UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2019

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: 001-38561

HyreCar Inc.

(Exact name of registrant as specified in its charter)

Delaware	**47-2480487**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
355 South Grand Avenue, Suite 1650 Los Angeles, CA	**90071**
(Address of principal executive offices)	(Zip Code)

(888) 688-6769
(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 $0.00001 per share	HYRE	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	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 November 6, 2019, the registrant had 16,387,171 shares of common stock, $0.00001 par value per share, issued and outstanding.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

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

- our ability to add new customers or increase listings or rentals on our platform;
- our ability to expand and train our sales and technology teams;
- the potential benefits of and our ability to maintain our relationships with ridesharing or automotive companies, and establish or maintain future collaborations or strategic relationships or obtain additional funding;
- our marketing capabilities and strategy;
- our ability to maintain a cost-effective insurance program;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our competitive position, and developments and projections relating to our competitors and our industry;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing; and
- the impact of applicable laws and regulations.

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

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

References to HyreCar

Throughout this Quarterly Report on Form 10-Q, the "Company," "HyreCar," "we," "us," and "our" refers to HyreCar Inc. and its subsidiaries. Our "board of directors" refers to the board of directors of HyreCar Inc.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Balance Sheets
(Unaudited)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalent	$ 13,143,893	$ 6,764,870
Accounts receivable	169,476	161,177
Deferred expenses	11,924	20,927
Other current assets	226,645	128,337
Total current assets	13,551,938	7,075,311
Property and equipment, net	9,827	10,613
Intangible assets, net	172,374	221,623
Other assets	95,000	90,000
Total assets	$ 13,829,139	$ 7,397,547
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,059,669	$ 856,925
Accrued liabilities	490,569	775,857
Insurance reserve	640,637	348,442
Deferred revenue	45,737	53,764
Related party advances	9,629	9,629
Total current liabilities	2,246,241	2,044,617
Total liabilities	2,246,241	2,044,617
Commitments and contingencies (Note 3)		
Stockholder's Equity		
Preferred stock, 15,000,000 shares authorized, par value $0.00001, 0 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	-	-
Common stock, 50,000,000 shares authorized, par value $0.00001, 16,372,171 and 11,708,041 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively	164	117
Additional paid-in capital	35,455,890	21,857,017
Subscription receivable - related party	(7,447)	(7,447)
Accumulated deficit	(23,865,709)	(16,496,757)
Total stockholders' equity	11,582,898	5,352,930
Total liabilities and stockholders' equity	$ 13,829,139	$ 7,397,547

See accompanying notes to condensed financial statements

HYRECAR INC.
Condensed Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenues	$ 3,710,272	$ 2,685,952	$ 11,022,089	$ 6,673,634
Cost of revenues	1,372,338	1,235,702	4,425,600	3,723,121
Gross profit	2,337,934	1,450,250	6,596,489	2,950,513
Operating Expenses:				
General and administrative	3,189,040	1,210,436	7,768,744	5,256,169
Sales and marketing	2,271,892	1,421,363	4,709,519	3,097,586
Research and development	560,242	587,966	1,608,895	1,110,011
Total operating expenses	6,021,174	3,219,765	14,087,158	9,463,766
Operating loss	(3,683,240)	(1,769,515)	(7,490,669)	(6,513,253)
Other (income) expense				
Interest expense	639	3,261	2,500	2,039,719
Other (income) expense	(61,214)	14,909	(124,217)	44,029
Total other (income) expense	(60,575)	18,170	(121,717)	2,083,748
Net loss	$ (3,622,665)	$ (1,787,685)	$ (7,368,952)	$ (8,597,001)
Weighted average shares outstanding - basic and diluted	15,323,776	11,708,041	13,140,280	7,496,175
Weighted average net loss per share - basic and diluted	$ (0.24)	$ (0.15)	$ (0.56)	$ (1.15)

See accompanying notes to condensed financial statements

HYRECAR INC.
Condensed Statement of Stockholders' Equity
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Subscription Receivable - Related	Accumulated	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Parties	Deficit	(Deficit)
June 30, 2018 (Unaudited)	-	$ -	11,708,041	$ 117	$ 21,641,896	$ (7,392)	$ (12,062,170)	$ 9,572,451
Stock option compensation	-	-	-	-	86,722	-	-	86,722
Net loss	-	-	-	-	-	-	(1,787,685)	(1,787,685)
September 30, 2018 (Unaudited)	-	$ -	11,708,041	$ 117	$ 21,728,618	$ (7,392)	$ (13,849,855)	$ 7,871,488
June 30, 2019 (Unaudited)	-	$ -	12,331,348	$ 123	$ 23,976,505	$ (7,447)	$ (20,243,044)	$ 3,726,137
Stock option compensation	-	-	-	-	272,074	-	-	272,074
RSU compensation	-	-	-	-	102,734	-	-	102,734
Stock options exercised	-	-	13,635	1	9,740	-	-	9,741
Stock options exercised - cashless	-	-	2,188	-	-	-	-	-
Common stock issued for cash	-	-	4,025,000	40	12,074,960	-	-	12,075,000
Offering costs	-	-	-	-	(980,123)	-	-	(980,123)
Net loss	-	-	-	-	-	-	(3,622,665)	(3,622,665)
September 30, 2019 (Unaudited)	-	$ -	16,372,171	$ 164	$ 35,455,890	$ (7,447)	$ (23,865,709)	$ 11,582,898
December 31, 2017	2,429,638	$ 1,591,886	5,252,953	$ 52	$ 2,553,672	$ (140,087)	$ (5,252,854)	$ (1,247,331)
Conversion of preferred stock	(2,429,638)	$ (1,591,886)	2,429,638	25	1,591,861	-	-	-
Stock option compensation	-	-	-	-	318,018	-	-	318,018
Stock compensation on forfeitable restricted common stock	-	-	274,285	3	1,371,422	-	-	1,371,425
Conversion of convertible debt	-	-	1,231,165	12	3,136,996	-	-	3,137,008
Discount for warrants issued with convertible debt	-	-	-	-	1,107,982	-	-	1,107,982
Discount for beneficial conversion feature on convertible debt	-	-	-	-	368,757	-	-	368,757
Common stock issued for cash	-	-	2,520,000	25	12,599,975	-	-	12,600,000
Offering costs associated with underwriters in public offering	-	-	-	-	(1,260,000)	-	-	(1,260,000)
Offering Costs	-	-	-	-	(569,665)	-	-	(569,665)
Warrants issued for services	-	-	-	-	463,000	-	-	463,000
Warrants issued to placement agent	-	-	-	-	46,600	-	-	46,600
Subscription receivable relieved						133,042		133,042
Interest on subscription receivable	-	-	-	-	-	(347)	-	(347)
Net loss	-	-	-	-	-	-	(8,597,001)	(8,597,001)
September 30, 2018 (Unaudited)	-	$ -	11,708,041	$ 117	$ 21,728,618	$ (7,392)	$ (13,849,855)	$ 7,871,488
December 31, 2018	-	$ -	11,708,041	$ 117	$ 21,857,017	$ (7,447)	$ (16,496,757)	$ 5,352,930
Stock option compensation	-	-	-	-	789,106	-	-	789,106
RSU compensation	-	-	-	-	204,925	-	-	204,925
Shares issued for services	-	-	115,000	1	555,149	-	-	555,150
Warrants exercised	-	-	274,224	3	873,400	-	-	873,403
Warrants exercised - cashless	-	-	174,502	2	(2)	-	-	-
Shares issued to investor in prior offering	-	-	2,513	-	-	-	-	-
Stock options exercised	-		70,703	1	81,458	-	-	81,459
Stock options exercised - cashless	-	-	2,188	-	-	-	-	-
Common stock issued for cash	-	-	4,025,000	40	12,074,960	-	-	12,075,000
Offering costs	-	-	-	-	(980,123)	-	-	(980,123)
Net loss	-	-	-	-	-	-	(7,368,952)	(7,368,952)
September 30, 2019 (Unaudited)	-	$ -	16,372,171	$ 164	$ 35,455,890	$ (7,447)	$ (23,865,709)	$ 11,582,898

