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

FORM 10-Q

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

For quarterly period ended June 30, 2023.

or

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

For the Transition period from _______________ to ______________

Commission File Number: 000-13215

AiADVERTISING, INC.
(Exact name of registrant as specified in its charter)

Nevada	**30-0050402**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1114 S. St. Mary's Street #120, San Antonio, TX 78210
(Address of principal executive offices) (Zip Code)

(917) 273-8429
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act: None

Tile of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

As of October 20, 2023, the number of shares outstanding of the registrant's common stock, par value $0.001, was 1,334,408,773.

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PART I. - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

AIADVERTISING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2023 (unaudited)	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash	$ 2,409,646	$ 55,831
Accounts receivable, net	727,932	95,300
Prepaid and other current Assets	202,859	105,076
TOTAL CURRENT ASSETS	3,340,437	256,207
PROPERTY & EQUIPMENT, net	86,560	102,659
RIGHT-OF-USE ASSETS	169,319	175,974
OTHER ASSETS		
Lease deposit	8,939	8,939
Goodwill and other intangible assets, net	20,202	20,202
TOTAL OTHER ASSETS	29,141	29,141
TOTAL ASSETS	$ 3,625,457	$ 563,981
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 1,457,419	$ 2,071,122
Accounts payable, related party	-	10,817
Accrued expenses	23,545	39,233
Operating lease liability	29,717	28,494
Deferred revenue and customer deposit	837,295	791,133
TOTAL CURRENT LIABILITIES	2,347,976	2,940,799
LONG TERM LIABILITIES		
Operating lease obligation, long term	139,602	147,480
TOTAL LONG TERM LIABILITIES	139,602	147,480
TOTAL LIABILITIES	2,487,578	3,088,279
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $0.001 par value; 5,000,000 Authorized shares:		
Series B Preferred stock; 25,000 authorized, 18,025 shares issued and outstanding;	18	18
Series C Preferred stock; 25,000 authorized, 14,425 shares issued and outstanding;	14	14
Series D Preferred stock; 90,000 authorized, 86,021 shares issued and outstanding;	86	86
Series E Preferred stock; 10,000 authorized, 10,000 shares issued and outstanding;	10	10
Series F Preferred stock; 800,000 authorized, zero and 2,413 shares issued and outstanding;	-	-
Series G Preferred stock; 2,600 authorized, 2,597 shares issued and outstanding;	3	3
Series H Preferred stock; 1,000 authorized, zero and zero shares issued and outstanding;	-	-
Series I Preferred stock; 3,000,000 authorized, 2,272,727 and zero shares issued and outstanding;	2,273	-
Series J Preferred stock; 700,000 authorized, zero and zero shares issued and outstanding;	-	-
Common stock, $0.001 par value; 10,000,000,000 and 2,000,000,000 authorized shares; 1,334,408,773 and 1,175,324,203 shares issued and outstanding, respectively	1,334,414	1,175,330
Additional paid in capital	55,870,245	49,595,914
Common stock payable, consisting of 5,000,000 shares valued at $0.1128	564,000	564,000
Accumulated deficit	(56,633,184)	(53,859,673)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	1,137,879	(2,524,298)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$ 3,625,457	$ 563,981

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

AIADVERTISING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
REVENUE	$ 1,594,041	1,618,626	$ 3,768,793	2,818,288
COST OF REVENUE	1,953,936	1,627,788	3,609,385	3,163,620
Gross Profit	(359,895)	(9,162)	159,408	(345,332)
OPERATING EXPENSES				
Salaries and outside services	1,151,803	858,804	1,823,064	2,123,509
Selling, general and administrative expenses	805,499	1,139,493	1,528,784	2,154,057
Depreciation and amortization	8,047	9,321	16,097	18,434
TOTAL OPERATING EXPENSES	1,965,349	2,007,618	3,367,945	4,296,000
INCOME (LOSS) FROM OPERATIONS BEFORE OTHER INCOME AND TAXES	$ (2,325,244)	(2,016,780)	$ (3,208,537)	(4,641,332)
OTHER INCOME (EXPENSE)				
Other income	435,021	-	435,026	-
Gain (loss) on Sales of Discontinued Operations	-	-	-	25,197
TOTAL OTHER INCOME (EXPENSE)	$ 435,021	-	$ 435,026	25,197
INCOME/(LOSS) BEFORE PROVISION FOR TAXES	$ (1,890,223)	(2,016,780)	$ (2,773,511)	(4,616,135)
PROVISION (BENEFIT) FOR INCOME TAXES	-	-	-	-
NET INCOME/(LOSS)	$ (1,890,223)	(2,016,780)	$ (2,773,511)	(4,616,135)
PREFERRED DIVIDENDS	-	-	-	-
NET INCOME/(LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (1,890,223)	(2,016,780)	$ (2,773,511)	(4,616,135)
NET LOSS PER SHARE				
BASIC	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
DILUTED	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING				
BASIC	1,329,921,400	1,131,934,620	1,281,214,213	1,094,989,076
DILUTED	1,329,921,400	1,131,934,620	1,281,214,213	1,094,989,076

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

AIADVERTISING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)

Six Months Ended June 30, 2022

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Payable	Accumulated Deficit	Total
Balance, December 31, 2021	131,068	$ 131	1,055,556,518	$ 1,055,566	$ 46,667,049	$ 564,000	$ (45,369,749)	$ 2,916,997
Proceeds from issuance of common stock			55,300,000	55,300	588,324			643,624
Stock based compensation					393,546		-	393,546
Stock option exercised - cashless basis			912,442	912	(912)		-	-
Net Loss	-	-	-	-			(2,599,355)	(2,599,355)
Balance, March 31, 2022	131,068	$ 131	1,111,768,960	$ 1,111,778	$ 47,648,007	$ 564,000	$ (47,969,104)	$ 1,354,812
Proceeds from issuance of common stock			22,120,000	22,120	274,415			296,535
Stock Issuance in exchange for services			195,086	195	3,179			3,374
Stock based compensation					500,571		-	500,571
Net Loss	-	-	-	-			(2,016,780)	(2,016,780)
Balance, June 30, 2022	131,068	$ 131	1,134,084,046	$ 1,134,093	$ 48,426,172	$ 564,000	$ (49,985,884)	$ 138,512

