authorized:	100	at date: 03/31/2024
Total shares outstanding:	0	at date: 03/31/2024
Number of shares in the Public Float:	0	at date: 03/31/2024
Total number of shareholders of record:	0	at date: 03/31/2024

Security Description:

1. For common equity, the holders of our common stock are entitled to one vote per share on all matters to be voted on by the stockholders. All shares of common stock are entitled to participate in any distributions or dividends that may be declared by the board of directors, subject to any preferential dividend rights of outstanding shares of preferred stock. Subject to prior rights of creditors, all shares of common stock are entitled, in the event of our liquidation, dissolution or winding up, to participate ratably in the distribution of all our remaining assets, after distribution in full of preferential amounts, if any, to be distributed to holders of preferred stock. There are no sinking fund provisions applicable to the common stock. Our common stock has no preemptive or conversion rights or other subscription rights.
2. For preferred equity, the shares are subject to designation by the board of directors.

3. Each share of Class A Voting Preferred Stock has one million votes for election of directors and on all matters submitted to the stockholders for approval, voting with the common stock as a single class, a right to receive dividends in pari passu with the common stock and is convertible into one million shares of common stock at the election of the holder.
4. The Company has not made any material modifications to the rights of the holders of the Company's securities that have occurred over the reporting period covered by this report.

3) Issuance History

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

Yes: No:

Shares outstanding at the second most recent fiscal year end date: December 31, 2021 33,810,201

Date	Transaction	Number	Class	Value/share	Discount	Stockholder	Reason	Restricted	Exemption
01/11/2022	New issue	500,000	Common	\$.07	No	Richard Govatski	(1)	Yes	\$4(a)(2)
01/11/2022	New issue	500,000	Common	\$.07	No	John Handley	(1)	Yes	\$4(a)(2)
01/11/2022	New issue	500,000	Common	\$.07	No	Francis A. Reidy Revocable Trust	(1) (3)	Yes	\$4(a)(2)
01/11/2022	New issue	500,000	Common	\$.07	No	Rafael Rubio	(1)	Yes	\$4(a)(2)
01/11/2022	New issue	500,000	Common	\$.07	No	Neeraj Dubey	(1)	Yes	\$4(a)(2)
01/11/2022	New issue	250,000	Common	\$.07	No	Yadira Ortiz	(1)	Yes	\$4(a)(2)
01/11/2022	New issue	200,000	Common	\$.07	No	Gary Ayres	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	100,000	Common	\$.07	No	Miguel Williams	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	100,000	Common	\$.07	No	Stephenie Wilson	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	100,000	Common	\$.07	No	David Elliott	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	50,000	Common	\$.07	No	Ricky Brechner	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	50,000	Common	\$.07	No	Shaun Myers	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	25,000	Common	\$.07	No	Raul Grajeda	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	25,000	Common	\$.07	No	Siria Maldonado	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	25,000	Common	\$.07	No	DeAnza Mejia	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	25,000	Common	\$.07	No	Vanessa Mejia	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	40,000	Common	\$.07	No	Jocelyn Allen	(4)	Yes	\$4(a)(2)
01/11/2022	New issue	100,000	Common	\$.07	No	Frank Hawkins	(2)	Yes	\$4(a)(2)
03/04/2022	New issue	267,380	Common	\$.0748	No	Jackson Morris	(2)	Yes	\$4(a)(2)

Shares outstanding at date of this report: Common: 37,667,581
March 31, 2024:

- (1) Compensation for services as Officer or Director
- (2) Compensation for services as independent contractor
- (3) Frank Riedy is the Control Person for Francis A. Reidy Revocable Trust
- (4) Employment/Contractors Recognition

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: Yes:

4) Issuer's Business, Products and Services

- A. The CEO of Net Medical has conveyed an inspiring vision for the company's future, marked by a decisive pivot and ambitious goals following a period of reflection and transformation. This shift comes after the conclusion of a longstanding partnership with the University of New Mexico and the closure of the Net Medical laboratory, which played a crucial role during the COVID-19 crisis. The company is now poised for a renaissance, focusing on several promising domains for 2024 and beyond. These areas include the development of an Artificial Intelligence software named PrivateAI or Private Eye, pioneering clinical trials, and expanding immune defense products to different markets. The Company is also focusing on productizing hand labeled image data for use in artificial intelligence training, verification, and validation of

custom models.