See accompanying notes to condensed financial statements

HYRECAR INC.
Condensed Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,368,952)	$ (8,597,001)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	51,243	623
Amortization of debt discount	-	1,515,191
Interest expense on beneficial conversion feature	-	368,757
Stock-based compensation	1,485,181	2,152,443
Changes in operating assets and liabilities:	-	-
Accounts receivable	(8,299)	(87,600)
Deferred expense	9,003	21,165
Other current assets	(34,308)	(57,091)
Accounts payable	202,744	(434,917)
Accrued liabilities	(285,288)	375,841
Insurance reserve	292,195	-
Deferred revenues	(8,027)	(3,116)
Settlement paid	-	(24,444)
Net cash used in operating activities	(5,664,508)	(4,770,149)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,208)	(4,194)
Internally developed software	-	(67,689)
Deposits and other	(5,000)	35,460
Net cash used in investing activities	(6,208)	(36,423)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	12,075,000	12,600,000
Proceeds from exercise of warrants	873,403	-
Proceeds from exercise of stock options	81,459	-
Offering costs associated with underwriters in public offering	(753,750)	(1,260,000)
Offering costs	(226,373)	(637,547)
Repayment of note payable	-	(50,000)
Repayment of note payable - related parties	-	(300,000)
Receipt of subscription receivable	-	132,695
Proceeds from convertible debt	-	2,778,579
Net cash provided by financing activities	12,049,739	13,263,727
Increase in cash and cash equivalents	6,379,023	8,457,155
Cash and cash equivalents, beginning of period	6,764,870	213,944
Cash and cash equivalents, end of period	$ 13,143,893	$ 8,671,099
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ -	$ 64,414
Cash paid for income taxes	$ -	$ -
Non cash investing and financing activities:		
Interest on subscription receivable	$ -	$ 347
Discount from beneficial conversion feature	$ -	$ 368,757
Preferred stock converted to common stock	$ -	$ 1,591,886
Conversion of convertible debt and interest	$ -	$ 3,136,996
Discount on debt with warrants	$ -	$ 1,107,982

See accompanying notes to condensed financial statements

HYRECAR INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – NATURE OF OPERATIONS

HyreCar Inc. (“HyreCar,” the “Company,” “we,” “us” or “our”) was incorporated on November 24, 2014 (“Inception”) in the State of Delaware. The Company’s headquarters is located in Los Angeles, California. The Company is a web-based marketplace that allows car and fleet owners to rent their idle cars to Uber and Lyft drivers safely, securely and reliably. The financial statements of HyreCar Inc. are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Initial Public Offering

On June 29, 2018, the Company closed its initial public offering (“IPO”), in which the Company issued and sold 2,520,000 shares of common stock at $5.00 per share for gross proceeds of $12,600,000, net of underwriters’ discounts and commissions totaling $1,260,000. Accordingly, net proceeds from the IPO totaled $11,340,000, before deducting offering costs of $569,665.

In connection with the closing of the Company’s IPO, all outstanding shares of the Company’s convertible preferred stock were converted into 2,429,638 shares of common stock.

Follow-On Public Offering

On July 23, 2019 and July 29, 2019, the Company closed its follow-on public offering, in which the Company issued and sold 4,025,000 shares of common stock at $3.00 per share for gross proceeds of $12,075,000, before deducting underwriters’ discounts and commissions totaling $603,750 and reimbursable expenses of $150,000. Accordingly, net proceeds from the offering totaled $11,321,250. In connection with the offering, we paid additional offering costs of $226,373.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – Unaudited Interim Financial Information

The unaudited interim financial statements and related notes have been prepared in accordance with U.S. GAAP for interim financial information, within the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Certain information and disclosures normally included in the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The unaudited interim financial statements have been prepared on a basis consistent with the audited financial statements and in the opinion of management, reflect all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the results for the interim periods presented and of the financial condition as of the date of the interim balance sheet. The financial data and the other information disclosed in these notes to the interim financial statements related to the three and nine-month periods are unaudited. Unaudited interim results are not necessarily indicative of the results for the full fiscal year. These unaudited interim financial statements should be read in conjunction with the financial statements of the Company for the year ended December 31, 2018 and notes thereto that are included in the Company’s Annual Report on Form 10-K.

Management's Plans

We have incurred operating losses since Inception and historically relied on debt and equity financing for working capital. Going forward the Company intends to fund its operations through increased revenue and cash flow from operations and the funds raised from its initial and follow-on public offerings, and as a result we believe the Company has sufficient resources to operate its business.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amount of revenues and expenses during the reporting period. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

The Company's most significant estimates and judgments involve recognition of revenue, calculating the reserves for insurance, the measurement of the Company's stock-based compensation, including the estimation of the underlying deemed fair value of common stock in periods prior to the date of the Company's IPO, the estimation of the fair value of market-based awards, the valuation of warrants, allowance for doubtful accounts, and the fair value of financial instruments

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2019 and December 31, 2018. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts payable, and accrued liabilities. Fair values for these items were assumed to approximate carrying values because of their short-term nature or they are payable on demand.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Company considers institutional money market funds and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Insurance Reserve

The Company records a loss reserve for insurance deductible or damage that the Company pays to car owners based on the Company's policy in relation to the insurance policy in effect at the time. This reserve represents an estimate for both reported accidents claims not yet paid, and claims incurred but not yet reported and are recorded on a non-discounted basis. The lag time in reported claims is minimal and as such represents a low risk of unreported claims being excluded from the loss reserve assessment. The adequacy of the reserve is monitored quarterly and is subject to adjustment in the future based upon changes in claims experience, including the number of incidents for which the Company is ultimately responsible and changes in the cost per claim, or changes to the Company's policy as to what amounts of the deductible or claim will be paid by the Company. As of September 30, 2019, and December 31, 2018, $640,637 and $348,442 was included in the accompanying balance sheets related to the loss reserve, respectively, where the expense is reflected in the general and administrative within the statements of operations.