Six Months Ended June 30, 2023

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Payable	Accumulated Deficit	Total
Balance, December 31, 2022	131,068	$ 131	1,175,324,203	$ 1,175,330	$ 49,595,914	$ 564,000	$ (53,859,673)	$ (2,524,298)
Proceeds from issuance of common stock			140,532,512	140,533	415,473			556,006
Stock based compensation					462,163			462,163
Net Loss							(883,288)	(883,288)
Balance, March 31, 2023	131,068	$ 131	1,315,856,715	$ 1,315,863	$ 50,473,550	$ 564,000	$ (54,742,961)	$ (2,389,417)
Proceeds from Issuance of preferred stock	2,272,727	2,273			4,997,727			5,000,000
Proceeds from Issuance of common stock			14,620,945	14,620	28,801			43,421
Stock based compensation					374,098			374,098
Stock option exercised - cashless basis			3,931,113	3,931	(3,931)			-
Net Loss							(1,890,223)	(1,890,223)
Balance, June 30, 2023	2,403,795	$ 2,404	1,334,408,773	$ 1,334,414	$ 55,870,245	$ 564,000	$ (56,633,184)	$ 1,137,879

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

AIADVERTISING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) from continued operations	$ (2,773,511)	$ (4,616,135)
Adjustment to reconcile net loss to net cash (used in) operating activities		
Bad debt expense	-	(1,150)
Depreciation and amortization	16,099	18,434
Gain on Sale of Discontinued Operations	-	(25,197)
Non-cash compensation expense	836,261	894,117
Non-cash service expense	-	3,374
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(632,632)	(12,428)
Prepaid expenses and other assets	(97,783)	1,063
Costs in excess of billings	-	3,942
Lease deposit	-	4,361
Accounts payable	(624,520)	593,589
Accrued expenses	(15,688)	(6,680)
Customer Deposits	46,162	218,756
NET CASH (USED IN) OPERATING ACTIVITIES	(3,245,612)	(2,923,954)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for purchase of fixed assets	-	(23,209)
Proceeds from the sale of discontinued operations	-	25,197
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES	-	1,988
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of issuance of common stock, net	599,427	940,159
Proceeds of issuance of preferred stock	5,000,000	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	5,599,427	940,159
NET INCREASE / (DECREASE) IN CASH	2,353,815	(1,981,807)
CASH, BEGINNING OF PERIOD	55,831	3,431,455
CASH, END OF PERIOD	$ 2,409,646	$ 1,449,648
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ -	$ -
Taxes paid	$ -	$ -
Right of Use Assets	$ 6,655	56,650
Cashless Exercise of stock options	$ 3,931	$ 912

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

AiADVERTISING, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
JUNE 30, 2023

1. BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements of AiAdvertising, Inc. ("AiAdvertising," "we," "us," "our," or the "Company") and its wholly-owned subsidiaries, have been prepared in accordance with the instructions to interim financial reporting as prescribed by the Securities and Exchange Commission (the "SEC"). The results for the interim periods are not necessarily indicative of results for the entire year. These interim financial statements do not include all disclosures required by generally accepted accounting principles ("GAAP") and should be read in conjunction with our consolidated financial statements and footnotes in the Company's annual report on Form 10-K filed with the SEC on May 16, 2023. In the opinion of management, the unaudited Consolidated Financial Statements contained in this report include all known accruals and adjustments necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods reported herein. Any such adjustments are of a normal recurring nature.

There were various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries which the Company does not expect to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Going Concern

The accompanying Consolidated Financial Statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying Consolidated Financial Statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company does not generate significant revenue, and has negative cash flows from operations, which raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, raising additional capital. Historically, the Company has obtained funds from investors since its inception through sales of our securities. The Company will also seek to generate additional working capital from increasing sales from its data sciences, creative, website development and digital advertising service offerings, and continue to pursue its business plan and purposes. As of June 30, 2023, the Company had working capital of $992,461. We have historically reported net losses, and negative cash flows from operations, which raised substantial doubt about the Company's ability to continue as a going concern in previous years. The appropriateness of using the going concern basis is dependent upon, among other things, raising additional capital. Historically, the Company has obtained funds from investors since its inception through sales of our securities. The Company will also seek to generate additional working capital from increasing sales from its Ai Platform, creative, website development and digital advertising service offerings, and continue to pursue its business plan and purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of AiAdvertising is presented to assist in understanding the Company's Consolidated Financial Statements. The Consolidated Financial Statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the Consolidated Financial Statements.

The Consolidated Financial Statements include the Company and its wholly owned subsidiaries CLWD Operations, Inc a Delaware corporation ("CLWD Operations"), and Giles Design Bureau, Inc., a Nevada corporation ("Giles Design Bureau). All significant inter-company transactions are eliminated in consolidation of the financial statements.

Accounts Receivable

The Company extends credit to its customers, who are located nationwide. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Management reviews accounts receivable on a regular basis, based on contractual terms and how recently payments have been received to determine if any such amounts will potentially be uncollected. The Company includes any balances that are determined to be uncollectible in its allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off. The balance of the allowance account at June 30, 2023 and December 31, 2022 are $5,619 and $5,619, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are primarily used in our revenue recognition, the allowance for doubtful account receivable, fair value assumptions in accounting, intangible assets and long-lived asset impairments and adjustments, the deferred tax valuation allowance, and the fair value of stock options and warrants.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2023, the Company held cash and cash equivalents in the amount of $2,409,646 which was held in the Company's operating bank accounts.

Property and Equipment

Property and equipment are stated at cost, and are depreciated or amortized using the straight-line method over the following estimated useful lives:

Furniture, fixtures & equipment	7 Years
Computer equipment	5 Years
Commerce server	5 Years
Computer software	3 - 5 Years
Leasehold improvements	Length of the lease

Depreciation expenses were $16,099 and $18,434 for the six months ended June 30, 2023, and 2022, respectively.

Revenue Recognition

The Company recognizes income when the service is provided or when product is delivered. We present revenue, net of customer incentives. Most of our income is generated from professional services and site development fees. We provide online marketing services that we purchase from third parties. The gross revenue presented in our statement of operations includes digital advertising revenue. We also offer professional services such as development services. The fees for development services with multiple deliverables constitute a separate unit of accounting in accordance with ASC 606, which are recognized as the work is performed. Upfront fees for development services or other customer services are deferred until certain implementation or contractual milestones have been achieved. If we have performed work for our clients, but have not invoiced clients for that work, then we record the value of the work on the balance sheet as costs in excess of billings. The terms of services contracts generally are for periods of less than one year. The deferred revenue and customer deposits as of June 30, 2023, and December 31, 2022, were $837,295 and $791,133, respectively. The costs in excess of billings as of June 30, 2023, and December 31, 2022, was zero and zero, respectively.

We always strive to satisfy our customers by providing superior quality and service. Since we typically bill based on a Time and Materials basis, there are no returns for work delivered. When discrepancies or disagreements arise, we do our best to reconcile them by assessing the situation on a case-by-case basis and determining if any discounts can be given. Historically, we have not granted any significant discounts.

