

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 June 30, 2021

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

For the transition period from _____ to _____

Commission file number 000-53851

Mobivity Holdings Corp.

(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

26-3439095
(I.R.S. Employer
Identification No.)

**3133 West Frye Road, # 215
Chandler, Arizona 85226**
(Address of Principal Executive Offices & Zip Code)

(877) 282-7660
(Registrant's Telephone Number)

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
None	None	None

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Company	<input type="checkbox"/>

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 August 12, 2021, the registrant had 55,410,695 shares of common stock, par value \$0.001, of the registrant issued and outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Mobivity Holdings Corp.
Condensed Consolidated Balance Sheets

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current assets		
Cash	\$ 1,874,294	\$ 3,282,820
Accounts receivable, net of allowance for doubtful accounts of \$29,986 and \$33,848, respectively	1,552,478	305,693
Contracts receivable, current	943,904	943,904
Other current assets	307,451	272,736
Total current assets	4,678,127	4,805,153
Goodwill	496,352	496,352
Right to use lease assets	1,296,574	57,482
Intangible assets, net	1,274,255	1,368,329
Contracts receivable, long term	943,904	1,415,856
Other assets	194,012	25,230
TOTAL ASSETS	\$ 8,883,224	\$ 8,168,402
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 3,296,698	\$ 1,935,411
Accrued interest	2,324	47,316
Accrued and deferred personnel compensation	427,220	224,881
Deferred revenue and customer deposits	508,736	606,597
Related party notes payable	—	80,000
Notes payable, net - current maturities	149,634	561,676
Operating lease liability	161,867	58,173
Other current liabilities	567,715	566,303
Total current liabilities	5,114,194	4,080,357
Non-current liabilities		
Related party notes payable, net - long term	1,704,647	—
Notes payable, net - long term	982,654	1,499,001
Operating lease liability	1,305,219	13,296
Other long term liabilities	554,356	831,535
Total non-current liabilities	4,546,876	2,343,832
Total liabilities	9,661,070	6,424,189
Stockholders' equity (deficit)		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 55,410,695 and 55,410,695, shares issued and outstanding	55,411	55,411
Equity payable	100,862	100,862
Additional paid-in capital	101,810,068	101,186,889
Accumulated other comprehensive income (loss)	(42,365)	(23,446)
Accumulated deficit	(102,701,822)	(99,575,503)
Total stockholders' equity (deficit)	(777,846)	1,744,213
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 8,883,224	\$ 8,168,402

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues				
Revenues	\$ 2,792,828	\$ 2,766,662	\$ 5,250,418	\$ 7,316,656
Cost of revenues	1,272,141	1,214,915	2,313,936	2,799,328
Gross profit	1,520,687	1,551,747	2,936,482	4,517,328
Operating expenses				
General and administrative	957,400	1,003,146	2,246,770	2,249,922
Sales and marketing	1,111,693	495,616	2,008,443	1,303,623
Engineering, research, and development	674,035	521,597	1,397,985	2,199,127
Impairment of intangible asset	—	—	8,286	—
Depreciation and amortization	183,584	184,918	341,811	358,845
Total operating expenses	2,926,712	2,205,277	6,003,295	6,111,517
Loss from operations	(1,406,025)	(653,530)	(3,066,813)	(1,594,189)
Other income/(expense)				
Interest income	—	76	5	913
Interest expense	(23,867)	(68,088)	(56,383)	(145,277)
Loss on disposal of fixed assets	(880)	(3,935)	(880)	(3,935)
Foreign currency gain (loss)	(1,774)	(52)	(2,248)	1,100
Total other income/(expense)	(26,521)	(71,999)	(59,506)	(147,199)
Loss before income taxes	(1,432,546)	(725,529)	(3,126,319)	(1,741,388)
Income tax expense	—	—	—	—
Net loss per share:	(1,432,546)	(725,529)	(3,126,319)	(1,741,388)
Other comprehensive loss, net of income tax				
Foreign currency translation adjustments	(9,241)	(26,136)	(18,919)	(39,217)
Comprehensive loss	\$ (1,441,787)	\$ (751,665)	\$ (3,145,238)	\$ (1,780,605)
Net loss per share:				
Basic and Diluted	\$ (0.03)	\$ (0.01)	\$ (0.06)	\$ (0.03)
Weighted average number of shares:				
Basic and Diluted	55,410,695	51,615,469	55,410,695	51,524,778

See accompanying notes to consolidated financial statements (unaudited).

Mobivity Holdings Corp.
Condensed Consolidated Statement of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock		Equity	Additional	Accumulated	Accumulated	Total
	Shares	Dollars	Payable	Paid-in Capital	Other Comprehensive Loss	Deficit	Stockholders' Equity (Deficit)
Balance, December 31, 2019	51,380,969	\$ 51,381	\$ 100,862	\$ 94,781,738	\$ 8,780	\$ (96,657,106)	\$ (1,714,345)
Issuance of common stock for options exercised	1,556,459	1,556	—	1,932,411	—	—	1,933,967
Issuance of common stock for warrants exercised	1,359,500	1,360	—	1,639,448	—	—	1,640,808
Issuance of common stock for debt settlement	1,113,767	1,114	—	2,059,354	—	—	2,060,468
Stock based compensation	—	—	—	773,938	—	—	773,938
Foreign currency translation adjustment	—	—	—	—	(32,226)	—	(32,226)
Net loss	—	—	—	—	—	(2,918,397)	(2,918,397)
Balance, December 31, 2020	55,410,695	\$ 55,411	\$ 100,862	\$ 101,186,889	\$ (23,446)	\$ (99,575,503)	\$ 1,744,213
Fair value of options issued with related party debt	—	—	—	119,103	—	—	119,103
Stock based compensation	—	—	—	504,076	—	—	504,076
Foreign currency translation adjustment	—	—	—	—	(18,919)	—	(18,919)
Net loss	—	—	—	—	—	(3,126,319)	(3,126,319)
Balance, June 30, 2021	55,410,695	\$ 55,411	\$ 100,862	\$ 101,810,068	\$ (42,365)	\$ (102,701,822)	\$ (777,846)

See accompanying notes to consolidated financial statements (unaudited).

Mobivity Holdings Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2021	2020
OPERATING ACTIVITIES		
Net loss	\$ (3,126,319)	\$ (1,741,388)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	61,834	118,123
Adjustments due to ASC 606	—	(423,330)
Stock-based compensation	504,076	322,757
Loss on disposal of fixed assets	880	3,935
Intangible asset impairment	8,286	—
Depreciation and amortization expense	295,287	358,844
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(1,308,619)	112,549
Other current assets	(38,087)	225,192
Operating lease assets/liabilities	46,525	—
Contracts receivable, long-term	471,952	—
Other assets	3,556	594
Accounts payable	1,361,286	497,070
Accrued interest	(1,242)	98,705
Accrued and deferred personnel compensation	201,819	(56,065)
Right to use leases	(277,178)	(11,627)
Other liabilities - current	1,411	(14,020)
Deferred revenue and customer deposits	(97,861)	341,194
Net cash used in operating activities	(1,892,394)	(167,467)
INVESTING ACTIVITIES		
Purchases of equipment	(78,458)	(4,907)
Cash paid for patent activities	—	(8,755)
Capitalized software development costs	(190,699)	(112,681)
Net cash used in investing activities	(269,157)	(126,343)
FINANCING ACTIVITIES		
Payments on notes payable	(436,426)	(222,430)
Payments on related party notes payable	(80,000)	—
Proceeds from notes payable	—	920,519
Proceeds from related party notes payable	1,280,000	139,300
Proceeds from conversion of common stock warrants	—	234,500
Net cash provided by financing activities	763,574	1,071,889
Effect of foreign currency translation on cash flow	(10,549)	(54,968)
Net change in cash	(1,408,526)	723,111
Cash at beginning of period	3,282,820	273,599
Cash at end of period	\$ 1,874,294	\$ 996,710
Supplemental disclosures:		
Cash paid during period for:		
Interest	\$ 101,375	\$ 46,572
Fixed assets contributed by lessor	\$ 110,000	\$ —
Initial non asset and lease liability	\$ 1,458,527	\$ —
Refinancing of debt - related party	\$ 543,750	\$ —
Debt discount on related party debt	\$ 119,103	\$ —

See accompanying notes to consolidated financial statements.