Liability insurance claims may take several years to completely settle, and the Company has limited historical loss experience. Because of the limited operational history, the Company makes certain assumptions based on currently available information to estimate the reserves as well as third party claims adjuster data provided on existing claims. A number of factors can affect the actual cost of a claim, including the length of time the claim remains open, economic and healthcare cost trends and the results of related litigation. Furthermore, claims may emerge in future periods for events that occurred in a prior period that differs from expectations. Accordingly, actual losses may vary significantly from the estimated amounts reported in the financial statements. Reserves are continually reviewed and adjusted as necessary as experience develops or new information becomes known. However, ultimate results may differ from the Company's estimates, which could result in losses over the Company's reserved amounts. Such adjustments are recorded in general and administrative expenses.

Offering Costs

The Company accounts for offering costs in accordance with Accounting Standards Codification ("ASC") 340, Other Assets and Deferred Costs. Prior to the completion of an offering, offering costs were capitalized as deferred offering costs on the balance sheet. The deferred offering costs are netted against the proceeds of the offering in stockholders' equity or the related debt, as applicable.

Convertible Debt and Warrant

Convertible debt is accounted for under the guidelines established by ASC 470-20, Debt with Conversion and Other Options. ASC 470-20 governs the calculation of an embedded beneficial conversion and/or debt issued with warrants, which is treated as a discount to the instruments where derivative accounting does not apply. The discounts are accreted over the term of the debt.

The Company calculates the fair value of warrants and conversion features issued with convertible instruments using the Black-Scholes valuation method, using the same assumptions used for valuing employee options for purposes of ASC 718, Compensation – Stock Compensation, except the contractual life of the warrant or conversion feature is used. Under these guidelines, the Company allocates the value of the proceeds received from a convertible debt transaction between the conversion feature and any other detachable instruments (such as warrants) on a relative fair value basis. The allocated fair value is recorded as a debt discount or premium and is amortized over the expected term of the convertible debt to interest expense.

Preferred Stock

ASC 480, Distinguishing Liabilities from Equity, includes standards for how an issuer of equity classifies and measures on its balance sheet certain financial instruments with characteristics of both liabilities and equity.

Management is required to determine the presentation for the preferred stock because of the redemption and conversion provisions, among other provisions. Specifically, management is required to determine whether the embedded conversion feature in the preferred stock is clearly and closely related to the host instrument, and whether the bifurcation of the conversion feature is required and whether the conversion feature should be accounted for as a derivative instrument. If the host instrument and conversion feature are determined to be clearly and closely related (both more akin to equity), derivative liability accounting under ASC 815, Derivatives and Hedging, is not required. Management determined the host contract of the preferred stock is more akin to equity, and accordingly, derivative liability accounting is not required by the Company. The Company has presented preferred stock within stockholders' equity (deficit) section of the balance sheet.

Costs incurred directly for the issuance of the preferred stock were recorded as a reduction of gross proceeds received by the Company, resulting in a discount to the preferred stock.

In connection with the closing of the Company's IPO, all outstanding shares of convertible preferred stock were converted into 2,429,638 shares of common stock.

Revenue Recognition

The Company generates the majority of its revenue from its ridesharing marketplace that connects vehicle owners and drivers and the related insurance issued for each rental.

The Company also recognizes revenue from other sources such as referrals, motor vehicle record fees (application fees), late rental fees, and other fees charged to drivers in specific situations.

The Company has adopted Accounting Standards Codification Topic 606 ("ASC 606") – Revenue from Contracts with Customers, as of January 1, 2019 using the modified retrospective method. The adoption of ASC 606 did not materially impact the way the Company recognizes revenue.

In applying the guidance of ASC 606, the Company 1) identifies the contract with the customer 2) identifies the performance obligations in the contract 3) determines the transaction price, 4) determines if an allocation of that transaction price is required to the performance obligations in the contract, and 5) recognizes revenue when or as the companies satisfies a performance obligation.

Refunds may occur when the driver returns the owner vehicle early based on the terms of the original contract or cancels the rental prior to completing the exchange. In limited circumstances, the Company provides contingent consideration in the form of a rebate that is redeemable only if the customer completes a specific level of transaction over a specific time period. In such cases, the rebate or refund obligation is recognized as a reduction of revenues. The Company defers revenue in all instances when the earnings process is not yet complete.

The following is a breakout of revenue components by subcategory for the three and nine months ended September 30, 2019 and 2018:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Insurance and administration fees	$ 1,848,524	$ 1,307,094	$ 5,390,289	$ 3,501,704
Transaction fees	1,614,001	866,144	4,385,885	2,395,245
Other fees	382,361	581,469	1,640,232	1,025,974
Incentives and rebates	(134,614)	(68,755)	(394,317)	(249,289)
Net revenue	$ 3,710,272	$ 2,685,952	$ 11,022,089	$ 6,673,634

Insurance and transaction fees are charged to a driver in a single transaction. Drivers currently do not have an option to decline insurance at any point during the transaction.

Principal-Agent Considerations

The Company evaluates our service offerings to determine if we are acting as the principal or as an agent, which we consider in determining if revenue should be reported gross or net. One of our primary revenue sources is a transaction fee made from a confirmed booking of a vehicle on our platform. Key indicators that we evaluate to reach this determination include:

- the terms and conditions of our contracts;
- whether we are paid a fixed percentage of the arrangement's consideration or a fixed fee for each transaction;
- the party which sets the pricing with the end-user, has the credit risk and provides customer support; and
- the party responsible for delivery/fulfillment of the product or service to the end consumer.

We have determined we act as the agent in the transaction for vehicle bookings, as we are not the primary obligor of the arrangement and receive a fixed percentage of the transaction fee. Therefore, revenue is recognized on a net basis and included in the above table as transaction fees.

For other fees such as insurance, referrals, and motor vehicle records (application fees) we have determined revenue should be recorded on a gross basis. In such arrangements, the Company sets pricing, has risk of economic loss, has certain credit risk, provides support services related to these transactions, and has decision making ability about service providers used.

Cost of Revenues

Cost of revenues primarily include direct fees paid for driver insurance, merchant processing fees, and motor vehicle record fees incurred for paid driver applications as well as hosting and platform-related technology cost.

Advertising

The Company expenses the cost of advertising and promotions as incurred. Advertising expense was $1,888,931 and $1,338,714 for the nine months ended September 30, 2019 and 2018, respectively.