Included in revenue are costs that are reimbursed by our clients, including third party services, such as photographers and stylists, furniture, supplies, and the largest component, digital advertising. We have determined, based on our review of ASC 606-10-55-39, that the amounts classified as reimbursable costs should be recorded as gross revenue, due to the following factors:

- The Company is primarily in control of the inputs of the project and responsible for the completion of the client contract;

- We have discretion in establishing price; and

- We have discretion in supplier selection.

Research and Development

Research and development costs are expensed as incurred. Total research and development costs were $141,260 and $461,038 for the six months ended June 30, 2023, and 2022, respectively.

Advertising Costs

The Company expenses the cost of advertising and promotional materials when incurred. Total advertising costs were $64,391 and $88,705 for the six months ended June 30, 2023, and 2022, respectively.

Fair value of financial instruments

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates their fair value, due to the relatively short maturity of these instruments. As of June 30, 2023, and December 31, 2022, the Company's notes payable have stated borrowing rates that are consistent with those currently available to the Company and, accordingly, the Company believes the carrying value of these debt instruments approximates their fair value.

Fair value is defined as the price to sell an asset or transfer a liability, between market participants at the measurement date. Fair value measurements assume that the asset or liability is (1) exchanged in an orderly manner, (2) the exchange is in the principal market for that asset or liability, and (3) the market participants are independent, knowledgeable, able and willing to transact an exchange. Fair value accounting and reporting establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Considerable judgment is required to interpret the market data used to develop fair value estimates. As such, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value.

ASC Topic 820 established a nine-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;

- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of a long-lived asset, management evaluates whether the estimated future undiscounted net cash flows from the asset are less than its carrying amount. If impairment is indicated, the long-lived asset would be written down to fair value. Fair value is determined by an evaluation of available price information at which assets could be bought or sold, including quoted market prices, if available, or the present value of the estimated future cash flows based on reasonable and supportable assumptions.

Indefinite Lived Intangibles

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "Business Combinations," where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customer lists, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. The purchase price is allocated using the information currently available, and may be adjusted, up to one year from acquisition date, after obtaining more information regarding, among other things, asset valuations, liabilities assumed and revisions to preliminary estimates. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired less liabilities assumed is recognized as goodwill.

The Company tests for indefinite lived intangibles and goodwill impairment in the fourth quarter of each year and whenever events or circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable.

The impairment test conducted by the Company includes a two-step approach to determine whether it is more likely than not that impairment exists. If it is determined, after step one, that it is not more likely than not, that impairment exists, then no further analysis is conducted. The steps are as follows:

1. Based on the totality of qualitative factors, determine whether the carrying amount of the intangible asset may not be recoverable. Qualitative factors and key assumptions reviewed include the following:

    - Increases in costs, such as labor, materials or other costs that could negatively affect future cash flows. The Company assumed that costs associated with labor, materials, and other costs should be consistent with fair market levels. If the costs were materially higher than fair market levels, then such costs may adversely affect the future cash flows of the Company or reporting units.

    - Financial performance, such as negative or declining cash flows, or reductions in revenue may adversely affect recoverability of the recorded value of the intangible assets. During our analysis, the Company assumes that revenues should remain relatively consistent or show gradual growth month-to-month and quarter-to-quarter. If we report revenue declines, instead of increases or flat levels, then such condition may adversely affect the future cash flows of the Company or reporting units.

    - Legal, regulatory, contractual, political, business or other factors that could affect future cash flows. During our analysis, the Company assumes that the legal, regulatory, political or business conditions should remain consistent, without placing material pressure on the Company or any of its reporting units. If such conditions were to become materially different than what has been experienced historically, then such conditions may adversely affect the future cash flows of the Company or reporting units.

- Entity-specific events such as losses of management, key personnel, or customers, may adversely affect future cash flows. During our analysis, the Company assumes that members of management, key personnel, and customers will remain consistent period-over-period. If not effectively replaced, the loss of members of management and key employees could adversely affect operations, culture, morale and overall success of the company. In addition, if material revenue from key customers is lost and not replaced, then future cash flows will be adversely affected.

- Industry or market considerations, such as competition, changes in the market, changes in customer dependence on our service offerings, or obsolescence could adversely affect the Company or its reporting units. We understand that the markets we serve are constantly changing, requiring us to change with them. During our analysis, we assume that we will address new opportunities in service offering and industries served. If we do not make such changes, then we may experience declines in revenue and cash flow, making it difficult to re-capture market share.

- Macroeconomic conditions such as deterioration in general economic conditions or limitations on accessing capital could adversely affect the Company. During our analysis, we acknowledge that macroeconomic factors, such as the economy, may affect our business plan because our customers may reduce budgets for our services. If there are material worsening in economic conditions, which lead to reductions in revenue then such conditions may adversely affect the Company.

2. Compare the carrying amount of the intangible asset to the fair value.

3. If the carrying amount is greater than the fair value, then the carrying amount is reduced to reflect fair value.

Intangible assets are comprised of the following, presented as net of amortization:

June 30, 2023

	AiAdvertising	Total
Domain name	20,202	20,202
Total	$ 20,202	$ 20,202

December 31, 2022

	AiAdvertising	Total
Domain name	20,202	20,202
Total	$ 20,202	$ 20,202

Concentrations of Business and Credit Risk

The Company operates in a single industry segment. The Company markets its services to companies and individuals in many industries and geographic locations. The Company's operations are subject to rapid technological advancement and intense competition. Accounts receivable represent financial instruments with potential credit risk. The Company typically offers its customers credit terms. The Company makes periodic evaluations of the credit worthiness of its enterprise customers and other than obtaining deposits pursuant to its policies, it generally does not require collateral. In the event of nonpayment, the Company has the ability to terminate services. As of June 30, 2023, the Company held cash and cash equivalents in the amount of $2,409,646 which was held in the operating bank accounts. Of this amount, none was held in any one account, in amounts exceeding the FDIC insured limit of $250,000. For further discussion on Concentrations see footnote 10.

Stock-Based Compensation

The Company addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The transactions are accounted for using a fair-value-based method and recognized as expenses in our statement of operations.

Stock-based compensation expense recognized during the period is based on the value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense recognized in the consolidated statement of operations during the six months ended June 30, 2023, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of June 30, 2023, based on the grant date fair value estimated. Stock-based compensation expense recognized in the consolidated statement of operations for the three months ended June 30, 2023, is based on awards ultimately expected to vest or has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation expense recognized in the consolidated statements of operations during the six months ended June 30, 2023, and 2022 were $836,261 and $894,117, respectively.

Basic and Diluted Net Income (Loss) per Share Calculations

Income (Loss) per Share dictates the calculation of basic earnings per share and diluted earnings per share. Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The shares for employee options, warrants and convertible notes were used in the calculation of the income per share.