Leveraging its 29-year legacy in the medical sector, the Company is honing its focus on Artificial Intelligence for medical research, clinical trials, and FDA compliance. This includes cybersecurity audit products designed to meet the FDA's new mandates for connected devices. The Company has made significant progress in clinical trials, completing studies that spotlight human factors, cybersecurity, and medical and pharmaceutical products. Through its subsidiary, Immunity Science, Inc., the Company is breaking new ground in the immune system supplements market, with offerings already in distribution through a prominent national food store chain.

Transitioning to a business model centered on Artificial Intelligence, cybersecurity for medical devices, and immune defense products presents a more sustainable and versatile strategy than the previous focus on contractual work with the University of New Mexico. This refined approach leverages broader market opportunities and aligns with critical regulatory trends, notably the heightened focus on cybersecurity in medical devices underscored by recent FDA regulations. By diversifying its product and service portfolio, the Company broadens its customer reach and reduces the risks associated with reliance on singular contractual relationships. This strategy is in sync with emerging health and technological trends, positioning Net Medical as a leader in the innovation of medical technology and healthcare solutions. The Company is laying the groundwork for sustained growth, adaptability, and long-term success through a commitment to technological advancement, regulatory compliance, and market expansion.

See Note B for detailed information related to going concern.

B. Subsidiaries

Immunity Science, Inc., a subsidiary of the Company, was legally formed on 08/22/2022. This subsidiary provides a variety of over-the-counter vitamins, supplements, air purifiers, nasal sprays, and drug free pain patches. On February 14, 2023, Immunity Science, Inc. began offering its products thru the website www.immunityscience.store direct to consumers. In addition, products are available for distribution centers at retail locations.

C. Describe the issuers' principal products or services. See Item 4A.

5) Issuer's Facilities

The Company had an operating lease agreement of 350 square feet for a dedicated office space in Albuquerque, New Mexico expiring on January 31, 2025, at \$1,940 a month. On May 1, 2024, this lease was changed to a Virtual Office with collection of mail and space for meetings and conferences rooms for \$295 a month. In addition, the Company has an operating lease agreement of 1,250 square feet for a dedicated office and laboratory space in Taos, New Mexico expiring on October 31, 2024. The monthly cost is \$1,700. As of May 1, 2024, the Taos office has been vacated, and the Company is actively collaborating with Cruz Alta to settle the remaining balance in the coming months.

6) All Officers, Directors, and Control Persons of the Company

Name	Affiliation	Residential Address	Shares owned	Class	%age	Name of Control Person if a Corporate Entity
Richard Govatski	Chairman and Chief Executive Officer	Albuquerque, NM	7,705,536	Common	21%	
Frank A. Reidy	Director	Bartlesville, OK	4,622,947	Common	12%	
John E. Handley	Director	Falls Church, VA	3,748,139	Common	10%	
Rafael Rubio	Director	Albuquerque, NM	3,229,447	Common	9%	

7) Legal/Discipline History

A. None of the named persons listed above, in the past 10 years, have been the subject of:

1. An indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;
3. A finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding, or judgment has not been reversed, suspended, or vacated;
4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or
5. An order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.
6. A U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

B. Net Medical Xpress Solutions, Inc. is not currently involved in any pending legal proceedings or litigations as of March 31, 2024.

8) Third Party Providers

Securities Counsel

Name: Jackson Morris, Esq.
Address 1: 126 21st Avenue SE
Address 2: St. Petersburg, FL 33705
Phone: 813-892-5969
Email: jackson.morris@rule144solutions.com

Accountant or Auditor

None

Investor Relations:

None

All other means of Investor Communication:

None

9) Disclosure and Financial Information

A. This Disclosure Statement was prepared by:

Name: Richard Govatski
Title: Chairman and CEO
Relationship to Issuer: Director

B. The following financial statements were prepared in accordance with:

- U.S. GAAP
 IFRS

C. The following financial statements were prepared by:

Name:	Yadira Ortiz
Title:	Contractor
Relationship to Issuer:	Contractor
Qualifications:	20+ years of experience in all areas of accounting with a degree in business.