Research and Development

We incur research and development costs during the process of researching and developing our technologies and future offerings. Our research and development costs consist primarily of non-capitalized development and maintenance costs. We expense these costs as incurred unless such costs qualify for capitalization under applicable guidance.

Stock-Based Compensation

The Company accounts for stock options issued under ASC 718, Compensation – Stock Compensation. Under ASC 718, stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award. Stock-based compensation is recognized as expense over the employee’s requisite vesting period and over the nonemployee’s period of providing goods or services. The fair value of each stock option or warrant award is estimated on the date of grant using the Black-Scholes option valuation model.

Stock-based compensation is included in the statements of operations as follows. See Note 5 for equity transactions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
General and administrative	$ 479,308	$ 60,861	$ 1,155,482	$ 1,951,849
Sales and marketing	71,233	37,259	241,346	164,004
Research and development	$ 24,092	$ (11,397)	$ 88,353	$ 36,591

Loss per Common Share

The Company presents basic loss per share ("EPS") and diluted EPS on the face of the statements of operations. Basic loss per share is computed as net loss divided by the weighted average number of common shares outstanding for the period. For periods in which we incur a net loss, the effects of potentially dilutive securities would be antidilutive and would be excluded from diluted EPS calculations. As of September 30, 2019 and 2018, the securities summarized below, which entitle the holders thereof to acquire shares of common stock, were excluded from the calculation of earnings per share, as their effect would be anti-dilutive.

	September 30,	
	2019	**2018**
Stock options and warrants	2,754,945	2,792,356
Restricted stock units	351,900	-
Forfeitable restricted common stock	100,000	825,000
Total	3,206,845	3,617,356

Concentration of Credit Risk

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be credit worthy. Balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the Company maintains balances in excess of the federally insured limits.

Other Concentrations

The Company relies on one insurance agency to provide all insurance on vehicles in service. The loss of this insurance carrier would have a negative effect on our operations.

New Accounting Standards

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-07, Compensation – Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting, which expands the scope of current stock compensation recognition standards to include share-based payment transactions for acquiring goods or services from nonemployees. The Company adopted ASU 2018-07 on January 1, 2019 and the adoption did not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This guidance is effective for the annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company reviewed the provisions of the new standard, but believes it is not applicable to the Company.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), specifying the accounting for leases, which supersedes the leases requirements in Topic 840, Leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. In addition, Topic 842 expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes several practical expedients. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company has reviewed the provisions of the new standard, but it is not expected to have a significant impact on the Company.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and has issued subsequent amendments to this guidance. This new standard replaces all current guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for interim and annual periods beginning after December 15, 2017 for public business entities and December 15, 2018 for all other entities. The standard could have been applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company has adopted ASC 606 as of January 1, 2019 using the modified retrospective method and based on our analysis did not have a material effect on revenue recognition.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been several ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact our financial statements.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

Settlement and Legal

On November 13, 2018, two founders of the Company (the "Claimant Founders"), initiated two lawsuits in the Superior Court of California, County of San Francisco, entitled Nathaniel Farber v. HyreCar Inc., Case No. CGC-18-571257 and Josiah Larkin v. HyreCar Inc., Case No. CGC-18-571258. The complaints for the lawsuits, which were largely duplicative, allege that the Company breached the Settlement Agreement by and between the Company and the Claimant Founders by not allowing the Claimant Founders to sell stock in the initial public offering ("IPO") of the Company, failing to offer to buyback Claimant Founders' stock at the time of the IPO, allowing the issuance of certain stock without proportionately increasing the stock ownership of Claimant Founders, and not providing certain required information to the Claimant Founders. The Company strongly disagrees with all of the allegations and intends to vigorously contest both lawsuits. The Company believes that, at all times, its actions have been consistent with the terms, conditions, and context of the Settlement Agreement, as well as applicable law. Pursuant to a motion brought by the Company, the two lawsuits have been joined for pretrial and trial purposes. The joined litigation is in the discovery phase. At this time, the Company is unable to estimate potential damage exposure, if any, related to the litigation.

The Company is involved in claims and litigation from time to time in the normal course of business. At September 30, 2019, the Company believes there are no pending matters, except as noted above, that could be expected to have a material adverse effect on the business of the Company, its financial condition, results of operations or cash flows.

NOTE 4 – DEBT AND LIABILITIES

Accrued Liabilities

A summary of accrued liabilities for the periods ending September 30, 2019 and December 31, 2018 is as follows:

	September 30, 2019	December 31, 2018
Accrued payables	$ 246,368	$ 452,307
Driver deposit	176,675	192,769
Deferred rent	9,938	73,886
Payroll liabilities	-	3,154
Other accrued liabilities	57,588	53,741
Accrued liabilities	$ 490,569	$ 775,857

2018 Convertible Notes and Warrants

During the first and second quarter of 2018, pursuant to a securities purchase agreement, the Company issued and sold senior secured convertible promissory notes (the “2018 Convertible Notes”) to accredited investors in the aggregate principal amount of $3,046,281. Gross principal amounts were net of $267,702 withheld, resulting in for net proceeds to the Company of $2,778,579. The Company incurred additional offering costs of $67,882 for a total debt discount of $335,584, which was fully amortized by the IPO date. The 2018 Convertible Notes bore interest at the rate of 13% per annum and were due eight months from the original issue date, which ranged from September to December 2018 (the “Maturity Dates”). The 2018 Convertible Notes provided that the principal and all accrued and unpaid interest on the 2018 Convertible Notes were convertible into shares of common stock at a conversion rate equal to the lesser of $2.5480 per share or seventy percent (70%) of the IPO price per share. Upon pricing the IPO, at the option of the holders, all outstanding principal plus accrued interest underlying the 2018 Convertible Notes was converted into 1,231,165 shares of common stock at a conversion rate of $2.5480.

In connection with the issuance of the 2018 Convertible Notes, each holder also received contingent five-year warrants to purchase common stock in an amount equal to 50% of the shares of common stock that the holder was entitled to in connection with the conversion of the holder’s 2018 Convertible Note when such note first became convertible, which was at the time the IPO was priced. Prior to the 2018 Convertible Note being convertible, the holder did not have a right to exercise these warrants. At the IPO pricing date, 615,585 warrants to purchase common stock became exercisable upon the conversion of the outstanding balance of the 2018 Convertible Notes, including accrued interest. The warrants have an exercise price of 125% of the conversion price, or $3.185. The Company calculated the fair value of the warrants at $1,741,334 using a Black-Scholes pricing model. The Company valued the warrants at $2.8288 per warrant using a common stock fair value of $5.00, a term of five years, a volatility of 45% and a risk-free interest rate of 2.75%. The Company allocated the debt proceeds on a relative fair value basis between the note and warrant, in which the Company recognized a note discount for $1,107,982. This was immediately recognized in interest expense as of the note conversion date.