For the six months ended June 30, 2023, the Company has excluded 609,087,214 shares of common stock underlying options, 18,025 Series B Preferred shares convertible into 450,625,000 shares of common stock, 14,425 Series C Preferred shares convertible into 144,250,000 shares of common stock, 86,021 Series D Preferred shares convertible into 215,052,500 shares of common stock, 10,000 Series E Preferred shares convertible into 20,000,000 shares of common stock, 2,597 Series G Preferred shares convertible into 136,684,211 shares of common stock, 2,272,727 Series I preferred shares convertible into 909,090,800 shares of common stock, and 162,703,869 shares of common stock underlying warrants, because their impact on the loss per share is anti-dilutive. During the six months ended June 30, 2023, the Series I Preferred shares are included in the calculation for diluted earnings per share, resulting in 909,090,800 being added to the weighted average common and common equivalent shares outstanding. The balance of the above-mentioned shares are excluded in the calculation for diluted earnings per share.

For the six months ended June 30, 2022, the Company has excluded 258,424,694 shares of common stock underlying options, 18,025 Series B Preferred shares convertible into 450,625,000 shares of common stock, 14,425 Series C Preferred shares convertible into 144,250,000 shares of common stock, 86,021 Series D Preferred shares convertible into 215,052,500 shares of common stock, 10,000 Series E Preferred shares convertible into 20,000,000 shares of common stock, 2,597 Series G Preferred shares convertible into 136,684,211 shares of common stock and 162,703,869 shares of common stock underlying warrants, because their impact on the loss per share is anti-dilutive. During the six months ended June 30, 2022, the above-mentioned shares are not included in the calculation for diluted earnings per share.

Dilutive per share amounts are computed using the weighted-average number of common shares outstanding and potentially dilutive securities, using the treasury stock method if their effect would be dilutive.

Recently Adopted Accounting Pronouncements

The Company does not elect to delay complying with any new or revised accounting standards, but to apply all standards required of public companies, according to those required application dates.

Management reviewed accounting pronouncements issued during the quarter ended June 30, 2023, and no pronouncements were adopted during the period.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2022. Due to the fact that we have no credit instruments recorded at expected losses, at June 30, 2023 the impact of this ASU on our consolidated financial statements was immaterial.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. The measurement of deferred tax assets and liabilities is based on provisions of applicable tax law. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance based on the amount of tax benefits that, based on available evidence, the Company does not expect realize.

For the six months ended June 30, 2023, we used the federal tax rate of 21% in our determination of the deferred tax assets and liabilities balances.

	For the six months ended June 30, 2023
Current tax provision:	
Federal	
Taxable income	$ -
Total current tax provision	$ -
Deferred tax provision:	
Loss carryforwards	$ 5,796,217
Change in valuation allowance	(5,796,217)
Total Deferred tax provision	$ -

3. REVENUE RECOGNITION

On January 1, 2018, the Company adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Revenues are 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. The adoption of ASC 606 did not have a material impact on the Company's Consolidated Financial Statements.

The core principles of revenue recognition under ASC 606 includes the following five criteria:

1. **Identify the contract with the customer**

   Contract with our customers may be oral, written, or implied. A written and signed contract stating the terms and conditions is the preferred method and is consistent with most customers. The terms of a written contract may be contained within the body of an email, during which proposals are made and campaign plans are outlined, or it may be a stand-alone document signed by both parties. Contracts that are oral in nature are consummated in status and pitch meetings and may be later followed up with an email detailing the terms of the arrangement, along with a proposal document. No work is commenced without an understanding between the Company and our customers, that a valid contract exists.

2. **Identify the performance obligations in the contract**

Our sales and account management teams define the scope of services to be offered, to ensure all parties are in agreement and obligations are being delivered to the customer as promised. The performance obligation may not be fully identified in a mutually signed contract, but may be outlined in email correspondence, face-to-face meetings, additional proposals or scopes of work, or phone conversations.

3. **Determine the transaction price**

Pricing is discussed and identified by the operations team prior to submitting a proposal to the customer. Based on the obligation presented, third-party service pricing is established, and time and labor are estimated, to determine the most accurate transaction pricing for our customer. Price is subject to change upon agreed parties, and could be fixed or variable, milestone focused or time and materials.

4. Allocate the transaction price to the performance obligations in the contract

If a contract involves multiple obligations, the transaction pricing is allocated accordingly, during the performance obligation phase (criteria 2 above).

5. Recognize revenue when (or as) we satisfy a performance obligation

The Company uses several means to satisfy the performance obligations:

a. Billable Hours – The Company employs a time tracking system where employees record their time by project. This method of satisfaction is used for time and material projects, change orders, website edits, revisions to designs, and any other project that is hours-based. The hours satisfy the performance obligation as the hours are incurred.

b. Ad Spend - To satisfy ad spend, the Company generates analytical reports monthly or as required to show how the ad dollars were spent and how the targeting resulted in click-throughs. The ad spend satisfies the performance obligation, regardless of the outcome or effectiveness of the campaign. In addition, the Company utilizes third party invoices after the ad dollars are spent, in order to satisfy the obligation.

c. Milestones – If the contract requires milestones to be hit, then the Company satisfies the performance obligation when that milestone is completed and presented to the customer for review. As each phase of a project is complete, we consider it as a performance obligation being satisfied and transferred to the customer. At this point, the customer is invoiced the amount due based on the transaction pricing for that specific phase and/or we apply the customer deposit to recognize revenue.

d. Monthly Retainer – If the contract is a retainer for work performed, then the customer is paying the Company for its expertise and accessibility, not for a pre-defined amount of output. In this case, the obligation is satisfied at the end of the period, regardless of the amount of work effort required.

e. Hosting – Monthly recurring fees for hosting are recognized on a monthly basis, at a fixed rate. Hosting contracts are typically one-year and reviewed annually for renewal. Prices are subject to change at management discretion. During the year ended December 31, 2021, web hosting services was discontinued from our operating revenue streams.

Historically, the Company generates income from four main revenue streams: Platform, creative design, web development, and digital marketing. Each revenue stream is unique, and includes the following features:

Platform

We provide a subscription-based, end-to-end Ad Management Campaign Performance Platform. We believe in harnessing the power of artificial intelligence (AI) and machine learning (ML) to eliminate waste and maximize return on digital ad spend. The platform empowers brands and agencies to easily target, predict, create, scale, and measure hyper-personalized campaigns. We prove what works and what doesn't, enabling our clients to make informed and strategic decisions impacting their bottom lines positively. We classify revenue as a percentage of the ad spend budget or as a monthly fixed fee for the platform license subscription. Contracts are generated to assure both the Company and the client are committed to partnership, agree to the defined terms and conditions, and are typically for one year. The transaction price is usually a percentage of the media budget, which is subject to change on a case-by-case basis. The Company evaluates the fair value of the platform license obligation by using the expected cost-plus margin approach to determine the reasonableness of the transaction price. The Company recognizes revenue when performance obligations are met, such as the ad spend has run for percentage-based contracts. If the platform license fee is fixed, then the obligation is earned at the end of the period, regardless of how much media spend is performed.