Mobivity Holdings Corp.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Nature of Operations and Basis of Presentation

Mobivity Holdings Corp. (the “Company” or “we”) is in the business of developing and operating proprietary platforms over which brands and enterprises can conduct national and localized, data-driven mobile marketing campaigns. Our proprietary platforms, consisting of software available to phones, tablets, PCs, and Point of Sale (“POS”) systems, allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to consumers via mobile phones, mobile smartphone applications, and dynamically printed receipt content. On November 14, 2018, we completed the acquisition of certain operating assets relating to Belly, Inc.’s proprietary digital customer loyalty platform, including client contracts, accounts receivable and intellectual property. We generate revenue by charging the resellers, brands and enterprises a per-message transactional fee, through fixed or variable software licensing fees, or via advertising fees.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 30, 2021.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of our condensed consolidated financial statements as of June 30, 2021, and for the three and six months ended June 30, 2021 and 2020. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the operating results for the full year ending December 31, 2021.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates used are those related to stock-based compensation, asset impairments, the valuation and useful lives of depreciable tangible and certain intangible assets, the fair value of common stock used in acquisitions of businesses, the fair value of assets and liabilities acquired in acquisitions of businesses, the fair value of options issued with related party debt, and the valuation allowance of deferred tax assets. Management believes that these estimates are reasonable; however, actual results may differ from these estimates.

Accounts Receivable, Allowance for Doubtful Accounts and Concentrations

Accounts receivable are carried at their estimated collectible amounts. We grant unsecured credit to substantially all of our customers. Ongoing credit evaluations are performed, and potential credit losses are charged to operations at the time the account receivable is estimated to be uncollectible. Since we cannot necessarily predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate.

As of June 30, 2021, and December 31, 2020, we recorded an allowance for doubtful accounts of \$29,986 and \$33,848, respectively.

Goodwill and Intangible Assets

Goodwill is tested for impairment at a minimum on an annual basis. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit.

Intangible assets consist of patents and trademarks, purchased customer contracts, purchased customer and merchant relationships, purchased trade names, purchased technology, non-compete agreements, and software development costs. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to twenty years. No significant residual value is estimated for intangible assets.

Software Development Costs

Software development costs include direct costs incurred for internally developed products and payments made to independent software developers and/or contract engineers. The Company accounts for software development costs in accordance with the FASB guidance for the costs of computer software to be sold, leased, or otherwise marketed ("ASC Subtopic 985-20"). Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses technical design documentation and integration documentation, or the completed and tested product design and working model. Software development costs are capitalized once technological feasibility of a product is established and such costs are determined to be recoverable against future revenues. Technological feasibility is evaluated on a project-by-project basis. Amounts related to software development that are not capitalized are charged immediately to the appropriate expense account. Amounts that are considered 'research and development' that are not capitalized are immediately charged to engineering, research, and development expense.

Capitalized costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Commencing upon product release, capitalized software development costs are amortized to "Amortization Expense - Development" based on the straight-line method over a twenty-four month period.

The Company evaluates the future recoverability of capitalized software development costs on an annual basis. For products that have been released in prior years, the primary evaluation criterion is ongoing relations with the customer.

Impairment of Long-Lived Assets

We evaluate long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the undiscounted future net cash flow the asset is expected to generate.

Foreign Currency Translation

The Company translates the financial statements of its foreign subsidiary from the local (functional) currency into US Dollars using the year or reporting period end or average exchange rates in accordance with the requirements of Accounting Standards Codification subtopic 830-10, *Foreign Currency Matters* ("ASC 830-10"). Assets and liabilities of these subsidiaries were translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average rates in effect for the periods presented. The cumulative translation adjustment is included in the accumulated other comprehensive gain (loss) within shareholders' equity. Foreign currency transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the unaudited Condensed Consolidated Statements of Income and Comprehensive Income.

Revenue Recognition and Concentrations

Our Recurrency platform is a hosted solution. We generate revenue from licensing our software to clients in our software as a service model, per-message and per-minute transactional fees, and customized professional services. We recognize license/subscription fees over the period of the contract, service fees as the services are performed, and per-message or per-minute transaction revenue when the transaction takes place. Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We consider authoritative guidance on multiple deliverables in determining whether each deliverable represents a separate unit of accounting. Some customers are billed on a month-to-month basis with no contractual term and are collected by credit card. Revenue is recognized at the time that the services are rendered, and the selling price is fixed with a set range of plans. Cash received in advance of the performance of services is recorded as deferred revenue.

Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Accounting Standards Codification 606 (“ASC 606”), is a comprehensive revenue recognition standard that superseded nearly all existing revenue recognition guidance. The Company adopted this standard effective January 1, 2018, applying the modified retrospective method. Upon adoption, the Company discontinued revenue deferral under the sell-through model and commenced recording revenue upon delivery to distributors, net of estimated returns. Generally, the new standard results in earlier recognition of revenues.

We determine revenue recognition under ASC 606 through the following steps:

- ① identification of the contract, or contracts, with a customer;
- ② identification of the performance obligations in the contract;
- ③ identification of the transaction price;
- ④ allocation of the transaction price to the performance obligations in the contract; and
- ⑤ recognition of revenue when, or as, we satisfy a performance obligation.

During the six months ended June 30, 2021 and 2020, two customers accounted for 66% and 71% of our revenues, respectively.

Comprehensive Income (Loss)

Comprehensive loss is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We are required to record all components of comprehensive loss in the consolidated financial statements in the period in which they are recognized. Net loss and other comprehensive loss, including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive loss. For the six months ended June 30, 2021 and 2020, the comprehensive loss was \$3,145,238 and \$1,780,605 respectively.

Net Loss Per Common Share

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three and six months ended June 30, 2021 and 2020, we had securities outstanding which could potentially dilute basic earnings per share in the future. Those were excluded from the computation of diluted net loss per share when their effect would have been anti-dilutive.

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

Accounting standards promulgated by the FASB are subject to change. Changes in such standards may have an impact on the Company’s future financial statements. The following are a summary of recent accounting developments.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which removes the second step of the two-step goodwill impairment test. Under ASU 2017-04, an entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for 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 adopted this standard as of January 1, 2020.

3. Goodwill and Purchased Intangibles

Goodwill

The carrying value of goodwill at June 30, 2021 and December 31, 2020 was \$496,352.

The following table presents details of our purchased intangible assets as of June 30, 2021 and December 31, 2020:

Intangible assets

	Balance at December 31, 2020	Additions	Impairments	Amortization	Fx and Other	Balance at June 30, 2021
Patents and trademarks	\$ 71,029	\$ —	\$ (8,286)	\$ (2,705)	\$ 2	\$ 60,040
Customer and merchant relationships	642,385	—	—	(48,425)	—	593,960
Trade name	41,444	—	—	(4,530)	—	36,914
Acquired technology	128,491	—	—	(8,150)	—	120,341
Non-compete agreements	45,071	—	—	(7,930)	—	37,141
	<u>\$ 928,420</u>	<u>\$ —</u>	<u>\$ (8,286)</u>	<u>\$ (71,740)</u>	<u>\$ 2</u>	<u>\$ 848,396</u>

The intangible assets are being amortized on a straight-line basis over their estimated useful lives of one to twenty years.

Amortization expense for intangible assets was \$35,736 and \$37,767 for the three months ended June 30, 2021 and 2020, respectively.

Amortization expense for intangible assets was \$71,740 and \$75,444 for the six months ended June 30, 2021 and 2020, respectively.