NOTE 5 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 15,000,000 shares of preferred stock, $0.00001 par value per share. Of these, the Company designated 4,471,489 shares as Series Seed 1 Convertible Preferred Stock ("Series Seed 1"). Each share of Series Seed 1 shall be entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of Series Seed 1 held are convertible as of the record date. Series Seed 1 and common stock vote together as a single class, except as provided by law or by other provisions of the certificate of incorporation.

As described in Note 1, on June 29, 2018, at the closing of the IPO, 2,429,638 shares of outstanding Series Seed 1 Convertible Preferred Stock automatically converted into 2,429,638 shares of common stock.

There are currently no shares of preferred stock issued and outstanding.

Common Stock

The Company is authorized to issue 50,000,000 shares of common stock, $0.00001 par value per share.

Stock Options

In 2016, the Board of Directors adopted the HyreCar Inc. 2016 Incentive Plan (the "2016 Plan"). The 2016 Plan provides for the grant of equity awards to highly qualified personnel, including stock options, restricted stock, stock appreciation rights, and restricted stock units to purchase shares of common stock. Up to 2,227,777 shares of common stock may be issued pursuant to awards granted under the 2016 Plan. The 2016 Plan is administered by the Board of Directors, and expires ten years after adoption, unless terminated earlier by the Board.

In 2018, the Board of Directors adopted the HyreCar Inc. 2018 Incentive Plan (the "2018 Plan"). The 2018 Plan provides for the grant of equity awards to purchase shares of common stock. Up to 3,000,000 shares of common stock may be issued pursuant to awards granted under the 2018 Plan, subject to increases that occur starting in 2021. The 2018 Plan is administered by the Board of Directors, and expires ten years after adoption, unless terminated earlier by the Board.

During the nine months ended September 30, 2019 and 2018, the board of directors approved the grant of 1,125,000 and 557,500 stock options to various contractors and employees, respectively. The 2019 granted options had exercise prices ranging from $3.20 to $5.53, expire in ten years, and generally vest between two (2) and four (4) years. The total grant date fair value of stock options during the nine months ended September 30, 2019 and 2018 was approximately $2,077,801 and $972,681, respectively. The Company used the Black-Scholes option mode to value stock option awards with inputs noted below during each of the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Expected volatility	45%	45%	45%	45%
Risk-free interest rate	1.73%	2.47%	1.73 – 2.61%	2.60%
Expected life in years	5.56	6.25	5.56 – 6.25	5.39 – 6.25
Expected dividend yield	0%	0%	0%	0%

Stock-based compensation expense for stock options for the three months ended September 30, 2019 and 2018 was $272,074 and $86,722, respectively, and $789,106 and $318,018 for the nine months ended September 30, 2019 and 2018, respectively.

As of September 30, 2019, the total estimated remaining stock-based compensation expense for unvested stock options is $2,043,704 which is expected to be recognized over a weighted average period of 2.5 years.

The Company recognizes stock option forfeitures as they occur as there is insufficient historical data to accurately determine future forfeitures rates.

Management estimated the fair value of common stock prior to the IPO date by looking at a market approach which takes into consideration past sales of our common and preferred stock, as well Company developments to date.

During the nine months ended September 30, 2019, the Company issued 70,703 shares of common stock for stock options that were exercised for cash and 2,188 shares of common stock for stock options that were exercised in cashless transactions. Proceeds from these exercises totaled $81,459. There were no such exercises during the nine-months ended September 30, 2018.

Shares Issued for Services, Restricted Shares and Restricted Stock Units

During the nine months ended September 30, 2019, the Company granted 105,000 common shares in exchange for legal and consulting services provided by two service providers. The Company valued the grants at $527,650 based on the closing price of the Company's common stock on the grant date. As of September 30, 2019 there was $64,000 recognized as a prepaid as a retainer for legal services and the remainder portion was recognized as stock-based compensation.

During the nine months ended September 30, 2019, the Company issued 10,000 shares of common stock to one consultant for services based on agreement entered into in January 2019. The Company valued the shares based on the closing price of the Company's common stock on the date of the agreement and recognized $27,500 in stock-based compensation. Included in the agreement were 400,000 forfeitable restricted stock shares that vest upon achieving specific performance and strategic milestones. Currently, it is not probable the performance and strategic targets will be achieved. During the nine months ended September 30, 2019, 300,000 of the performance restricted stock shares were forfeited.

During the nine months ended September 30, 2019, the company granted 360,000 restricted stock units to employees and two members of our board of directors that generally vest between one and four years.

During the nine months ended September 30, 2018, the Company granted 264,285 shares of restricted stock to three consultants for services which fully vested upon the IPO.

During the nine months ended September 30, 2018 the Company also granted 10,000 shares of restricted common stock to a consultant for services which fully vested upon the IPO. In addition, the Company also agreed to issue the consultant an aggregate of 825,000 shares of restricted common stock with the issuance of 275,000 shares of restricted common stock upon each of three milestones. Each of the three milestones has a specific target in which the Company must meet or exceed which include i) gross bookings of rentals, ii) average daily active rentals, or iii) market capitalization. As of September 30, 2019, it is not probable the performance metrics will be met and therefore no compensation expense has been recognized as no shares of restricted common stock have been issued.

Stock-based compensation related to restricted shares and restricted stock units noted above was $102,734 and $0 during the three months ended September, 2019 and 2018, respectively. Stock-based compensation related to restricted shares and restricted stock units was $204,925 and $1,371,425 during the nine months ended September 30, 2019 and 2018, respectively.

Unrecognized compensation expense related to the unvested restricted stock units described above is approximately $1,090,142 as of September 30, 2019 and is expected to be recognized over approximately 2.2 years. During the nine months ended September 30, 2019, 8,100 restricted stock units were forfeited.

Warrants

During March 2019 several warrant holders exercised 274,224 warrants received with the 2018 Convertible Notes (Note 4). Total proceeds from the exercise of warrants was $873,403.

During the nine months ended September 30, 2019 several warrant holders exercised an aggregate of 470,062 warrants in cashless exercises, which resulted in the issuance of 174,502 shares of common stock.

NOTE 6 – RELATED PARTY TRANSACTIONS

Related Party Advances

From time to time prior to 2017, the Company received advances from related parties for short-term working capital. Such advances are considered short-term and non-interest bearing and due on demand. As of September 30, 2019 and December 31, 2018, a balance of $9,629 remained outstanding.