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Net Medical Xpress Solutions, Inc.
Balance Sheet
For the Quarter Ended March 31, 2024
(Unaudited and rounded to the nearest thousand)

Assets	3/31/2024
Current Assets:	
Cash and equivalents	159,000
Account receivable	1,000
Inventory	150,000
Prepaid expenses and other assets	15,000
Short term loan receivable	10,000
Total current assets	335,000
Furniture, equipment and improvements, net of accumulated depreciation of \$212,000	320,000
Other Assets:	
Right of Use asset, net of accumulated amortization of \$27,000	11,000
Total other assets	11,000
Total Assets	666,000
Liabilities & Stockholders' Equity	
Current Liabilities:	
Accounts payable	111,000
Credit cards payable	6,000
Accrued expenses	16,000
Operating lease	3,000
Note payable - LOC	33,000
Current portion long-term debt	254,000
Total current liabilities	423,000
Long-Term Liabilities:	
Long-term debt, less current portion	620,000
Lease liability	10,000
Total long-term liabilities	630,000
Total Liabilities	1,053,000
Stockholders' Equity:	
Preferred stock, \$1.00 par value, 100 shares authorized, 0 shares issued and outstanding	-
Common stock, \$.001 par value, 200,000,000 shares authorized, 37,667,581 shares issued and outstanding at 3/31/2023	38,000
Paid-in capital	17,366,000
Subscriptions payable	21,000
Accumulated (deficit)	(17,812,000)
Total stockholders' equity	(387,000)
Total Liabilities and Stockholders' Equity	666,000

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

Net Medical Xpress Solutions, Inc.
 Statements of Operations
 For the Quarter Ended March 31, 2024
 (Unaudited and rounded to the nearest thousand)

	<u>3/31/2024</u>
Revenues	
Physician services/Technical services	\$ -
Lab services	2,000
Sales, net discounts	1,000
Gross Revenues	<u>3,000</u>
Direct Costs	<u>43,000</u>
Gross Profit	(40,000)
Operating Costs and Expenses:	
General and administrative	138,000
Depreciation and amortization	12,000
Research and development	3,000
Total operating costs and expenses	<u>153,000</u>
Net Operating (Loss)	<u>(193,000)</u>
Other Expenses:	
Interest expense	9,000
Total other expense	<u>9,000</u>
Net (Loss)	<u>\$ (202,000)</u>

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

Net Medical Xpress Solutions, Inc.
Statement of Cash Flows
For the Quarter Ended March 31, 2024
(Unaudited and rounded to the nearest thousand)

	3/31/2024
Cash flows from operating activities:	
Net (Loss)	\$ (202,000)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation and amortization	30,000
Changes in operating assets and liabilities:	
Accounts receivable	60,000
Inventory	7,000
Prepaid expenses and other assets	3,000
Accounts payable	2,000
Accrued expenses	-
Operating lease liability	(6,000)
Net cash (used) by operating activities	(106,000)
Cash flows from financing activities:	
Net payments to insurance financing	
Payments on long-term debt	(9,000)
Payments to related party on note payable	(13,000)
Net cash (used) by financing activities	(22,000)
Cash flows from investing activities:	
Acquisition of fixed assets	(1,000)
Net cash (used) by investing activities	(1,000)
Net (decrease) in cash equivalents	(129,000)
Cash equivalents - beginning	288,000
Cash equivalents - ending	\$ 159,000
Supplemental disclosures:	
Interest paid	\$ 15,000

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

Net Medical Xpress Solutions, Inc.
Statement of Changes in Stockholders' Equity
For the Quarter Ended March 31, 2024
(Unaudited)

	Common Stock		Additional Paid-in Capital	Subscriptions Payable	Accumulated (Deficit)	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2021	37,667,581	38,000	17,366,000	21,000	(17,610,000)	(185,000)
Compensation earned by officers and directors				-	-	-
Compensation earned by independent contractors				-	-	-
Shares purchased	-	-		-	-	-
Shares repurchased	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-
Net loss For the Quarter ended March 31, 2024	-	-	-	-	(202,000)	(202,000)
Balance, March 31, 2023	37,667,581	38,000	17,366,000	21,000	(17,812,000)	(387,000)

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

Net Medical Xpress Solutions, Inc.
Notes to Financial Statements for the Quarter Ended March 31, 2024
(unaudited)

NOTE A - BASIS OF PRESENTATION

The condensed financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein.