The estimated future amortization expense of our intangible assets as of June 30, 2021 is as follows:

Year ending December 31,	Amount
2021	\$ 74,057
2022	148,114
2023	145,606
2024	109,009
2025	101,261
Thereafter	270,349
Total	<u>\$ 848,396</u>

4. Software Development Costs

The Company has capitalized certain costs for software developed or obtained for internal use during the application development stage as it relates to specific contracts. The amounts capitalized include external direct costs of services used in developing internal-use software and for payroll and payroll-related costs of employees directly associated with the development activities

The following table presents details of our software development costs as of June 30, 2021 and December 31, 2020:

	Balance at December 31, 2020	Additions	Amortization	Balance at June 30, 2021
Software Development Costs	\$ 439,908	\$ 190,699	\$ (204,748)	\$ 425,859
	<u>\$ 439,908</u>	<u>\$ 190,699</u>	<u>\$ (204,748)</u>	<u>\$ 425,859</u>

Software development costs are being amortized on a straight-line basis over their estimated useful life of two years.

Amortization expense for software development costs was \$105,539 and \$130, 803 for the three months ended June 30, 2021 and 2020, respectively.

Amortization expense for software development costs was \$204,748 and \$261,015 for the six months ended June 30, 2021 and 2020, respectively.

The estimated future amortization expense of software development costs as of June 30, 2021 is as follows:

Year ending December 31,	Amount
2021	\$ 194,888
2022	189,605
2023	41,366
2024	—
2025	—
Thereafter	—
Total	<u>\$ 425,859</u>

5. Operating Lease Assets

The Company entered into a lease agreement on February 1, 2021 for 8,898 square feet, for its office facilities in Chandler, AZ through January 2027. Monthly rental payments, excluding common area maintenance charges, are \$25,953 to \$28,733. The first twelve months of the lease includes a 50% abatement period and a deposit for \$110,000 was required. The lessor contributed \$110,000 towards the purchase of office furniture as part of the lease agreement. As of June 30, 2021, we have an operating lease asset balance of \$1,296,574 and an operating lease liability balance of \$1,467,086 recorded in accordance with ASC 842.

The following are additional details related to leases recorded on our balance sheet as of June 30, 2021:

Leases	Classification	Balance at June 30, 2021
Assets		
Noncurrent		
Operating lease assets	Noncurrent operating lease assets	\$ 1,296,574
Total lease assets		<u>\$ 1,296,574</u>
Liabilities		
Current		
Operating lease liabilities	Operating lease liabilities	\$ 161,867
Noncurrent		
Operating lease liabilities	Noncurrent operating lease liabilities	\$ 1,305,219
Total lease liabilities		<u>\$ 1,467,086</u>

The maturity analysis below summarizes the remaining future undiscounted cash flows for our operating leases, a reconciliation to operating lease liabilities reported on the Condensed Consolidated Balance Sheet, our weighted-average remaining lease term and weighted average discount rate:

Year ending December 31,	Amount
2021	\$ 98,083
2022	318,055
2023	324,220
2024	330,894
2025	337,568
Thereafter	372,976
Total future lease payments	1,781,796
Less: imputed interest	(314,710)
Total	\$ 1,467,086

Weighted Average Remaining Lease Term (years)	
Operating leases	5.2

Weighted Average Discount Rate	
Operating leases	6.75%

6. Notes Payable and Interest Expense

The following table presents details of our notes payable as of June 30, 2021 and December 31, 2020:

Facility	Maturity	Interest Rate	Balance at June 30, 2021	Balance at December 31, 2020
BDC Term Loan	October 15, 2021	23.5%	\$ 111,318	\$ 160,088
ACOA Note	February 1, 2024	—	97,601	111,430
Wintrust Bank	November 14, 2021	Prime + 1.5%	—	366,667
TD Bank	December 31, 2022	—	32,266	31,390
Chase Bank	April 10, 2022	1%	891,103	891,102
Related Party Note - Net	June 30, 2024	15%	1,704,647	580,000
Total Debt			2,836,935	2,140,677
Less current portion			(149,634)	(641,676)
Long-term debt, net of current portion			\$ 2,687,301	\$ 1,499,001

BDC Term Loan

On January 8, 2016, Livelenz, a wholly-owned subsidiary of the Company (“Livelenz”), entered into an amendment of their original loan agreement dated August 26, 2011 with the Business Development Bank of Canada (“BDC”). Under this agreement the loan would have matured, and the commitments would have terminated on September 15, 2019.

On July 26, 2019, Livelenz, entered into an amendment of their original loan agreement dated August 26, 2011 with BDC. Under this agreement the loan will mature, and the commitments will terminate on October 15, 2021. In accordance with the amendment, the Company will commence monthly payments beginning on August 15, 2019 of principal in the amount of \$8,500 CAD in addition to the monthly payment of accrued interest. These payments will increase to \$10,000 CAD on November 15, 2019, \$12,000 CAD on September 15, 2020, \$14,000 CAD on March 15, 2021, and \$16,000 CAD on September 15, 2021 in addition to the monthly interest. During the six months ended June 30, 2021 we repaid \$48,770 USD of principal.

ACOA Note

On November 6, 2017, Livelenz (a wholly-owned subsidiary of the Company), entered into an amendment of the original agreement dated December 2, 2014 with the Atlantic Canada Opportunities Agency (“ACOA”). Under this agreement the note will mature, and the commitments will terminate on February 1, 2024. The monthly principal payment amount of \$3,000 CAD increased to \$3,500 CAD beginning on November 1, 2019, \$4,000 CAD on August 1, 2021, \$4,500 CAD on August 1, 2022, and \$2,215 CAD during the remaining term of the agreement. Payments from April-December of 2020 were voluntarily deferred by ACOA due to COVID-19. During the six months ended June 30, 2021 we repaid \$13,829 USD of principal.

Wintrust Loan

On November 14, 2018, the Company entered into a Loan and Security Agreement with Wintrust Bank. The Loan and Security Agreement provides for a single-term loan to us in the original principal amount of \$1,000,000. Interest accrues on the unpaid principal amount at the rate of prime plus 1.5%. The loan is a three-year loan and is interest-only payable for the first six months of the loan. Commencing on May 1, 2019, the Company will commence monthly payments of principal in the amount of \$33,333 in addition to the monthly payment of accrued interest. The loan is secured by all of our assets other than our intellectual property. We used the proceeds of the loan to re-finance a loan in the principal amount of \$1,000,000 we assumed as part of the acquisition of the Belly assets.

On August 7, 2020, the Company entered into an amendment of their original loan agreement dated November 14, 2018 with Wintrust Bank. Under this agreement the covenant calculation was amended to calculate covenants under a borrowing base methodology. The Company had defaulted under the March 31, 2020 and June 30, 2020 covenants which were waived upon execution of the amendment and the Company has not committed any defaults under loan agreement subsequent to the amendment. During the six months ended June 30, 2021 we repaid \$366,667 of principal and thereby paid the loan in full. The Company’s assets securing the loan are now free from any liens under the Wintrust Loan and Security Agreement as of June 30, 2021.

Chase Loan

On April 10, 2020, we entered into a commitment loan with Chase Bank, N.A. under the CARES act and the Small Business Administration (SBA) Paycheck Protection Program (PPP), in the principal aggregate amount of \$891,102, which is due and payable two years after issuance. This note bears interest on the unpaid balance at the rate of one percent (1%) per annum. The note contains a deferral period of ten months after the 24 week usage period, for which no interest or principal payments are due. Forgiveness of the loan may be obtained by meeting certain SBA requirements.

On July 21, 2021, SBA has authorized full forgiveness of the \$891,102 PPP Loan after the Company applied for a loan forgiveness and met all the requirements for such loan forgiveness under the SBA program.

TD Bank Loan

On April 22, 2020, we entered into a commitment loan with TD Bank under the Canadian Emergency Business Account (“CEBA”), in the principal aggregate amount of \$40,000 CAD, which is due and payable on December 31, 2022. This note bears interest on the unpaid balance at the rate of zero percent (0%) per annum during the initial term. Under this note no interest or principal payments are due until January 1, 2023. Under the conditions of the loan, twenty-five percent (25%) of the loan will be forgiven if seventy-five percent (75%) is repaid prior to the initial term date.