Insurance

The president of the Company's primary insurance broker, providing gap coverage for vehicles on the platform, when existing policy coverage is not applicable, is also a minority stockholder and holder of 2017 Notes with related warrants. As of September 30, 2019 and December 31, 2018, the Company had outstanding liabilities to the insurer totaling $109,606 and $275,290, included in accrued expenses, respectively. During the nine months ended September 30, 2019 and September 30,2018, the Company paid the insurer $3,643,196, and $3,357,305 respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements and related notes for the year ended December 31, 2018 included in our most recent Annual Report on Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this Quarterly Report on Form 10-Q.

Our Company

We operate in the car sharing marketplace for ride sharing through our proprietary platform. The Company has established a leading presence in Mobility as a Service (MaaS) through vehicle owners and institutions, such as franchise car dealerships, independent car dealerships and rental car companies, who have been disrupted by automotive asset sharing. We are based in Los Angeles, California and car owners and drivers currently use the platform in all 50 states plus Washington, D.C. Our unique revenue opportunity for both owners and drivers is providing a safe, secure, and reliable marketplace. We categorize our operations into one reportable business segment: Rental, consisting primarily of our vehicle rental operations in the United States.

Business and Trends

We primarily generate revenue by taking fees from each rental processed on our platform. Each rental transaction represents a Driver renting a car from an Owner. Drivers pay a daily rental rate, plus a 10% HyreCar fee and direct insurance costs. During the three months ended September 30, 2019 we provided three service levels ("Standard" and "Premium" tiers in addition to the original "Basic" tier, with higher revenue shares for the Company associated with higher liability coverage for entities) in response to car owner requests. As a result, car owners receive their rental rate minus a 15-25% HyreCar fee depending on the service tier selected by the car owner. For example, if the average rental rate of a HyreCar vehicle during 2019 was $30.00 per day or $210.00 per week (a "Weekly Rental"), plus a 10% HyreCar fee ($21.00) and direct insurance costs, the total gross billings would be $322.00. This gross billing amount is charged to a Driver's account in one lump sum. Assuming the Standard service tier (80/20 split) $168.00 or 80% of the rental rate is subsequently transferred to the Owner. HyreCar earns revenues from the balance of the $322.00 marketplace transaction, or $154.00, and accordingly this is the U.S. GAAP reportable revenue recognized by us in this transaction (as detailed in the table below).

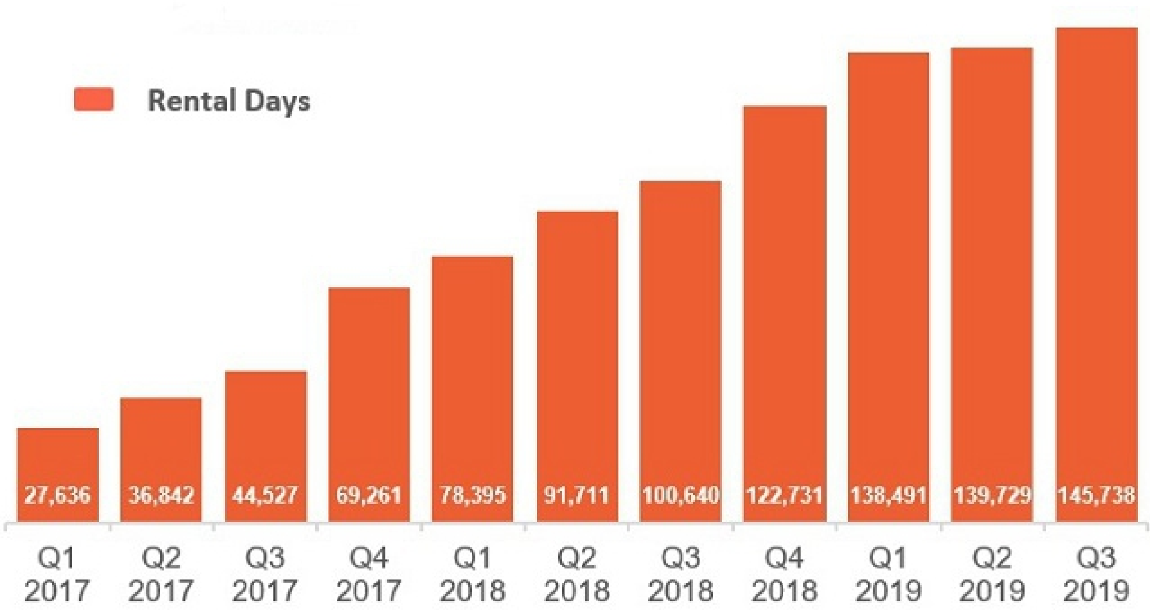
Weekly rental	$ 210.00	
HyreCar Driver fee	21.00	(10% of weekly rental)
Direct Insurance	91.00	
HyreCar gross billings	322.00	
Owner payment	168.00	(80% of weekly rental)
HyreCar revenue	$ 154.00	

* Rounded and approximate numbers for ease of example. Actuals vary across geography.

Non-U.S. GAAP Financial Measure – Gross Billings and Adjusted Earnings

Gross billings are an important measure by which we evaluate and manage our business. We define gross billings as the amount billed to Drivers, without any adjustments for amounts paid to Owners, refunds or rebates. Gross billings include transactions from both our revenues recorded on a net and a gross basis. It is important to note that gross billings is a non-U.S. GAAP measure and as such, is not recorded in our financial statements as revenue. However, we use gross billings to asses our business growth, scale of operations and our ability to generate gross billings is strongly correlated to our ability to generate revenues.

Quarterly Rental Days
($ in millions)



Gross billings may also be used to calculate net revenue margin, defined as the Company’s U.S. GAAP reportable revenue over gross billings. Using the definition of net revenue margin and the example above, HyreCar’s net revenue margin is approximately 45-48% (Taking the example above: $154.00 HyreCar’s U.S. GAAP revenue over $322.00 Total Gross Billings). A breakout of revenue components is provided in MD&A and the financial footnotes. The table below sets forth a reconciliation of our U.S. GAAP reported revenues to gross billings for the three and nine months ended September 30, 2019 and 2018:

	Three Months ended September 30, 2019	Three Months ended September 30, 2018	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018
Revenues (U.S. GAAP reported revenues)	$ 3,710,272	$ 2,685,952	$ 11,022,089	$ 6,673,634
Add: Refunds, rebates and deferred revenue	330,574	166,985	852,357	697,983
Add: Owner payments (not recorded in financial statements)	4,263,545	3,059,177	12,779,095	8,180,394
Gross billings (non-U.S. GAAP measure not recorded in financial statements)	$ 8,304,391	$ 5,912,114	$ 24,653,541	$ 15,552,011

Adjusted Earnings (or Loss) is another important measure by which we evaluate and manage our business. We define Adjusted Earnings as the Earnings without any adjustments for non-cash consideration paid for stock-based compensation to employees or vendors.