NOTE B – GOING CONCERN

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenue sufficient to cover its operating costs and allow it to continue as a going concern. However, the Company has several potential sources currently in processing of being solidified and expects to have solid revenue sources before year end. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate such capital to fund operating expenses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

The Company incurred a net loss of \$202,000 for the quarter ended March 31, 2024, and has a working capital deficit of (\$88,000) as of March 31, 2024 (numbers rounded to \$1,000). These conditions raise doubt about the Company's ability to continue as a going concern.

There is no assurance that the Company will be able to obtain sufficient additional funds when needed or that such funds, if available, will be obtainable on terms satisfactory to the Company. In addition, profitability will ultimately depend upon the level of revenues received from business operations and adequate control over associated expenses. Accordingly, there is no assurance that the Company will attain profitability. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At March 31, 2024 the Company had \$0 in cash and equivalents that exceeded federally insured limits.

Trade Accounts Receivable:

The Company extends unsecured credit to customers under normal trade agreements which generally require payment within 30 - 45 days. Accounts not paid within 15 days after their original due date are considered delinquent. Unless specified by the customer, payments are applied to the oldest unpaid invoice. Accounts receivables are presented at the amount billed.

The Company also estimates an allowance for doubtful accounts, which amounted to \$0 at March 31, 2024. The estimate is based upon the management's review of all accounts and an assessment of the Company's historical evidence of collections. Specific accounts are charged directly to the reserve when management obtains evidence of a customer's insolvency. Charge-offs, net of recoveries, for the quarter ended March 31, 2024, and 2022 totaled \$0.

Inventory:

Inventory, which is composed of component parts and finished goods, is valued at cost on a specific identity basis for those items with serial numbers. The remainder of the inventory is valued at the lower of first-in-first-out (FIFO) cost or market. On a quarterly basis, management compares the inventory on hand with the Company's records to determine whether write-downs for excess or obsolete inventory are required. Write-downs of \$6,000 for obsolete inventory are included in expenses for the quarter ended March 31, 2024.

Property and Equipment:

Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed. At the time property and equipment are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income. Depreciation is computed on the straight-line and accelerated methods for financial reporting and income tax reporting purposes based upon the following estimated useful lives:

Software development	3 years
Equipment	5 years
Computer hardware	5 years
Office furniture	7 years
Leasehold improvements	15 years

Long-Lived Assets:

The Company accounts for its long-lived assets in accordance with Accounting Standards Codification ("ASC") Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. The Company determined that none of its long-term assets at March 31, 2024 were impaired.

Goodwill:

The Company accounts for its goodwill in accordance with Accounting Standards Codification ("ASC") Topic 350-20. Goodwill is the excess of the purchase price paid over the fair value of the net assets of an acquired business. Goodwill is tested annually at December 31 for impairment. The annual qualitative or quantitative assessments involve determining an estimate of the fair value of reporting units in order to evaluate whether an impairment of the current carrying amount of goodwill exists. A qualitative assessment evaluates whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step quantitative goodwill impairment test. The first step of a quantitative goodwill impairment test compares the fair value of the reporting unit to its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss may be recognized. The amount of impairment loss is determined by comparing the implied fair value of reporting unit goodwill with the carrying amount. If the carrying amount exceeds the implied fair value, then an impairment loss is recognized equal to that excess.

The Company tests its goodwill and other indefinite-lived intangible assets for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be impairment. The Company is required to write down the value of goodwill only when its testing determines the recorded amount of goodwill exceeds the fair value. As of March 31, 2024, there was no additional impairment of goodwill.

Stock-Based Compensation:

The Company accounts for stock-based payments to employees in accordance with ASC 718, "Stock Compensation" ("ASC 718"). Stock-based payments to employees include grants of stock, grants of stock options and issuance of warrants that are recognized in the statement of operations based on their fair values at the date of grant.