Related Party Notes

During February 2018, we conducted a private placement of Unsecured Promissory Notes (individually, a “Note” and collectively, the “Notes”) in the aggregate principal amount of \$1,080,000 to certain investors, officers and directors of the Company. Each Note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum and the principal and accrued interest is due and payable no later than December 1, 2020. We may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty. The Note offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

On February 26, 2020, we issued an unsecured Note in the principle aggregate amount of \$200,000, which becomes due two years after the date of issuance. This Note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay this Note without notice, subject to a two percent (2%) pre-payment penalty.

On November 18, 2020, we issued two additional unsecured Notes in the principle aggregate amount of \$500,000, which becomes due two years after the date of issuance. These Notes bear interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay these Notes without notice, subject to a two percent (2%) pre-payment penalty.

On December 31, 2020 \$1,200,000 of these Notes and the accrued interest of \$192,208 was settled into equity. We recorded a loss on settlement of debt of \$668,260 for the year ended December 31, 2020.

On January 25, 2021, we repaid \$65,000 for an unsecured Note. On January 27, 2021, we repaid the remaining \$15,000 of the unsecured Note and accrued interest of \$34,379.

On June 30, 2021, we entered into a Credit Facility Agreement (the "Credit Agreement") with one of the Company's directors. The Company can borrow up to \$2,000,000 under this Credit Agreement and has drawn a total of \$1,823,750 during the period, including cash in the amount of \$1,280,000 and 543,750 of principal and accrued interest under the above-described Notes that was rolled into the Credit Facility. The loan is secured by all our tangible and intangible assets including intellectual property. We will repay the principal amount plus accrued interest in 24 equal monthly installments commencing on June 30, 2022 and ending on June 30, 2024. This loan bears interest on unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay this Note without notice, penalty or charge. In consideration of the lender's agreement to provide the facility, the Company issued warrants to purchase shares of its common stock at an exercise price of \$1.67 per share in connection with the issuance of funds under this Credit Agreement. The warrants are exercisable for a period commencing upon issuance of the notes and ending 36 months after issuance of the financing. In addition, the Company has agreed to issue to the lender additional warrants entitling the lender to purchase a number of shares of the Company common stock equal to ten percent (10%) of the amount of the advances made divided by the volume weighted average price over the 30 trading days preceding the advance (VWAP). Each warrant will be exercisable over a three-year period at an exercise price equal to the VWAP. During the six months period ending June 30, 2021, the Company issued warrants to purchase an aggregate of 227,994 shares of its common stock at the stated exercise price per share in connection with the issuance of funds under this Credit Agreement. The estimated aggregate fair value of the warrants issued is \$119,103 using the Black-Scholes option valuation model as of June 30, 2021.

As of June 30, 2021, we have a principal balance of \$1,823,750, discount of \$119,103, and accrued interest of \$0 outstanding under the said Credit Agreement.

Interest Expense

Interest expense was \$23,867 and \$68,088 during the three months ended June 30, 2021 and 2020, respectively.

Interest expense was \$56,383 and \$145,277 during the six months ended June 30, 2021 and 2020, respectively.

7. Stockholders' Equity

Common Stock

2020

On March 2, 2020, the Company issued 234,500 shares of common stock in exchange for cash in conjunction with a warrant exercise. The shares were exercised at the strike price of \$1.00 per share.

On September 17, 2020, the Company issued 15,000 shares of common stock in exchange for cash in conjunction with a stock option exercise. The shares were exercised at the strike price of \$0.48 per share.

In December of 2020, the Company commenced a private placement of its common stock with warrant exercises for one unit of our common stock at an exercise price of \$1.25 per share to receive a new warrant to purchase one share of our common stock at an exercise price of \$2.00 per share. As of December 31, 2020, the Company had sold 2,666,459 units of its common stock for gross proceeds of \$3,333,074. In addition, the Company issued 1,113,767 units of its common stock associated with the settlement of \$1,200,000 of principal, \$192,208 of accrued interest, and a loss on settlement of \$668,260 (See Note 6).

During 2020, the Company recorded stock-based compensation expense of \$260,003 related to restricted stock units for members of our board of directors.

As of December 31, 2020 we had an equity payable balance of \$100,862.

2021

During the six months ended June 30, 2021, the Company recorded stock-based compensation expense of \$130,005 related to restricted stock units for members of our board of directors. In addition, we also recorded \$59,712 of stock-based compensation expense related to restricted stock units as employee compensation.

As of June 30, 2021 we had an equity payable balance of \$100,862.

Stock-based Plans

Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2020 and for the six months ended June 30, 2021:

	Options
Outstanding at December 31, 2019	5,781,884
Granted	1,545,000
Exercised	(15,000)
Forfeit/canceled	(814,068)
Expired	(490,264)
Outstanding at December 31, 2020	6,007,552
Granted	87,500
Exercised	—
Forfeit/canceled	(76,406)
Expired	(92,180)
Outstanding at June 30, 2021	<u>5,926,466</u>

The weighted average exercise price of stock options granted during the period was \$1.80 and the related weighted average grant date fair value was \$1.16 per share.

2020

On March 24, 2020, the Company granted one employee a total of 15,000 options to purchase shares of the Company common stock at the closing price as of March 24, 2020 of \$0.65 per share. The option shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until March 24, 2030. The total estimated value using the Black-Scholes Model, based on a volatility rate of 77.56% and an option fair value of \$0.43 was \$6,472.

On April 6, 2020, the Company granted four employees a total of 700,000 options to purchase shares of the Company common stock at the closing price as of April 6, 2020 of \$0.70 per share. 500,000 option shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until April 6, 2030. 200,000 option shares will vest ratably over forty-eight (48) months and are exercisable until April 6, 2030. The total estimated value using the Black-Scholes Model, based on a volatility rate of 78.21% and an option fair value of \$0.47 was \$326,752.

On November 5, 2020, the Company granted one employee a total of 20,000 options to purchase shares of the Company common stock at the closing price as of November 5, 2020 of \$0.96 per share. The option shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until November 5, 2030. The total estimated value using the Black-Scholes Model, based on a volatility rate of 77.36% and an option fair value of \$0.63 was \$12,689.

On December 7, 2020, the Company granted one employee a total of 600,000 options to purchase shares of the Company common stock at the closing price as of December 7, 2020 of \$1.55 per share. The option shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until December 7, 2030. The total estimated value using the Black-Scholes Model, based on a volatility rate of 77.35% and an option fair value of \$1.03 was \$615,495.

On December 17, 2020, the Company granted six employees a total of 210,000 options to purchase shares of the Company common stock at the closing price as of December 17, 2020 of \$1.83 per share. The option shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until December 17, 2030. The total estimated value using the Black-Scholes Model, based on a volatility rate of 77.41% and an option fair value of \$1.21 was \$254,373.

2021

On March 26, 2021, the Company granted five employees a total of 67,500 options to purchase shares of the Company common stock at the closing price as of March 26, 2021 of \$1.80 per share. The option shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until March 26, 2031. The total estimated value using the Black-Scholes Model, based on a volatility rate of 73.97% and an option fair value of \$1.16 was \$78,492.

On May 2, 2021, the Company granted one employee a total of 20,000 options to purchase shares of the Company common stock at the closing price as of May 2, 2021, of \$1.48 per share. The option shares will vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until May 2, 2031. The total estimated value using the Black-Scholes Model, based on a volatility rate of 74.79% and an option fair value of \$0.93 was \$18,628.

Stock-Based Compensation Expense from Stock Options and Warrants

The impact on our results of operations of recording stock-based compensation expense for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
General and administrative	\$ 79,758	\$ 58,149	\$ 163,888	\$ 136,698
Sales and marketing	31,068	20,921	63,813	34,598
Engineering, research, and development	43,606	44,474	86,658	86,461
	<u>\$ 154,432</u>	<u>\$ 123,544</u>	<u>\$ 314,359</u>	<u>\$ 257,757</u>

Valuation Assumptions

The fair value of each stock option award was calculated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,	
	2021	2020
Risk-free interest rate	1.01 %	0.58 %
Expected life (years)	6.00	6.00
Expected dividend yield	— %	— %
Expected volatility	74.16 %	77.57 %

The risk-free interest rate assumption is based upon published interest rates appropriate for the expected life of our employee stock options.