Creative Design

We provide branding and creative design services, which we believe, set apart our clients from their competitors and establish them in their specific markets. We believe in showcasing our clients' brands uniquely and creatively to infuse the public with curiosity to learn more. We classify revenue as creative design that includes branding, photography, copyrighting, printing, signs and interior design. Contracts are generated to assure both the Company and the client are committed to partnership and both agree to the defined terms and conditions and are typically less than one year. The Company recognizes revenue when performance obligations are met, usually when creative design services obligations are complete, when the hours are recorded, designs are presented, website themes are complete, or any other criteria as mutually agreed.

Web Development

We develop websites that attract high levels of traffic for our clients. We offer our clients the expertise to manage and protect their website, and the agility to adjust their online marketing strategy as their business expands. We classify revenue as web development that includes website coding, website patch installs, ongoing development support and fixing inoperable sites. Contracts are generated to assure both the Company and the client are committed to the partnership and both agree to the defined terms and conditions. Although most projects are long-term (6-8 months) in scope, we do welcome short-term projects which are invoiced as the work is completed at a specified hourly rate. The Company records web development revenue as earned, when the developer hours are recorded (if time and materials arrangements) or when the milestones are achieved (if a milestone arrangement).

Digital Marketing

We have a reputation for providing digital marketing services that get results. We classify revenue as digital marketing, including, ad spend and digital ad support. Billable hours and advertising spending are estimated based on client-specific needs and subject to change with client concurrence. Revenue is recognized when ads are run on one of the third-party platforms or when the hours are recorded by the digital marketing specialist if the obligation relates to support or services.

Included in creative design and digital marketing revenues are costs that are reimbursed by our clients, including third-party services, such as photographers and stylists, supplies, and the largest component, digital advertising. We have determined, based on our review, that the amounts classified as reimbursable costs should be recorded as gross (principal), due to the following factors:

- The Company is the primary obligor in the arrangement;
- We have latitude in establishing price;
- We have discretion in supplier selection; and

The Company has credit risk included in creative design and digital marketing revenues are costs that are reimbursed by our clients, including third party services, such as photographers and stylists, supplies, and the largest component, digital advertising. We have determined, based on our review, that the amounts classified as reimbursable costs should be recorded as gross (principal), due to the following factors:

- The Company is the primary obligor in the arrangement;
- We have latitude in establishing price;
- We have discretion in supplier selection; and
- The Company has credit risk

For the six months ended June 30, 2023, and 2022 (unaudited), revenue was disaggregated into the four categories as follows:

	Six months ended June 30, 2023 (unaudited)			Six months ended June 30, 2022 (unaudited)		
	Third Parties	Related Parties	Total	Third Parties	Related Parties	Total
Design	550,933	-	550,933	727,670	-	727,670
Development	28,000	-	28,000	20,119	-	20,119
Digital Marketing	2,922,620	-	2,922,620	1,802,124	-	1,802,124
Platform License	267,240	-	267,240	268,375	-	268,375
Total	$ 3,768,793	$ -	$ 3,768,793	$ 2,818,288	$ -	$ 2,818,288

4. LIQUIDITY AND OPERATIONS

The Company had a net loss of $2,773,511 for the six months ended June 30, 2023, a net loss of $4,616,135 for the six months ended June 30, 2022, and net cash used in operating activities of $(3,245,612) and $(2,923,954), in the same periods, respectively.

While the Company expects that its capital needs in the foreseeable future may be met by cash-on-hand and projected positive cash-flow, there is no assurance that the Company will be able to generate enough positive cash flow to finance its growth and business operations in which event, the Company may need to seek outside sources of capital. There can be no assurance that such capital will be available on terms that are favorable to the Company or at all.

5. INTANGIBLE ASSETS

Domain Name

On June 26, 2015, the Company purchased the rights to the domain “CLOUDCOMMERCE.COM”, from a private party at a purchase price of $20,000, plus transaction costs of $202. We use the domain as the main landing page for the Company. The total recorded cost of this domain of $20,202 has been included in other assets on the balance sheet. As of June 30, 2023, we determined that this domain has an indefinite useful life, and as such, is not included in depreciation and amortization expense. The Company will assess this intangible asset annually for impairment, in addition to it being classified with indefinite useful life.

The Company will assess this intangible asset for impairment, if an event occurs that may affect the fair value, or at least annually.

The Company's intangible assets consist of the following:

	June 30, 2023			December 31, 2022		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Domain name	20,202	-	20,202	20,202	-	20,202
Total	$ 20,202	$ -	$ 20,202	$ 20,202	$ -	$ 20,202

Total amortization expense charged to operations for the six months ended June 30, 2023, and 2022, were zero and zero, respectively.

6. CAPITAL STOCK

At June 30, 2023 and December 31, 2022, the Company's authorized stock consists of 10,000,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value of $0.001 per share. The rights, preferences, and privileges of the holders of the preferred stock will be determined by the Board of Directors prior to issuance of such shares. The conversion of certain outstanding preferred stock could have a significant impact on our common stockholders. As of the date of this report, the Board has designated Series A, Series B, Series C, Series D, Series E, Series F, Series G, Series H, Series I, and Series J Preferred Stock.

Series A Preferred

The Company has designated 10,000 shares of its preferred stock as Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into 10,000 shares of the Company's common stock. The holders of outstanding shares of Series A Preferred Stock are entitled to receive dividends, payable quarterly, out of any assets of the Company legally available therefore, at the rate of $8 per share annually, payable in preference and priority to any payment of any dividend on the common stock. As of June 30, 2023, the Company had zero shares of Series A Preferred Stock outstanding. As of June 30, 2023, and December 31, 2022, the balance owed on the Series A Preferred stock dividend was zero.

Series B Preferred

The Company has designated 25,000 shares of its preferred stock as Series B Preferred Stock. Each share of Series B Preferred Stock has a stated value of $100. The Series B Preferred Stock is convertible into shares of the Company's common stock in amount determined by dividing the stated value by a conversion price of $0.004 per share. The Series B Preferred Stock does not have voting rights except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation of Series B Preferred Stock. As of June 30, 2023, and December 31, 2022, the Company has 18,025 shares of Series B Preferred Stock outstanding.

Series C Preferred

The Company has designated 25,000 shares of its preferred stock as Series C Preferred Stock. Each share of Series C Preferred Stock has a stated value of $100. The Series C Preferred Stock is convertible into shares of the Company's common stock in the amount determined by dividing the stated value by a conversion price of $0.01 per share. The Series C Preferred Stock does not have voting rights except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation of Series C Preferred Stock. As of June 30, 2023, and December 31, 2022, the Company has 14,425 shares of Series C Preferred Stock outstanding.