The Company accounts for stock-based payments to non-employees in accordance with ASC 505-50, "Equity-Based Payments to Non-Employees." Stock-based payments to non-employees include grants of stock, grants of stock options and issuances of warrants that are recognized in the statement of operations based on the value of the vested portion of the award over the requisite service period as measured at its then-current fair value as of each financial reporting date.

The Company calculates the fair value of option grants and warrant issuances utilizing the Black Scholes pricing model. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. ASC 718 requires forfeitures to be estimated at the time stock options are granted and warrants are issued to employees and non-employees, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock option or warrant. The Company estimates forfeiture rates for all unvested awards when calculating the expense for the period. In estimating the forfeiture rate, the Company monitors both stock option and warrant exercises as well as employee termination patterns. The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period.

During the quarter ended March 31, 2024, the Company recognized \$0 from stock-based compensation from issuance of shares of its common stock to officers/directors and employees/contractors.

Income Taxes:

The Company accounts for its income taxes under the provisions of ASC Topic 740, "Income Taxes." The method of accounting for income taxes under ASC 740 is an asset and liability method. The asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

Earnings (Loss) per Share:

The Company reports earnings (loss) per share in accordance with ASC Topic 260-10, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Revenue Recognition:

The Company recognizes revenue in accordance with Statement of Position ASC Topic 985 *Software Revenue Recognition* as amended.

Revenue from proprietary software sales that does not require further commitment from the Company is recognized upon persuasive evidence of an arrangement as provided by agreements executed by both parties, delivery of the software, and determination that collection of a fixed or determinable fee is probable. These sales are generally direct purchases of a software product and there is no other involvement by the Company.

The Company offers certain sales of its software products, software maintenance, upgrade, and support arrangements. These contracts may be elements in a multiple-element arrangement or may be sold in a stand-alone basis. Revenues from maintenance and support services are recognized ratably on a straight-line basis over the term that the maintenance service is provided.

Should the sale of software involve an arrangement with multiple elements (for example, the sale of a software license along with the sale of maintenance and support to be delivered over the contract period), the Company allocates revenue to each component of the arrangement using the residual value method based on the fair value of the undelivered elements. The Company defers revenue from the arrangement equivalent to the fair

value of the undelivered elements and recognizes the remaining amount at the time of the delivery of the product or when all other revenue recognition criteria have been met. Fair values for the ongoing maintenance and support obligations are based upon separate sales of renewals of maintenance contracts. Fair value of services, such as training or consulting, is based upon separate sales of these services to other customers.

The Company follows the guidance in FASB ASC Topic 605, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* for custom software development arrangements that require significant production, customization, or modification to its core software. Revenue is generally recognized for such arrangements under the percentage-of-completion method. Under percentage-of-completion accounting, both the product license and custom software development revenue are recognized as work progresses based on specific milestones in accordance with FASB ASC Topic 450. The Company believes that project milestones based on completion of specific tasks provide the best approximation of progress toward the completion of the contract. At March 31, 2024, there were no custom software development arrangements in progress.

The Company generates revenue through retail sales and distribution centers, offering a variety of over-the-counter vitamins, supplements, air purifiers, nasal sprays, and drug free pain patches. Revenue from these sales is recognized when the product is shipped.

The Company intends to generate revenue by offering services in Artificial Intelligence, cybersecurity for medical devices, and clinical trials. Additionally, it plans to sell hand labeled image data for use in artificial intelligence training, verification, and validation of custom models. Revenue recognition for these services and products will occur upon establishing persuasive evidence through agreements executed by both parties.

Amounts collected prior to satisfying the above revenue recognition criteria are included in deferred revenue. The application of ASC 605, as amended, requires judgment, including a determination that collectability is probable, and the fee is fixed and determinable.

During the quarter ended March 31, 2024, the Company did not follow guidance provided by SEC Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements* and SAB No. 104, *Revenue Recognition*, which provide guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC.

Due to uncertainties inherent in the estimation process it is at least reasonably possible that completion costs for contracts in progress will be further revised in the near term.

The cost of services, consisting of staff payroll, outside services, equipment rental, communication costs and supplies, is expensed as incurred.