The expected life of the stock options represents the weighted-average period that the stock options are expected to remain outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards.

The dividend yield assumption is based on our history of not paying dividends and no future expectations of dividend payouts.

The expected volatility in 2021 and 2020 is based on the historical publicly traded price of our common stock.

Restricted stock units

The following table summarizes restricted stock unit activity under our stock-based plans for the year ended December 31, 2020 and for the six months ended June 30, 2021:

	Shares
Outstanding at December 31, 2019	1,152,248
Awarded	284,480
Released	—
Canceled/forfeited/expired	—
Outstanding at December 31, 2020	1,436,728
Awarded	575,036
Released	—
Canceled/forfeited/expired	—
Outstanding at June 30, 2021	2,011,764
Expected to vest at June 30, 2021	2,011,764
Vested at June 30, 2021	1,543,014
Unvested at June 30, 2021	—
Unrecognized expense at June 30, 2021	\$ —

2020

On March 24, 2020, the Company issued to four independent directors a total of 100,000 restricted stock units. These restricted stock units were issued for the \$65,000 of board compensation earned for the first quarter of 2020. The units were valued at \$65,000 or \$0.65 per share, based on the closing stock price on the date of grant. All units vested immediately. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) March 24, 2023, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On August 7, 2020, the Company granted four independent directors a total of 81,252 restricted stock units. The units were valued at \$65,000 or \$0.80 per share, based on the closing stock price on the date of grant. All units vested immediately. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) August 7, 2023, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On November 5, 2020, the Company granted four independent directors a total of 67,708 restricted stock units. The units were valued at \$65,000 or \$0.96 per share, based on the closing stock price on the date of grant. All units vested immediately. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) November 5, 2023, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On December 17, 2020, the Company granted four independent directors a total of 35,520 restricted stock units. The units were valued at \$65,000 or \$1.83 per share, based on the closing stock price on the date of grant. All units vested immediately. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) December 17, 2023, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

In the twelve months ended December 31, 2020, the company recorded \$260,003 in restricted stock units as board compensation.

2021

On March 26, 2021, the Company issued to four independent directors a total of 36,112 restricted stock units. These restricted stock units were issued for the \$65,000 of board compensation earned for the first quarter of 2021. The units were valued at \$65,002 or \$1.80 per share, based on the closing stock price on the date of grant. All units vested immediately. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) March 26, 2024, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On March 26, 2021, the Company granted to one employee 1,000,000 restricted shares of the Company's Common Stock at the closing price as of March 26, 2021 of \$1.80 per share. The restricted stock will vest as follows (a) 50% of the restricted shares will vest ratably over forty-eight (48) months; (b) 15% of the restricted shares will vest upon the Company achieving \$25,000,000 in annualized recurring revenues as reported by totaling all contracted revenues for the trailing twelve months following the end of a reporting quarter; (c) the final 35% of the restricted shares will vest upon the Company achieving \$50,000,000 in annualized recurring revenues as reported by totaling all contracted revenues for the trailing twelve months following the end of a reporting quarter. Vesting is dependent on the employee's continued employment with the Company. All of the 1,000,000 restricted shares will include a single trigger accelerated vesting should the Company undergo a change of control after August 1, 2021. If the Company undergoes a change of control prior to August 1, 2021, 300,000 of the restricted shares would be eligible for single trigger accelerated vesting.

On May 12, 2021, the Company issued to four independent directors a total of 38,924 restricted stock units. These restricted stock units were issued for the \$65,000 of board compensation earned for the second quarter of 2021. The units were valued at \$65,002 or \$1.67 per share, based on the closing stock price on the date of grant. All units vested immediately. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) May 2, 2024, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

In the six months ended June 30, 2021, the company recorded \$130,005 in restricted stock units as board compensation and \$59,712 as employee compensation.

Stock Based Compensation from Restricted Stock

The impact on our results of operations of recording stock-based compensation expense for restricted stock units for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
General and administrative	\$ 65,003	\$ —	\$ 130,005	\$ 65,000
Sales and marketing	\$ 56,018	\$ —	\$ 59,712	\$ —
	<u>\$ 121,021</u>	<u>\$ —</u>	<u>\$ 189,717</u>	<u>\$ 65,000</u>

As of June 30, 2021, there was no unearned restricted stock unit compensation.

Warrants

2020

On March 2, 2020 one warrant holder exercised their common stock purchase warrant for 234,500 shares at the exercise price of \$1.00 per share, resulting in additional capital of \$234,500. In December 2020, warrant holders exercised warrants to purchase common stock at \$1.25 per share. At the commencement of the December warrant exercise, there were warrants outstanding that entitled their holders to purchase 2,691,459 shares of our common stock at exercise prices of \$1.25 per share. Pursuant to the offer, warrant holders exercised warrants to purchase 2,666,459 shares of our common stock, resulting in additional capital of \$3,333,074. As part of the exercise, 2,666,459 new warrants were issued to purchase common stock at \$2.00 per share within three years.

2021

On June 30, 2021, the company issued warrants to purchase an aggregate of 227,994 shares of its common stock at an exercise price of \$1.67 per share for 119,760 inducement warrants and VWAP for 108,234 additional warrants in connection with the issuance of a loan by a related party. The warrants are exercisable for a period commencing upon issuance of the notes and ending 36 months after issuance of the financing. The estimated aggregate fair value of the warrants issued is \$119,103 using the Black-Scholes option valuation model.

As of June 30, 2021, we have outstanding warrants to purchase 25,000 shares of Common Stock at \$1.25 per share in addition to warrants to purchase 2,666,459 shares of common stock at \$2.00 per share. These warrants expire in 2021 and 2023, respectively. We also have outstanding warrants to purchase 227,994 shares of common stock at stated price per share in connection with the issuance of a loan with a related party. These warrants expire in 2024.

8. Fair Value Measurements

Fair value is defined as 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. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier 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 the 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 requires us to develop our own assumptions. This hierarchy requires companies to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure certain financial assets and liabilities at fair value.

The following table presents assets that are measured and recognized at fair value as of March 31, 2021 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ —	\$ —	\$ 496,352	\$ —
Intangibles, net (non-recurring)	\$ —	\$ —	\$ 1,274,255	\$ —

The following table presents assets that are measured and recognized at fair value as of December 31, 2020 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	\$ —	\$ —	\$ 496,352	\$ —
Intangibles, net (non-recurring)	\$ —	\$ —	\$ 1,368,329	\$ —

9. Commitments and Contingencies

Litigation

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject, except for routine litigation incurred in the normal course of business.

Operating Lease

As described in Note 5, the Company has a lease agreement for 8,898 square feet, for its office facilities in Chandler, AZ through January 2027. Monthly rental payments, excluding common area maintenance charges, are \$25,953 to \$28,733. The first twelve months of the lease includes a 50% abatement period. As of June 30, 2021, we have an operating lease asset balance for this lease of \$1,271,016 and an operating lease liability balance for this lease of \$1,434,397 recorded in accordance with ASC 842

The Company also has a lease through April 2022 for 3,248 square feet of office space located in Halifax, Nova Scotia, at a monthly rental expense of \$2,665 to \$3,371 per month, excluding common area maintenance charges. As of June 30, 2021, we have an operating lease asset balance for this lease of \$25,559 and an operating lease liability balance for this lease of \$36,690 recorded in accordance with ASC 842.

10. Related Party Transactions

Unsecured Promissory Note Investments

2020

During February 2018, we conducted a private placement of Unsecured Promissory Notes (individually, a “*Note*” and collectively, the “*Notes*”) in the aggregate principal amount of \$1,080,000 to certain investors, officers and directors of the Company. Each Note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum and the principal and accrued interest is due and payable no later than December 1, 2020. We may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty. The Note offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

On February 26, 2020, we issued an unsecured Note in the principle aggregate amount of \$200,000, which becomes due two years after the date of issuance. This Note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay this Note without notice, subject to a two percent (2%) pre-payment penalty.