Series D Preferred

The Company has designated 90,000 shares of its preferred stock as Series D Preferred Stock. Each share of Series D Preferred Stock has a stated value of $100. The Series D Preferred Stock is convertible into common stock at a ratio of 2,500 shares of common stock per share of preferred stock, and pays a quarterly dividend, calculated as (1/90,000) x (5% of the Adjusted Gross Revenue) of the Company's subsidiary Parscale Digital. Adjusted Gross Revenue means the top line gross revenue of Parscale Digital, as calculated under GAAP (generally accepted accounting principles) less any reselling revenue attributed to third party advertising products or service, such as, but not limited to, search engine keyword campaign fees, social media campaign fees, radio or television advertising fees, and the like. The Series D Preferred Stock does not have voting rights except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation of Series D Preferred Stock. As of June 30, 2023, and December 31, 2022, the Company had 86,021 shares of Series D Preferred Stock outstanding. During the three months ended June 30, 2023, and June 30, 2022, we paid dividends of $0, and $0 respectively, to the holders of Series D Preferred stock. As of June 30, 2023, and December 31, 2022, the balance owed on the Series D Preferred stock dividend was zero.

Series E Preferred

The Company has designated 10,000 shares of its preferred stock as Series E Preferred Stock. Each share of Series E Preferred Stock has a stated value of $100. The Series E Preferred Stock is convertible into shares of the Company's common stock in an amount determined by dividing the stated value by a conversion price of $0.05 per share. The Series E Preferred Stock does not have voting rights except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation of Series E Preferred Stock. As of June 30, 2023, and December 31, 2022, the Company has 10,000 shares of Series E Preferred Stock outstanding.

Series F Preferred

The Company has designated 800,000 shares of its preferred stock as Series F Preferred Stock. Each share of Series F Preferred Stock has a stated value of $25. The Series F Preferred Stock is not convertible into common stock. The holders of outstanding shares of Series F Preferred Stock are entitled to receive dividends, at the annual rate of 10%, payable monthly, payable in preference and priority to any payment of any dividend on the Company's common stock. The Series F Preferred Stock does not have voting rights, except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation. To the extent it may lawfully do so, the Company may, in its sole discretion, after the first anniversary of the original issuance date of the Series F Preferred Stock, redeem any or all of the then outstanding shares of Series F Preferred Stock at a redemption price of $25 per share plus any accrued but unpaid dividends. The Series F Preferred Stock was offered in connection with the Company's offering under Regulation A under the Securities Act of 1933, as amended. As of June 30, 2023, and December 31, 2022, the Company had zero shares of Series F Preferred Stock outstanding, and the balance on stock dividend was zero.

Series G Preferred

On February 6, 2020, the Company designated 2,600 shares of its preferred stock as Series G Preferred Stock. Each share of Series G Preferred Stock has a stated value of $100. The Series G Preferred Stock is convertible into shares of the Company's common stock in an amount determined by dividing the stated value by a conversion price of $0.0019 per share. The Series G Preferred Stock does not have voting rights except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation of Series G Preferred Stock. As of June 30, 2023, and December 31, 2022, the Company had 2,597 shares of Series G Preferred Stock outstanding.

Series H Preferred

On March 18, 2021, the Company issued 1,000 shares of its Series H Preferred Stock to the Chief Executive Officer of the Company, Andrew Van Noy. The Series H Preferred Stock is not convertible into shares of the Company's common stock and entitles the holder to 51% of the voting power of the Company's shareholders, as set forth in the Certificate of Designation. The 1,000 shares of Series H Preferred stock provided for automatic redemption by the Company at the par value of $0.001 per share on the sooner of: 1) sixty days (60) from the effective date of the Certificate of Designation, 2) on the date Andrew Van Noy ceases to serve as an officer, director or consultant of the Company, or 3) on the date that the Company's shares of common stock first trade on any national securities exchange. On May 18, 2021, the Company redeemed all shares of Series H Preferred stock.

On September 29, 2021, the Company filed a certificate of withdrawal with the Secretary of State of Nevada, to withdraw the Company's existing certificate of designation of Series H Preferred Stock, filed a certificate of designation for a new series of Series H Preferred Stock with the Secretary of State of Nevada, and issued 1,000 shares of Series H Preferred Stock to Andrew Van Noy, the Company's chief executive officer, for services rendered. As of June 30, 2023, and December 31, 2022, there was zero shares of Series H Preferred stock outstanding**.**

Series I Preferred

On April 10, 2023, the Company designated 3,000,000, shares of its preferred stock as Series I Preferred Stock. Each share of Series I Preferred Stock has a stated value of $0.001. The Series I Preferred Stock is convertible into shares of the Company's common stock at the option of the shareholder, at any time and from time to time, into four hundred (400) fully-paid and non-assessable shares of Common stock. The Series I Preferred Stock has voting rights equal to 400 common votes per Series I share on all matters upon which the holders of Common stock of the Company are entitled to vote, except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation of Series I Preferred Stock. On April 11, 2023, Hexagon Partners, Ltd. purchased 2,272,727 shares of Series I Preferred Stock at a purchase price of $2.20 per share. The Company also granted the Purchaser a six-month option from the date of the initial closing to purchase (i) up to 333,333 additional shares of Series I Preferred Stock for a purchase price of $6.00 per share, and (ii) up to 312,500 shares of Series I Preferred Stock for a purchase price of $7.20 per share. For so long as at least 50% of the Series I Preferred Stock purchased have not been redeemed by the Company or converted into common stock of the Company, Hexagon will have the right to designate two directors to the Company's Board of Directors (the "Board"), and the Company may not increase the size of the Board above six directors without Hexagon's prior written consent. As of June 30, 2023, the Company had 2,272,727 shares of Series I Preferred Stock outstanding and as of December 31, 2022, the Company had zero shares of Series I Preferred Stock outstanding.

Series J Junior Participating Preferred

On June 7, 2023, the Company designated 700,000 shares of its preferred stock as Series J Junior Participating Preferred Stock. Each share of Series J Preferred Stock has a stated value of $0.001. Pursuant to the Rights Agreement, the Board declared a dividend distribution of one preferred share purchase right (a "Right") for each outstanding share of common stock, held by the shareholders of the Company at the close of business on June 7, 2023 (the "Record Date"). Holders of the Company's warrants and certain of its existing preferred stock (including the Series I Preferred stock issued pursuant to the Purchase Agreement) as of the Record Date were also issued one Right for each share of common stock that such holders would be entitled to receive upon full exercise or conversion of their warrants or existing preferred stock, as applicable. Each Right will entitle the holder to purchase one ten-thousandth of a share of Series J Junior Participating Preferred Stock, of the Company (the "Series J Preferred Shares") at the purchase price set forth in the Rights Agreement. If issued, holders of the Series J Preferred Stock shall be entitled to receive 10,000 times the value of all declared cash and non-cash dividends paid to any and all junior classes of capital stock. The Series J Preferred Stock has voting rights equal to 10,000 votes on all matters upon which the holders of Common stock of the Company are entitled to vote, except as required by law and with respect to certain protective provisions set forth in the Certificate of Designation of Series J Preferred Stock. As of June 30, 2023, and December 31, 2022, the Company had zero shares of Series J Preferred Stock outstanding.