Research and Development Expenses:

Costs of research and development activities are expensed as incurred.

Advertising Expenses:

The Company expenses advertising costs, which consist primarily of direct mailings, promotional items and print media, as incurred. Advertising expenses amounted to \$5,000 for the quarter ended March 31, 2024.

Fair Value of Financial Instruments:

The Company adopted the Financial Accounting Standards Board (“FASB”) standard related to fair value measurement at inception. The standard defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The recorded values of long-term debt approximate their fair values, as interest approximates market rates. As a basis for considering such assumptions, the standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs other than quoted prices in active markets that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company's financial instruments consist of cash, accounts receivable, prepaid expenses, deposits, other assets, accounts payable, accrued expenses, deferred revenue, capital leases and notes payable. The recorded values of cash, accounts receivable, prepaid expenses, and accounts payable are approximate fair values due to the short maturities of such instruments. Recorded values for notes payable and related liabilities approximate fair values, since their stated or imputed interest rates are commensurate with prevailing market rates for similar obligations.

Recent Pronouncements:

The Company's management has reviewed recent accounting pronouncements issued through the date of the issuance of these financial statements. In management's opinion, no pronouncements apply or will have a material effect on the Company's condensed financial statements.

NOTE D - FURNITURE, EQUIPMENT, IMPROVEMENTS, RIGHT OF USE ASSETS

Furniture, equipment, and improvements as of March 31, 2024 consisted of the following:

	March 31, 2024
Computers	\$16,000
Automobiles	403,000
Capital Leases	13,000
Furniture, fixtures, and equipment	60,000
Leasehold Improvements	40,000
	<u>532,000</u>
Accumulated depreciation	<u>(212,000)</u>
	<u><u>\$320,000</u></u>

Depreciation expenses for the quarter ended March 31, 2024, were \$25,000. Of this depreciation, the Company allocated \$18,000 to direct costs for the quarter ended March 31, 2024.

NOTE E - NOTES PAYABLE

Notes Payable:

On June 17, 2020, the Company received a \$145,900 loan from the SBA. On May 10, 2021 the loan was amended and additional proceeds of \$354,100 were received to adjust the total loan to \$500,000. The loan bears an interest rate of 3.75% and has a maturity date of June 16, 2050. Interest and principal payments of \$2,523 are due monthly beginning on December 17, 2022, thirty months from the date of the original promissory note. On March 13, 2024, SBA changed installment amount from \$2,523 to \$253 monthly. This change will apply only to installment payments due April 16, 2024, through September 16, 2024. Total interest expense for this line of credit was approximately \$5,000 for the quarter ended March 31, 2024. At March 31, 2024 this note held a balance of \$514,000.

On August 14, 2020, the Company received a line of credit for \$100,000 from New Mexico Finance Authority. The loan bears an interest rate of 1% and had an original maturity date of February 14, 2021. The line of credit has since been converted to a long-term note payable with a maturity date of August 14, 2025. Interest and principal payments of \$1,828 are due monthly beginning September 1, 2021. The First Amendment to the Loan Modification Agreement was signed on April 1, 2024. Under this amendment, the Company agreed to the following payment terms: 1. From January 1, 2024, to June 30, 2024, the Company will make monthly payments of accrued interest only, totaling \$27.06. 2. Starting July 1, 2024, to August 1, 2025, the Company will make monthly payments in the amount of \$1,828.45. 3. Prior to August 14, 2025, the Company will make a final payment, covering the outstanding principal balance, plus any remaining accrued interest. Total interest expense for this line of credit was approximately \$80 for the quarter ended March 31, 2024. At March 31, 2024 this line of credit held a balance of \$33,000.

On August 10, 2021, the Company received a loan for \$150,000 from New Mexico Finance Authority. The loan bears an interest rate of 1.625% and has a maturity date of August 10, 2031. Interest will start accruing one year after the date of disbursement. No payments are due until the second year after date of disbursement at which time interest only payments will be due. Beginning on the third year after date of disbursement payments of interest and principal are due monthly at an amount yet to be set. Total interest expense for this loan was approximately \$600 for the quarter ended March 31, 2024. At March 31, 2024 this note held a balance of \$147,300.