On November 18, 2020, we issued two additional unsecured Notes in the principle aggregate amount of \$500,000, which becomes due two years after the date of issuance. These Notes bear interest on the unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay these Notes without notice, subject to a two percent (2%) pre-payment penalty.

On December 31, 2020 \$1,200,000 of these Notes and the accrued interest of \$192,208 was settled into equity. We recorded a loss on settlement of debt of \$668,260 for the year ended December 31, 2020.

2021

On January 25, 2021, we repaid \$65,000 for an unsecured Note. On January 27, 2021, we repaid the remaining \$15,000 of the unsecured Note and accrued interest of \$34,379.

On June 30, 2021, we entered into a Credit Facility Agreement (the “*Credit Agreement*”) with one of the Company’s directors. The Company can borrow up to \$2,000,000 under this Credit Agreement and has drawn a total of \$1,823,750 during the period, including cash in the amount of \$1,280,000 and 543,750 of principal and accrued interest under the above-described Notes that was rolled into the Credit Facility. The loan is secured by all our tangible and intangible assets including intellectual property. We will repay the principal amount plus accrued interest in 24 equal monthly installments commencing on June 30, 2022 and ending on June 30, 2024. This loan bears interest on unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay this Note without notice, penalty or charge. In consideration of the lender’s agreement to provide the facility, the Company issued warrants to purchase shares of its common stock at an exercise price of \$1.67 per share in connection with the issuance of funds under this Credit Agreement. The warrants are exercisable for a period commencing upon issuance of the notes and ending 36 months after issuance of the financing. In addition, the Company has agreed to issue to the lender additional warrants entitling the lender to purchase a number of shares of the Company common stock equal to ten percent (10%) of the amount of the advances made divided by the volume weighted average price over the 30 trading days preceding the advance (VWAP). Each warrant will be exercisable over a three-year period at an exercise price equal to the VWAP. During the six months period ending June 30, 2021, the Company issued warrants to purchase an aggregate of 227,994 shares of its common stock at the stated exercise price per share in connection with the issuance of funds under this Credit Agreement. The estimated aggregate fair value of the warrants issued is \$119,103 using the Black-Scholes option valuation model as of June 30, 2021.

As of June 30, 2021, we have a principal balance of \$1,823,750, discount of \$119,103, and accrued interest of \$0 outstanding under the said Credit Agreement.

11. Subsequent Events

On July 21, 2021, the SBA authorized full forgiveness of the \$891,102 PPP Loan after the Company applied for a loan forgiveness and met all the requirements for such loan forgiveness under the SBA program.

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

This Quarterly Report on Form 10-Q contains “forward-looking statements” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements about our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” or “will,” and similar expressions or variations. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those risks disclosed under the caption “Risk Factors” included in our 2020 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 30, 2021 and in our subsequent filings with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Overview

Mobivity Holdings Corp. (the “Company” or “we”) is in the business of developing and operating proprietary platforms over which brands and enterprises can conduct national and localized, data-driven marketing campaigns.

Mobivity’s Recurrency platform enables multi-unit retailers to leverage the power of their own data to yield maximum customer spend, frequency and loyalty while achieving the highest Return on Marketing Spend (ROMS) possible. Mobivity’s customers use Recurrency to:

- ① Transform messy point-of-sale (POS) data collected from thousands of points of sale into usable intelligence.
- ② Measure, predict, and boost guest frequency and spend by channel.
- ③ Deploy and manage one-time use offer codes and attribute sales accurately across every channel, promotion and media program.
- ④ Deliver 1:1 promotions and offers with customized Mobile Messaging, Personalized Receipt Promotions and Integrated Loyalty programs.

Mobivity’s Recurrency, delivered as a Software-as-a-Service (“SaaS”) platform, is used by leading brands including Subway, Sonic Drive-In, Baskin Robbins, Chick-fil-A and Checkers/Rally’s across more than 40,000 retail locations globally.

We’re living in a data-driven economy. In fact, by 2003 — when the concept of “big data” became common vernacular in marketing - as much data was being created every two days as had been created in all of time prior to 2003. Today, Big Data has grown at such a rate that 90% of the world’s data has been created in the past two years. Unfortunately, despite there being so much data accumulated, only one percent of data is being utilized today by most businesses.

The challenge for multi-unit retailers isn’t that they don’t have enough data; in fact, national retailers are collecting millions of detailed transactions daily from thousands of points of sale around the world. The challenge is being able to make sense of this transaction data, which is riddled with data entry errors, collected by multiple POS systems and complicated by a taxonomy compiled by thousands of different franchisee owners. To normalize such an overwhelming amount of data into usable intelligence and then leverage it to optimize media investment and promotion strategy requires numerous teams of data analysts and data scientists that many retailers and restaurant

operators simply don't have. Which is why so many technology and data companies, that can help solve these challenges, have been invested in and acquired by brands including, McDonald's, Starbucks and Yum Brands.

Mobivity's Recurrency platform fills this need with a self-service SaaS offering, enabling operators to intelligently optimize their promotions, media and marketing spend. Recurrency drives system-wide sales producing on average a 13% increase in guest spend and a 26% improvement in frequency, ultimately delivering an average Return on Marketing Spend of 10X. In other words, for every dollar invested in marketing, retailers using Recurrency to manage, optimize and deliver multi-channel consumer promotions generate an average of ten dollars in incremental revenue from their customers.

The Recurrency Platform

Mobivity's Recurrency™ platform unlocks valuable POS and mobile data to help transform customer transactions into actionable and attributable marketing insights. Our technology provides transactional data, in real-time, that uncovers market-basket information and attributes both online and traditional promotions. Recurrency is comprised of seven components.

POS Data Capture

Recurrency captures, normalizes, integrates, and stores transaction data and is compatible with most POS systems used by restaurants and retailers today. The result is a clean useful dataset upon which to predict and influence customers' buying behavior and deliver basket-level insights.

Analytics Powered by Machine Learning

Recurrency uses Machine Learning ("ML") to uncover patterns in the buying behaviors of consumers and leverages that data to suggest pricing optimizations, and guide marketing campaigns.

Offers and Promotions

Recurrency provides a digital wallet system for creating and managing dynamic offers and promotions, enabling accurate and complete closed-loop attribution across all channels, media and marketing efforts. Retailers can deploy one-time, limited-use and multi-use promotions across all online and offline marketing channels that are scannable at the POS or redeemable online, enabling fraud-free, controllable promotion delivery and attribution at scale. Marketing teams can use the comprehensive attribution analysis and insights to optimize media mix and spend for maximum Return on Marketing Spend ("ROMS").

Predictive Offers

Recurrency leverages the normalized data captured at the POS and applies Artificial Intelligence ("AI") to build profiles of both known and anonymous customers, analyzes pre and post-redemption behavior and then predicts offers that will drive the highest increases in customer spend and frequency at the lowest discount possible. The result is optimized, personalized promotions that produce the highest ROMS possible.

Personalized Receipt Promotions

Recurrency unlocks the power of transactional data to create relevant and timely customer messages printed on the receipts already being generated at the POS. Both clients and agencies are using Recurrency to drive better results and make decisions around offers, promotions, and customer engagement through the medium of the printed receipt. Software integrated with leading POS systems, such as Oracle, MICROS, or installed directly onto receipt printer platforms, such as Epson's OmniLink product, dynamically controls what is printed on receipts including images, coupons, announcements, or other calls-to-action, such as invitations to participate in a survey. Recurrency offers a Web-based interface where users can design receipt content and implement business rules to dictate what receipt content is printed in particular situations. All receipt content is also transmitted to cloud-based Recurrency for storage and analysis.