Common

On February 8, 2023, in accordance with Section 2 of the purchase agreement, dated March 28, 2022, and amended on July 28, 2022, between the Company and an accredited investor, the Company submitted a purchase notice to the investor of a sale by the Company to the investor of 58,000,000 shares of common stock amounting to $230,975.

On February 16, 2023, in accordance with Section 2 of the purchase agreement, dated March 28, 2022, and amended on July 28, 2022, between the Company and an accredited investor, the Company submitted a purchase notice to the investor of a sale by the Company to the investor of 21,649,574 shares of common stock amounting to $110,687.

On February 28, 2023, in accordance with Section 2 of the purchase agreement, dated March 28, 2022, and amended on July 28, 2022, between the Company and an accredited investor, the Company submitted a purchase notice to the investor of a sale by the Company to the investor of 26,858,175 shares of common stock amounting to $102,110.

On March 13, 2023, in accordance with Section 2 of the purchase agreement, dated March 28, 2022, and amended on July 28, 2022, between the Company and an accredited investor, the Company submitted a purchase notice to the investor of a sale by the Company to the investor of 16,954,805 shares of common stock amounting to $61,367.

On March 23, 2023, in accordance with Section 2 of the purchase agreement, dated March 28, 2022, and amended on July 28, 2022, between the Company and an accredited investor, the Company submitted a purchase notice to the investor of a sale by the Company to the investor of 17,069,958 shares of common stock amounting to $50,867.

On April 4, 2023, in accordance with Section 2 of the purchase agreement, dated March 28, 2022, and amended on July 28, 2022, between the Company and an accredited investor (see Note 6), the Company submitted a purchase notice to the investor of a sale by the Company to the investor of 14,620,464 shares of common stock for a purchase price of $0.003 per share amounting to $43,421.

On June 28, 2023, our former Chief Financial Officer exercised 9,222,228 vested, in-the-money-options. The exercise was completed with a cashless transaction yielding a total of 3,931,113 newly issued shares.

7. STOCK OPTIONS AND WARRANTS

Stock Options

The Company used the historical industry index to calculate volatility, since the Company’s stock history did not represent the expected future volatility of the Company’s common stock.

The fair value of options granted during the six months ending June 30, 2023, and 2022, were determined using the Black Scholes method with the following assumptions:

	Six months ended June 30, 2023	Year ended December 31, 2022
Risk free interest rate	4.49%	1.29%
Stock volatility factor	206%	229%
Weighted average expected option life	3.5 years	2.5 years
Expected dividend yield	-%	-%

A summary of the Company's stock option activity and related information follows:

	Six months ended June 30, 2023		Year ended December 31, 2022	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding - beginning of year	879,733,332	$ 0.0092	768,233,332	$ 0.0052
Granted	100,000,000	0.0100	125,500,000	0.0068
Exercised	(9,222,228)	0.0057	(4,000,000)	0.0019
Forfeited	(361,423,890)	0.0090	(7,000,000)	0.0127
Outstanding - end of the year	609,087,214	$ 0.0091	879,733,332	$ 0.0092
Exercisable at the end of the year	424,270,281	$ 0.0071	519,773,058	$ 0.0072
Weighted average fair value of options granted during the year		$ 1,000,000		$ 2,495,600

As of June 30, 2023, and December 31, 2022, the intrinsic value of the stock options was approximately $2,563,500 and $362,102, respectively. Stock option expense for the six months ended June 30, 2023, and 2022 were $836,261 and $894,117, respectively.

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options, which do not have vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The weighted average remaining contractual life of options outstanding, as of June 30, 2023, was as follows:

Exercise prices	Number of options outstanding	Weighted Average remaining contractual life (years)
$ 0.0100	100,000,000	4.93
$ 0.0068	257,000,000	2.52
$ 0.0019	150,566,666	1.55
$ 0.0018	17,000,000	1.93
$ 0.0295	84,520,548	1.59
	609,087,214	

Warrants

As of June 30, 2023, and December 31, 2022, there were 162,703,869 and 162,703,869 warrants outstanding, respectively.

The fair value of warrants issued during the six months ended June 30, 2023, and 2022, were determined using the Black Scholes method with the following assumptions:

	Six months ended June 30, 2023	Year ended December 31, 2022
Risk free interest rate	%	1.86%
Stock volatility factor	%	272%
Weighted average expected warrant life	- years	5 years
Expected dividend yield	--%	--%

A summary of the Company's warrant activity and related information follows:

	Six months ended June 30, 2023		Year ended December 31, 2022	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Outstanding - beginning of period	162,703,869	$ 0.048	162,703,869	$ 0.048
Issued	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding - end of period	162,703,869	$ 0.048	162,703,869	$ 0.048
Exercisable at the end of period	162,703,869	$ 0.048	162,703,869	$ 0.048
Weighted average fair value of warrants granted during the period		$ -		$ -

Warrant expense for the three months ended June 30, 2023, and 2022 were $0 and $0, respectively.

8. RELATED PARTIES

None

9. CONCENTRATIONS

For the six months ended June 30, 2023, and 2022, the Company had three and four major customers who represented approximately 63% and 45% of total revenue, respectively. On June 30, 2023, and December 31, 2022, accounts receivable from two and three customers, represented approximately 58% and 61% of total accounts receivable, respectively. The two customers comprising the concentration within the accounts receivable are two of the same customers that comprise the concentration with the revenues discussed above.

10. COMMITMENTS AND CONTINGENCIES

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" Topic 842, which amends the guidance in former ASC Topic 840, *Leases*. The new standard increases transparency and comparability most significantly by requiring the recognition by lessees of right-of-use ("ROU") assets and lease liabilities on the balance sheet for all leases longer than 12 months. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. For lessees, leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement, over the expected term on a straight-line basis. Operating leases are recognized on the balance sheet as right-of-use assets, current operating lease liabilities and non-current operating lease liabilities. We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on our consolidated balance sheets. Finance leases are included in property and equipment, current liabilities, and long-term liabilities on our consolidated balance sheets.