On November 10, 2021, the Company financed an auto loan in the amount of \$44,103. The note bears an interest rate of 6.99%, is payable in monthly principal and interest payments of \$876 with a maturity date in November 2026. Total interest expense for this note payable was approximately \$500 for the quarter ended March 31, 2024. During the quarter ended March 31, 2024, the Company made only partial payments of approximately \$245 instead of \$876. At March 31, 2024 this note held a balance of \$28,000.

On December 8, 2021, the Company financed an auto loan in the amount of \$53,307, a down payment of \$8,000 and a trade in of the Lincoln Truck 2006 of \$6,000 was made on this note payable. The note bears an interest rate of 4.84%, is payable in monthly principal and interest payments of \$631 with a maturity date in December 2027. Total interest expense for this note payable was approximately \$320 for the quarter ended March 31, 2024. At March 31, 2024 this note held a balance of \$25,500.

On February 21, 2022, the Company financed an auto loan in the amount of \$55,594, a down payment of \$5,000 was made on this note payable. The note bears an interest rate of 4.84%, is payable in monthly principal and interest payments of \$826 with a maturity date in March 2028. Total interest expense for this note payable was approximately \$480 for the quarter ended March 31, 2024. At March 31, 2024 this note held a balance of \$34,700.

On May 11, 2022, the Company financed an auto loan in the amount of \$47,154. The note bears an interest rate of 5.80%, is payable in monthly principal and interest payments of \$909 with a maturity date in May 2027. During the quarter ended March 31, 2024, the Company made only partial payments of approximately \$400 instead of \$909. Total interest expense for this note payable was approximately \$480 for the quarter March 31, 2024. At March 31, 2024 this note held a balance of \$32,600.

On July 28, 2022, the Company financed an auto loan in the amount of \$77,549. This loan includes aftermarket additions to the vehicle. The note bears an interest rate of 7.89%, is payable in monthly principal and interest payments of \$1,573 with a maturity date in August 12, 2027. During the quarter ended March 31, 2024, the Company made only partial payments of approximately \$610 instead of \$1,573. Total interest expense for this note payable was approximately \$1,170 for the quarter ended March 31, 2024. At March 31, 2024 this note held a balance of \$59,300.

On October 26, 2023, the Company received a line of credit loan for \$50,000 from American Express. The loan bears an annual interest rate of 7.03% and had a maturity date of November 13, 2024. Cost and principal payments of \$4,342 are due monthly beginning December 14, 2023. Total interest expense for this line of credit loan was approximately \$530 for the quarter ended March 31, 2024. At March 31, 2024 this line of credit loan held a balance of \$33,700.

NOTE F – GOODWILL

In accordance with FASB ASC 350, "Intangibles - Goodwill and Other," the Company performs goodwill impairment testing at least annually, unless indicators of impairment exist in interim periods. The impairment test for goodwill uses a two-step approach. Step one compares the estimated fair value of a reporting unit with goodwill to its carrying value. If the carrying value exceeds the estimated fair value, step two must be performed. Step two compares the carrying value of the reporting unit to the fair value of all of the assets and liabilities of the reporting unit (including any unrecognized intangibles) as if the reporting unit was acquired in a business combination. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of its goodwill, an impairment loss is recognized in an amount equal to the excess. Based on the estimated fair value of its goodwill at March 31, 2024 the Company determined that there was impairment of goodwill and recognized \$0 in goodwill impairment.

NOTE G - CAPITAL TRANSACTIONS

Common stock:

During the quarter ended March 31, 2024, the Company had no stock transactions.

There are no stock options outstanding as of March 31, 2024.

NOTE H - MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

During the quarter ended March 31, 2024, one customer accounted for thirty-eight percent (38%) or approximately \$1,140 of the Company's revenue.

As of March 31, 2024, balances due from one customer comprised one hundred percent (100%) or approximately \$1,220 of total accounts receivable.

During 2022 and 2023 the Company performed telemedicine services and COVID 19 laboratory testing services. On May 11, 2023 the Company's laboratory revenue abruptly stopped due to the end of the COVID-19 pandemic. Laboratory revenue accounted for approximately eighteen percent (18%) and seventy-five percent (75%) of 2023 and 2022 revenue, respectively.