Our operating results are subject to variability due to seasonality, macroeconomic conditions and other factors. Car rental volumes tend to be associated with driving holidays, where there is an influx of Uber and Lyft demand. Thus far in 2019, we have continued to operate in an uncertain and uneven economic environment marked by heightened geopolitical risks. Nonetheless, we continue to anticipate that demand for vehicle rental and car sharing services will increase in 2019, most likely against a backdrop of modest and uneven global economic growth.

Our objective is to focus on strategically accelerating our growth, strengthening our position as a leading provider of vehicle rental services to Uber and Lyft drivers, continuing to enhance our customers' rental experience, and controlling costs and driving efficiency throughout the organization. We operate in a high growth industry and we expect to continue to face challenges and risks. We seek to mitigate our exposure to risks in numerous ways, including delivering upon our core strategic initiatives, continued growth of fleet levels to match changes in demand for vehicle rentals, and appropriate investments in technology.

During the period ended September 30, 2019:

- Net revenues increased 38.2%, or $1.0 million, to $3.7 million for the three months ended September 30, 2019, as compared to $2.7 million for the same period in the prior year, but decreased 2.4% sequentially from $3.8 million in the prior quarter. While booking revenue increased 4.3% during the quarter as net rental days increased to approximately 146,000 in the third quarter from approximately 140,000 in the second quarter, a reduction in referral revenue from the rideshare network companies (including Uber and Lyft) caused in part by reduced driver incentive commissions offered by such companies after their initial public offerings, reduced the Company's net revenue.

- Gross Profit increased 61.2%, or $0.9 million, to $2.3 million for the three months ended September 30, 2019, as compared to $1.5 million for the same period in the prior year, and 1.3% sequentially from $2.3 million in the prior quarter. Operating efficiencies due to increasing scale continued to favorably impact our direct costs and as a result, Gross Profit Margin increased to 63.0% for the three months ended September 30, 2019, as compared to 54.0% for the same period the prior year, and 60.7% sequentially from the prior quarter.

- Operating Expenses increased 87.0% to $6.0 million during the three months ended September 30, 2019 as compared to $3.2 million for the same period in the prior year, due to increased staffing expenses, marketing and insurance claims payments. This does include $0.6 million in non-cash stock-based compensation this quarter, up from $0.1 million the prior year. This is a 37.3% or $1.6 million sequential increase in operating expenses from $4.4 million the prior quarter.

- Our Net loss increased by $1.8 million, or 103.6%, to $3.6 million, or ($0.24), per share for the three months ended September 30, 2019, as compared to $1.8 million or ($0.15) per share for the same period in the prior year and $2.1 million or ($0.17) per share for the prior quarter.

- Our Adjusted Loss was $3.0 million or ($0.20) per share for the three months ended September 30, 2019 after excluding $0.6 million in non-cash charges, as compared to $1.7 million or ($0.14) per share for the same period in the prior year.

- Cash and cash equivalents on the balance sheet of $13.1 million at September 30, 2019 represented an increase of $8.0 million from $5.1 million at the prior quarter end June 30, 2019 and an increase of $6.4 million during the first half of the fiscal year from $6.8 million at December 31, 2018, as the Company completed a follow-on public offering in July 2019.

Management's Plan

We have incurred operating losses since inception and historically relied on debt and equity financing for working capital. Going forward, the Company intends to fund its operations through increased revenue and cash flow from operations and the funds raised from its initial and follow-on public offerings, and as a result we believe the Company has sufficient resources to operate its business for the foreseeable future.

Components of Our Results of Operations

The following describes the various components that make up our results of operations, discussed below.

Revenue is earned from fees associated with matching Drivers to Owners of idle cars that meet the strict requirements imposed by ride-sharing services such as Uber and Lyft on Drivers. A Driver will typically rent a car through one transaction via our on-line marketplace. The Company also recognizes revenue from other sources such as referrals, motor vehicle record fees (application fees), late rental fees, and other fees charged to drivers in specific situations.

Cost of revenues primarily includes direct fees paid for driver insurance, merchant processing fees, and motor vehicle record fees incurred for paid driver applications as well as hosting and platform-related technology cost.

Sales and marketing costs include advertising (both on-line and off-line channels), brand awareness activities, conference attendance, conference sponsorship, business development, and wages to sales and marketing staff.

General and administrative costs include all corporate and administrative functions that support our business. These costs also include stock-based compensation expenses, consulting costs, and other costs that are not included in cost of revenues.

Research and development costs are related to activities such as user experience and user interphase development, database development and maintenance, and any technology related expense that improves and maintains the functionality of our existing platform.

Other income/expense includes non-operating income and expenses, including interest income and expense.

Results of Operations

Three Months Ended September 30, 2019 compared to Three Months Ended September 30, 2018

Revenues and Gross Profit. Net revenues totaling $3,710,272 for the three months ended September 30, 2019 were generated compared to revenues totaling $2,685,952 for the three months ended September 30, 2018, and gross profit of $2,337,934, or approximately 63.0%, was realized for the three months ended September 30, 2019 compared to $1,450,250, or approximately 54.0% for the three months ended September 30, 2018. The increase in revenues of $1,024,320, or approximately 38.2%, was due to the growth of our business resulting from significantly higher rental days.

Operating Expenses. Operating expenses, consisting of sales and marketing, general and administrative, and research and development expenses, increased by approximately $2,801,409, or approximately 87.0%, to $6,021,174 for the three months ended September 30, 2019, as compared to operating expenses of $3,219,765 for the three months ended September 30, 2018. General and administrative expenses increased by $1,978,604, or 163.5%, to $3,189,040 due primarily to higher non-cash stock-based compensation costs. Sales and marketing expenses increased by $850,529 or 59.8% to $2,271,892 due to an increase in digital advertising and sales employee compensation, which both helped drive higher revenue levels. The difference is attributable to technology research and development which decreased by $27,724, or 4.7%, to $560,242 associated with the development and maintenance of our technology platform. Stock-based compensation included in the three months ended September 30, 2019 and 2018 was $574,633 and $86,722, respectively, an increase of $487,911, or 563%.

Loss from Operations. Our loss from operations for the three months ended September 30, 2019 was ($3,683,240) as compared to a loss from operations of ($1,769,515) for the three months ended September 30, 2018.

Other (Income) Expense. For the three months ended September 30, 2019, net other income totaled $60,575 as compared to net other expense of $9,939 for the three months ended September 30, 2018. The improvement was the result of higher cash deposits at financial institutions.

Net Loss. Primarily as a result of the increased operating expenses noted above, together with the interest income earned during 2019, our net loss for the three months ended September 30, 2019 was $3,622,665 as compared to a net loss for the three months ended September 30, 2018 of $1,787,685.