Customized Mobile Messaging

Recurrency transforms standard short message service ("SMS"), multimedia messaging service ("MMS"), and rich communication services ("RCS") into a data-driven marketing medium. Recurrency tracks and measures offer effectiveness at a more granular level than other solutions, allowing clients to create smarter offers and drive higher redemption rates. Our proprietary platform connects to all wireless carriers so that any consumer, on any wireless service (for example, Verizon), can join our customer's SMS/MMS mobile marketing campaign. Our customers use Recurrency's self-service interface to build, segment, target and optimize mobile messaging campaigns to drive increased guest frequency and spend. Recurrency is an industry leader in RCS messaging and has an industry leading broadcast reach.

Belly Loyalty

Mobivity's Belly Loyalty solution drives increased customer engagement and frequency with a customer-facing digital rewards platform via an app and digital pad. Using Belly, customers can customize rewards and leverage pre-built email campaigns and triggers to encourage greater frequency as well as identify and reactivate lapsed customers.

Company Strategy

Our objective is to build an industry-leading Software-as-a-Service ("SaaS") product that connects consumers to merchants and brands. The key elements to our strategy are:

- ① Exploit the competitive advantages and operating leverage of our technology platform. The core of our business is our proprietary POS Data Capture technology. Several years of development went into designing POS Data Capture such that the process of intercepting POS data and performing actions, such as controlling the receipt printer with receipt is scalable, portable to a wide variety of POS platforms, and does not impact performance factors including the print speed of a typical receipt printer. Furthermore, we believe the transmission of POS data to Mobivity's cloud-based data stores presents a very competitive and innovative method of enabling POS data access. Additionally, we believe that our Recurrency platform is more advanced than technologies offered by our competitors and provides us with a significant competitive advantage. With more than ten years of development, we believe that our platform operates SMS/MMS text messaging transactions at a "least cost" relative to competitors while also being capable of supporting SMS/MMS text messaging transactional volume necessary to support our goal of several thousand end users. Leveraging our Recurrency platform allows for full attribution of SMS/MMS offers, which we believe is a unique combination of both SMS/MMS text messaging and POS data.
- ② Evolve our sales and customer support infrastructure to uniquely serve very large customer implementations such as franchise-based brands who operate a large number of locations. Over the past few years we have focused our efforts on the development of our technology and solutions with the goal of selling and supporting small and medium-sized businesses. Going forward, we intend to increase significantly our investments in sales and customer support resources tailored to selling to customers that operate franchise brands. Today we support more than 30,000 merchant locations globally.
- ③ Acquire complementary businesses and technologies. We will continue to search and identify unique opportunities which we believe will enhance our product features and functionality, revenue goals, and technology. We intend to target companies with some or all of the following characteristics: (1) an established revenue base; (2) strong pipeline and growth prospects; (3) break-even or positive cash flow; (4) opportunities for substantial expense reductions through integration into our platform; (5) strong sales teams; and (6) technology and services that further build out and differentiate our platform. Our acquisitions have historically been consummated through the issuance of a combination of our common stock and cash.
- ④ Build our intellectual property portfolio. We currently have nine issued patents that we believe have significant potential application in the technology industry. We plan to continue our investment in building a strong intellectual property portfolio.

While these are the key elements of our current strategy, there can be no guarantees that our strategy will not change or that our strategy will be successful.

Recent Events

Unsecured Promissory Note Investments in 2021

On January 25, 2021, we repaid \$65,000 for an unsecured Note. On January 27, 2021, we repaid the remaining \$15,000 of the unsecured Note and accrued interest of \$34,379.

On June 30, 2021, we entered into a Credit Facility Agreement (the "Credit Agreement") with one of the Company's directors. The Company can borrow up to \$2,000,000 under this Credit Agreement and has drawn a total of \$1,823,750 during the period, including cash in the amount of \$1,280,000 and 543,750 of principal and accrued interest under the above-described Notes that was rolled into the Credit Facility. The loan is secured by all our tangible and intangible assets including intellectual property. We will repay the principal amount plus accrued interest in 24 equal monthly installments commencing on June 30, 2022 and ending on June 30, 2024. This loan bears interest on unpaid balance at the rate of fifteen percent (15%) per annum. The Company may prepay this Note without notice, penalty or charge. In consideration of the lender's agreement to provide the facility, the Company issued warrants to purchase shares of its common stock at an exercise price of \$1.67 per share in connection with the issuance of funds under this Credit Agreement. The warrants are exercisable for a period commencing upon issuance of the notes and ending 36 months after issuance of the financing. In addition, the Company has agreed to issue to the lender additional warrants entitling the lender to purchase a number of shares of the Company common stock equal to ten percent (10%) of the amount of the advances made divided by the volume weighted average price over the 30 trading days preceding the advance (VWAP). Each warrant will be exercisable over a three-year period at an exercise price equal to the VWAP.

During the six months period ending June 30, 2021, the Company issued warrants to purchase an aggregate of 227,994 shares of its common stock at the stated exercise price per share in connection with the issuance of funds under this Credit Agreement. The estimated aggregate fair value of the warrants issued is \$119,103 using the Black-Scholes option valuation model as of June 30, 2021.

As of June 30, 2021, we have a principal balance of \$1,823,750, discount of \$119,103, and accrued interest of \$0 outstanding under the said Credit Agreement.

Chase Loan

On April 10, 2020, we entered into a commitment loan with Chase Bank, N.A. under the CARES act and the Small Business Administration (SBA) Paycheck Protection Program (PPP), in the principal aggregate amount of \$891,102, which is due and payable two years after issuance. This note bears interest on the unpaid balance at the rate of one percent (1%) per annum. The note contains a deferral period of ten months after the 24 week usage period, for which no interest or principal payments are due. Forgiveness of the loan may be obtained by meeting certain SBA requirements.

On July 21, 2021, SBA has authorized full forgiveness of the \$891,102 PPP Loan after the Company applied for a loan forgiveness and met all the requirements for such loan forgiveness under the SBA program.

Office Relocation

We entered into a six-year office lease starting in February of 2021 for 8,898 square feet of office space located at 3133 W. Frye Road, Suite 215, Chandler, Arizona. Monthly rental payments, excluding common area maintenance charges, will be \$25,953 to \$28,733. The first twelve months of the lease includes a 50% abatement period.

Intellectual Property

U.S. Patent number 10,949,868 B1 was granted on March 16, 2021. This patent covers the single use of electronic retailer coupons and referral program. The method and system prevents fraud, is specific to geolocation and provides an audit trail of the customer, cashier and marketing platform. A user can also earn a subsequent coupon by referring a friend.

US Patent number 6,788,769 B1 expired in March of 2021. This patent covered a method and system for using telephone numbers as a key to address email and online content without the use of a look-up database. Using this system, a phone number is used to access a website or an email address in exactly the same way it is used to dial a telephone.

Results of Operations

Revenues

Revenues consist primarily of a suite of products under the Recurrency platform. The Recurrency platform is comprised of POS Data Capture, Analytics, Offers and Promotions, Predictive Offers, Personalized Receipt Promotions, Customized Mobile Messaging, Belly Loyalty, and other revenues.

Revenues for the three months ended June 30, 2021, were \$2,792,828 an increase of \$26,166, or less than 1% compared to the same period in 2020.

Revenues for the six months ended June 30, 2021, were \$5,250,418 a decrease of \$2,066,238, or 28% compared to the same period in 2020. This decrease is primarily due to the January of 2020 execution of a contract that recognized revenue of \$1,280,369 during the six months ended June 30, 2020. In addition, during the six months ended June 30, 2021, we had a reduction of SMS messaging volume due to a very large customer pausing marketing spend because of COVID-19 and \$471,952 reduction due to adoption of new accounting standard in 2020.

Cost of Revenues

Cost of revenues consist primarily of cloud-based software licensing fees, short code maintenance expenses, messaging related expenses, and other expenses.

Cost of revenues for the three months ended June 30, 2021, was \$1,272,141, an increase of \$57,226, or 5%, compared to the same period in 2020.

Cost of revenues for the six months ended June 30, 2021, was \$2,313,936 a decrease of \$485,392, or 17% compared to the same period in 2020. This decrease is primarily due to lower SMS messaging volume and decreased application costs associated with cost reduction initiatives by the Company.

General and Administrative

General and administrative expenses consist primarily of salaries and personnel related expenses, consulting costs and other expenses.