During 2022 and 2023 the Company realized a decrease in their telemedicine contracts being renewed. The Company's largest telemedicine contract ended on October 31, 2023 and was not renewed. As of December 31, 2023 the Company had no active telemedicine contracts. As of the date of this report the Company had not signed any new telemedicine contracts. Telemedicine contract revenue represented approximately eighty percent (80%) and twenty-five percent (25%) of 2023 and 2022 revenue, respectively.

NOTE I - COMMITMENTS AND CONTINGENCIES**Leases:**

The Company had an operating lease agreement for a dedicated office space in Albuquerque, New Mexico expiring on January 31, 2025, at \$1,940 a month. On May 1, 2024, this lease was changed to a Virtual Office with collection of mail and space for meeting and conference rooms for \$295 a month. In addition, the Company has an operating lease agreement for a dedicated office and laboratory space in Taos, New Mexico expiring on October 31, 2024. As of May 1, 2024, the Taos office has been vacated, and the Company is actively collaborating with Cruz Alta to settle the remaining balance in the coming months.

The Company has an equipment lease agreement for a multi-function copier expiring on May 31, 2025, which the Company is in the process of terminating.

Minimum lease payments as of March 31, 2024 are as follows: (rounded)

Year	Operating Lease for Office and Laboratory	Equipment Lease for Multi-Function Copier
2024	\$ 18,300	\$1,500
2025	\$ 295	\$ 833

Rent expense, related to the operating lease, for the quarter ended March 31, 2024 amounted to \$8,820.

Equipment expense, related to the Multi-Function Copier lease, for the quarter ended March 31, 2024 amounted to \$500.

Employment Agreement (Related Party):

During the first quarter of 2017, the Company entered into a new employment agreement with Mr. Govatski, the chairman and chief executive officer, whereby agreeing to annual compensation of \$39,000 for a term of one year commencing on January 1, 2017. As of November 2017, the agreed upon salary was increased to \$50,000 annually, effective immediately. On January 1, 2018, the agreement was automatically renewed and as of August 2018 agreed upon annual compensation was increased to \$62,000, effective immediately. Effective February 1, 2023, the salary was increased to \$85,000. As of May 1, 2023, the salary was decreased to \$76,500. The agreement will continue automatically renew for one additional term, at the current annual salary, unless terminated by either party. The non-compete agreement has remained intact and becomes effective only in the

event of termination by either party and will remain in effect for a period of one year. This agreement was in effect and current as of December 31, 2023. As of May 10, 2024, Richard Govatski remains employed without receiving payment.

NOTE J – SUBSEQUENT EVENTS

Management has reviewed transactions subsequent to March 31, 2024, and has determined that the events listed below occurred. Additional subsequent events are detailed in the Information Statement, which is included as part of these Financial Statements.

1. The Company received a notice letter from Presbyterian Health Plan, dated April 2, 2024, requesting payment of \$924,198.65. This request is based on Presbyterian Health Plan's retrospective review that claimed inappropriate billing and insufficient documentation to justify the claims paid. The audit claimed significant issues, resulting in an effective error rate of 94% for all Covid-19 tests conducted between January 1, 2022, and February 31, 2023. Net Medical completely disputes these claims and intends to vigorously defend against any attempt to collect any refunds.
2. The office in Taos was closed on April 30, 2024. All remaining equipment and inventory are stored in Albuquerque storages facilities.
3. As part of the efforts to streamline operations, the Company has laid off most of its workforce, effective May 10, 2024. These changes are intended to be temporary, and the Company is hoping to reinstate valued employees to full employment once the situation improves.

[End of notes to financial statements.]

10) Issuer Certification

Principal Executive Officer:

I, Richard F. Govatski, certify that:

1. I have reviewed this quarterly disclosure statement of Net Medical Xpress Solutions, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 15, 2024

"/s/ Richard F. Govatski

Richard F. Govatski, Chairman and Chief Executive Officer

Principal Financial Officer:

I, Richard Govatski certify that:

1. I have reviewed this quarterly disclosure statement of Net Medical Xpress Solutions, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 15, 2024

"/s/ Richard Govatski

Richard Govatski, Chief Financial Officer