Nine Months Ended September 30, 2019 compared to Nine Months Ended September 30, 2018

Revenues and Gross Profit. Net Revenue totaling $11,022,089 was generated for the nine months ended September 30, 2019 compared to $6,673,634 for the same period the prior year. The increase in revenues of $4,348,455, or approximately 65.2%, was due to the growth of our business, which resulted from increased brand awareness resulting from increased marketing expenditures and the expansion of our sales team. Gross profit of $6,596,489, or approximately 59.8%, was generated for the nine months ended September 30, 2019 as compared to gross profit of $2,950,513, or approximately 44.2%, for the nine months ended September 30, 2018. The increase in gross profit of $3,645,976, or approximately 123.6%, was due to the growth of our business resulted from increased brand awareness as well as a higher contribution margin from the new revenue tiers added during 2019.

Operating Expenses. Operating expenses, consisting of general and administrative, sales and marketing, and research and development technology expenses, increased by 48.9% or $4,623,392 to $14,087,158 for the nine months ended September 30, 2019 from $9,463,766 for the nine months ended September 30, 2018. The increase in operating expenses related to the expansion of our sales and marketing spends which, in turn, resulted in our increase in sales. Our sales and marketing expenses increased by $1,611,933 or 52.0% to $4,709,519 in the period which is primarily attributable to an increase in digital marketing and sales compensation. Our general and administrative expenses increased by $2,512,575 or 47.8% to $7,768,744 in the period representing an increase in infrastructure, employee benefit and insurance costs. The increase in cost for research and development is associated with an expanded in-house team to expand on our core technology platform, with costs increasing by $498,884 or 44.9% to $1,608,895 in the period. Stock-based compensation included in the nine months ended September 30, 2019 and 2018 was $1,485,181 and $2,152,443, respectively, a decrease of $667,262.

Loss from Operations. Our loss from operations for the nine months ended September 30, 2019 was $7,490,669 as compared to $6,513,253 for the nine months ended September 30, 2018. The increased loss during 2019 is a result of increased marketing expenses associated with expanding car supply.

Other (Income) Expense. For the nine months ended September 30, 2019, net other income totaled $121,717 as compared to net other expense of $2,083,748 for the nine months ended September 30, 2018. The decrease was a result of the elimination of debt and the interest charges on convertible debt and the amortization of debt discounts for the 2018 IPO.

Net Loss. Primarily as a result of the increased operating expenses noted above our net loss for the nine months ended September 30, 2019 was $7,368,952 as compared to a net loss for the nine months ended September 30, 2018 of $8,597,001, a year over year improvement of $1,228,049, or 14.3%.

Liquidity and Capital Resources

At September 30, 2019, our cash balance totaled $13,143,893 compared to $6,764,870 at December 31, 2018. This increase was primarily the result of completion of the follow-on offering in July 2019.

At September 30, 2019, our current assets totaled $13,551,938 and our current liabilities totaled $2,246,241 resulting in working capital of $11,305,697 compared to $5,030,694 at December 31, 2018.

Operating activities for the nine months ended September 30, 2019 resulted in cash outflows of $5,664,508 which were due primarily to the loss for the period of $7,368,952, partially offset by $1,485,181 in stock-based compensation, compared to cash used in operating activities of $4,770,149, which was due primarily to the loss for the period of $8,597,001 partially offset by $2,152,443 in stock-based compensation and $1,515,191 in amortization of a debt discount for the same period the prior year.

Investing activities for the nine months ended September 30, 2019 resulted in a net cash outflow of $6,208 compared to a cash outflow of $36,423 for the same period the prior year. We do not have any contractual obligations for ongoing capital expenditures at this time.

Net cash provided by financing activities for the nine months ended September 30, 2019 totaled $12,049,739 and primarily included the $12,075,000 secondary public equity offering in July 2019, compared to net cash provided of $13,263,727 primarily from the $12,600,000 initial public offering in June 2018 and the $2,778,579 convertible debt offering in in the same period the prior year.

Critical Accounting Policies, Judgments and Estimates

A description of critical accounting policies and estimates is disclosed in Note 2 to our financial statements appearing in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under applicable SEC rules.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our financial statements appearing in this Quarterly Report on Form 10-Q.

Emerging Growth Company Status

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may, therefore, not be comparable to those of companies that .

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined in Rule 229.10(f)(1).

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact there are resource constraints and management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934). Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2019.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) has occurred during the three and nine months ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

On November 13, 2018, two founders of the Company (the "Claimant Founders"), initiated two lawsuits in the Superior Court of California, County of San Francisco, entitled Nathaniel Farber v. HyreCar Inc., Case No. CGC-18-571257 and Josiah Larkin v. HyreCar Inc., Case No. CGC-18-571258. The complaints for the lawsuits, which were largely duplicative, allege that the Company breached the Settlement Agreement by and between the Company and the Claimant Founders by not allowing the Claimant Founders to sell stock in the initial public offering ("IPO") of the Company, failing to offer to buyback Claimant Founders' stock at the time of the IPO, allowing the issuance of certain stock without proportionately increasing the stock ownership of Claimant Founders, and not providing certain required information to the Claimant Founders. The Company strongly disagrees with all of the allegations and intends to vigorously contest both lawsuits. The Company believes that, at all times, its actions have been consistent with the terms, conditions, and context of the Settlement Agreement, as well as applicable law. Pursuant to a motion brought by the Company, the two lawsuits have been joined for pretrial and trial purposes. The joined litigation is in the discovery phase. At this time, the Company is unable to estimate potential damage exposure, if any, related to the litigation..

Item 1A. Risk Factors

The Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined in Rule 229.10(f)(1).

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

On July 15, 2019, we issued 10,000 shares of common stock to one consultant for services rendered.

The foregoing offers, sales and issuances were exempt from registration under Section 4(a)(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	S-1	333-225157	3.5	May 23, 2018	
3.2	Amended and Restated Bylaws of the Registrant	S-1	333-225157	3.7	May 23, 2018	
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.1	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

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.

	HyreCar Inc.
Date: November 6, 2019	By: /s/ Joseph Furnari Joseph Furnari Chief Executive Officer (Principal Executive Officer)
Date: November 6, 2019	By: /s/ Scott Brogi Scott Brogi Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Joseph Furnari, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HyreCar 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) 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: November 6, 2019

By: /s/ Joseph Furnari
Name: Joseph Furnari
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

I, Scott Brogi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of HyreCar 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) 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: November 6, 2019

By:	/s/ Scott Brogi
Name:	Scott Brogi
Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Joseph Furnari, Chief Executive Officer of HyreCar Inc., a Delaware corporation (the “Company”), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (the “Form 10-Q”) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2019

By:	/s/ Joseph Furnari
Name:	Joseph Furnari
Title:	Chief Executive Officer
	(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATIONS
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (A) and (B) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), I, Scott Brogi, Chief Financial Officer of HyreCar Inc., a Delaware corporation (the "Company"), hereby certify, to my knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2019

By: /s/ Scott Brogi
Name: Scott Brogi
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)