General and administrative expenses decreased \$45,746, or 5%, to \$957,400 during the three months ended June 30, 2021, compared to \$1,003,146 for the same period in 2020. The decrease in general and administrative expense was due to cost reduction initiatives by the Company.

General and administrative expenses decreased \$3,152, or less than 1%, to \$2,246,770 during the six months ended June 30, 2021 compared to \$2,249,922 for the same period in 2020.

Sales and Marketing

Sales and marketing expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses.

Sales and marketing expenses increased \$616,077 or 124%, to \$1,111,693 during the three months ended June 30, 2021, compared to \$495,616 for the same period in 2020. The increase was primarily due to higher personnel costs, share based compensation expenses, and direct marketing activities.

Sales and marketing expenses increased \$704,820, or 54%, to \$2,008,443 during the six months ended June 30, 2021 compared to \$1,303,623 for the same period in 2020. The increase was primarily due to higher personnel costs, share based compensation expenses, and direct marketing activities.

Engineering, Research & Development

Engineering, research & development costs include salaries, stock-based compensation expenses, travel, consulting costs, and other expenses.

Engineering, research & development expenses increased \$152,438 or 29%, to \$674,035 during the three months ended June 30, 2021, compared to \$521,597 for the same period in 2020. This increase is primarily due to the increase in projects compared to the same period in 2020.

Engineering, research & development expenses decreased \$801,142 or 36%, to \$1,397,985 during the six months ended June 30, 2021, compared to \$2,199,127 for the same period in 2020. This decrease is primarily due to the reduction of expenses from the \$683,687 related to a new contract in the previous year and \$249,460 reduction due to adoption of new accounting standard in 2020.

Impairment on Intangible Asset

Impairment on intangible assets consists of an intangible asset valued at less than its carrying value. Impairment on intangible assets increased \$8,286 or 100% for the six months ended June 30, 2021, compared to the same period in 2020.

Depreciation and Amortization

Depreciation and amortization expense consist of depreciation on our equipment and amortization of our intangible assets.

Depreciation and amortization expense decreased \$1,334 or less than 1%, during the three months ended June 30, 2021 compared to the same period in 2020.

Depreciation and amortization expense decreased \$17,034 or 5%, during the six months ended June 30, 2021 compared to the same period in 2020. This decrease is primarily due to the reduction in amortization of intangibles on software development costs.

Interest Income

Interest income consists of stated interest income on our cash balances. Interest income decreased \$76 to \$0, during the six months ended June 30, 2021, compared to the same period in 2020. This decrease in interest income is related to lower earnings on cash positions held throughout the year compared to the previous year.

Interest income consists of stated interest income on our cash balances. Interest income decreased \$908, or 99%, during the six months ended June 30, 2021, compared to the same period in 2020. This decrease in interest income is related to lower earnings on cash positions held throughout the year compared to the previous year.

Interest Expense

Interest expense consists of stated or implied interest expense on our notes payable, amortization of note discounts, and amortization of deferred financing costs. Interest expense decreased \$44,221, or 65%, during the three months ended June 30, 2021, compared to the same period in 2020. This decrease in interest expense is primarily related to a reduction of borrowings from our related parties.

Interest expense decreased \$88,894, or 61%, during the six months ended June 30, 2021, compared to the same period in 2020. This decrease in interest expense is primarily related to a reduction of borrowings from our related parties.

Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for the three and six months ended June 30, 2021, was \$1 Canadian equals \$0.81 and \$0.80 U.S. Dollars, respectively. This compares to an average rate of \$1 Canadian equals \$0.74 during the same period of 2020. The Company's functional or measurement currency is the U.S. Dollar. Based on a U.S. Dollar functional currency, the following are the key areas impacted by foreign currency volatility:

- ① The Company sells products primarily in U.S. Dollars; therefore, reported revenues are not highly impacted by foreign currency volatility.
- ① A portion of the Company's expenses are incurred in Canadian Dollars and therefore fluctuate in U.S. Dollars as the U.S. Dollar varies. A weaker U.S. Dollar results in an increase in translated expenses, and stronger U.S. Dollar results in a decrease.
- ① Changes in foreign currency rates also impact the translated value of the Company's working capital that is held in Canadian Dollars. Foreign exchange rate fluctuations result in foreign exchange gains or losses based upon movement in the translated value of Canadian working capital into U.S. Dollars.

The change in foreign currency was a loss of \$2,248 and a gain of \$1,100 for the six months ended June 30, 2021 and 2020, respectively.

Liquidity and Capital Resources

As of June 30, 2021, we had current assets of \$4,678,127, including \$1,874,294 in cash, and current liabilities of \$5,114,194, resulting in a working capital deficit of \$436,067.

We believe as of the date of this report, we have the working capital on hand, along with our expected cash flow from operations and budget reductions, to fund our current level of operations at least through the end of the next twelve months. However, there can be no assurance that we will not require additional capital. If we require additional capital, we will seek to obtain additional working capital through the sale of our securities and, if available, bank lines of credit. However, there can be no assurance we will be able to obtain access to capital as and when needed and, if so, the terms of any available financing may not be subject to commercially reasonable terms.

Cash Flows

	Six Months June 30,	
	2021	2020
Net cash provided by (used in):		
Operating activities	\$ (1,892,394)	\$ (167,467)
Investing activities	(269,157)	(126,343)
Financing activities	763,574	1,071,889
Effect of foreign currency translation on cash flow	(10,549)	(54,968)
Net change in cash	<u>\$ (1,408,526)</u>	<u>\$ 723,111</u>

Operating Activities

We used cash from operating activities totaling \$1,892,394 during the six months ended June 30, 2021 and used cash from operating activities totaling \$167,467 during the six months ended June 30, 2020. The increase in cash used in operations was primarily due to an increase in net loss of \$3,126,319 in addition to an increase to \$1,308,619 of accounts receivable.

Investing Activities

Investing activities during the six months ended June 30, 2021, consisted of \$75,458 of equipment purchases and \$190,699 of capitalized software development costs.

Investing activities during the six months ended June 30, 2020, consisted of \$4,907 of equipment purchases, \$8,755 of cash paid for patents and \$112,681 of capitalized software development costs.

Financing Activities

Financing activities during the six months ended June 30, 2021, consisted of \$1,280,000 proceeds from one of the Company's director under a Credit Facility Agreement, \$436,426 of payments on notes payable and \$80,000 of payments on related party notes payable.

Financing activities during the six months ended June 30, 2020 consisted of \$222,430 of payments on notes payable, \$920,519 of proceeds from notes payable issued in relation to emergency government funding for COVID-19, \$234,500 of net proceeds from the sale of common stock units and proceeds, net of repayments of \$139,300 from the issuance of related party debt.

Critical Accounting Policies and Estimates

Refer to Note 2, "Summary of Significant Accounting Policies," in the accompanying notes to the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company as defined by section 10(f)(1) of Regulation S-K. As such, we are not required to provide the information set forth in this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit 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 us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that as of June 30, 2021 our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 5. Other Information

None

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification by Chief Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
31.2	Certification by Chief Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
32.1	Certification Pursuant to 18 U.S.C. Section 1350 *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Definition Linkbase Document *
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document *

* Filed electronically herewith

SIGNATURES

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

Date: August 12, 2021

Mobivity Holdings Corp.

By: /s/ Dennis Becker
Dennis Becker
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 12, 2021

By: /s/ Lisa Brennan
Lisa Brennan
Chief Financial Officer
(Principal Accounting Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dennis Becker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended June 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

By: /s/ Dennis Becker
Dennis Becker
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lisa Brennan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mobivity Holdings Corp. for the quarter ended June 30, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

By: /s/ Lisa Brennan
Lisa Brennan
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Mobivity Holdings Corp., a Nevada corporation (the "Company"), for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Dennis Becker, Chief Executive Officer of the Company, and Lisa Brennan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: August 12, 2021

/s/ Dennis Becker
Dennis Becker
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Lisa Brennan
Lisa Brennan
Chief Financial Officer
(Principal Financial and Accounting Officer)