The Company adopted the new lease guidance effective January 1, 2019, using the modified retrospective transition approach, applying the new standard to all of its leases existing at the date of initial application which is the effective date of adoption. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019. The Company has elected the practical expedient to combine lease and non-lease components as a single component. We did not elect the hindsight practical expedient which permits entities to use hindsight in determining the lease term and assessing impairment. The adoption of the lease standard did not change our previously reported consolidated statements of operations and did not result in a cumulative catch-up adjustment to opening equity.

The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company utilizes its incremental borrowing rate of 10%, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. In calculating the present value of the lease payments, the Company elected to utilize its incremental borrowing rate based on the remaining lease terms as of the January 1, 2019, adoption date.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred, if any. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Our leases have remaining lease terms of 1 year to 3 years, some of which include options to extend the lease term for up to an undetermined number of years.

Operating Leases

On August 1, 2022, the Company signed a lease agreement with JJ Real Co., an unrelated party, which commenced on August 1, 2022, for approximately 2,000 square feet, located at 1114 S St. Mary's Suite 120, San Antonio, TX 78210, for $3,333 per month, includes a pro rata share of the common building expenses and each year the monthly lease payment is subject to change per the lease agreement. The lease expires on July 31, 2027. The lease expiration is greater than twelve months, thus included on the Balance Sheet as Right-of-Use lease. This lease does not include a residual value guarantee, nor do we expect any material exit costs. As of August 1, 2022, we determined that this lease meets the criterion to be classified as a ROU Asset and is included on the balance sheet as Right-Of-Use Assets. As of June 30, 2023, and December 31, 2022, the ROU asset and liability balances of this lease were $169,319 and $175,974, respectively. During February 2023, JJ Real Co transferred ownership of the building and our lease located at 1114 S St. Mary's - Suite 120, San Antonio, TX 78210 to Hooks Holding Ltd., a non-related party. No details of our lease or commitments have changed with the ownership transfer.

Finance Leases

None. The following is a schedule of the net book value of the finance lease.

Assets	June 30, 2023	December 31, 2022
Leased equipment under finance lease,	$ 100,097	$ 100,097
less accumulated amortization	(100,097)	(100,097)
Net	$ -	$ -

Below is a reconciliation of leases to the financial statements.

	ROU Operating Leases	Finance Leases
Leased asset balance	$ 169,319	$ -
Liability balance	169,319	-
Cash flow (non-cash)	-	-
Interest expense	$ -	$ -

The following is a schedule, by years, of future minimum lease payments required under the operating and finance leases.

Years Ending December 31,	ROU Operating Leases	Finance Leases
2023	33,833	—
2024	46,833	—
2025	48,833	—
2026	50,833	—
2027	30,335	—
Thereafter	—	—
Total	$ 210,667	$ —
Less imputed interest	(41,348)	—
Total liability	$ 169,319	$ —

Other information related to leases is as follows:

Lease Type	Weighted Average Remaining Term	Weighted Average Discount Rate (1)
Operating Leases	49 months	10%
Finance Leases	0 months	0%

(1) This discount rate is consistent with our borrowing rates from various lenders.

Legal Matters

The Company may be involved in legal actions and claims arising in the ordinary course of business, from time to time, none of which at this time the Company considers to be material to the Company's business or financial condition.

11. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

During the six months ended June 30, 2023, there were the following non-cash activities**.**

- The holder of 9,222,228 vested stock options exercised their options into 3,931,113 shares of common stock through a cashless transaction in the amount of $3,931.

- The values of the ROU operating leases assets and liabilities each declined $6,655, netting to zero on the statement of cash flows.

During the six months ended June 30, 2022, there were the following non-cash activities.

- The values of the ROU operating leases assets and liabilities each declined $56,650, netting to zero on the statement of cash flows.

- The holder of 1,000,000 stock options exercised their options into 912,442 shares of common stock in the amount of $912.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events according to ASC TOPIC 855 as the date of the financial statements and has determined that there are no reportable events.

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

Cautionary Statements

The following Management's Discussion and Analysis should be read in conjunction with our Consolidated Financial Statements and the related notes thereto as set forth in our Form 10-K for the year ended December 31, 2022, and the Consolidated Financial Statements and notes thereto included in Item 1 of this Quarterly Report on Form 10-Q. The Management's Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, herein, the words “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and the like, and/or future-tense or conditional constructions (“will,” “may,” “could,” “should,” etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this quarterly report. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors including, but not limited to, those noted under the “Risk Factors” section of the reports we file with the Securities and Exchange Commission. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this quarterly report, except as may by required under applicable law.

Overview-

AiAdvertising’s primary focus is to disrupt the digital advertising world by offering a solution that harnesses the power of artificial intelligence (AI) to enable marketers to increase productivity, efficiency, and performance.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations, including the discussion on liquidity and capital resources, are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the estimated recoverable amounts of trade accounts receivable, impairment of long-lived assets, revenue recognition, and deferred tax assets. We believe the following critical accounting policies require more significant judgment and estimates used in the preparation of the financial statements.

Among the significant judgments made by management in the preparation of our financial statements are the following:

Revenue Recognition

On January 1, 2018, the Company adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “ASC 606”), using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Revenues are 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. The adoption of ASC 606 did not have a material impact on the Company’s Consolidated Financial Statements. See footnote 3 for a disclosure of our use of estimates and judgement, as it relates to revenue recognition.

Included in revenue are costs that are reimbursed by our clients, including third party services, such as photographers and stylists, furniture, supplies, and the largest component, digital advertising. We have determined, based on our review of ASC 606-10-55-39, that the amounts classified as reimbursable costs should be recorded as gross, due to the following factors:

- The Company is primarily in control of the inputs of the project and responsible for the completion of the client contract;
- We have discretion in establishing price; and
- We have discretion in supplier selection.

Accounts Receivable

The Company extends credit to its customers, who are located nationwide. Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluations of its customers' financial condition. Management reviews accounts receivable on a regular basis, based on contracted terms and how recently payments have been received to determine if any such amounts will potentially be uncollected. The Company includes any balances that are determined to be uncollectible in its allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off. The balances of the allowance account at June 30, 2023, and December 31, 2022 were $5,619 and $5,619 respectively.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of a long-lived asset, management evaluates whether the estimated future undiscounted net cash flows from the asset are less than its carrying amount. If impairment is indicated, the long-lived asset would be written down to fair value. Fair value is determined by an evaluation of available price information at which assets could be bought or sold, including quoted market prices, if available, or the present value of the estimated future cash flows based on reasonable and supportable assumptions.

Indefinite Lived Intangibles and Goodwill Assets

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, "Business Combinations," where the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their estimated fair values. The purchase price is allocated using the information currently available, and may be adjusted, up to one year from acquisition date, after obtaining more information regarding, among other things, asset valuations, liabilities assumed and revisions to preliminary estimates. The purchase price in excess of the fair value of the tangible and identified intangible assets acquired less liabilities assumed is recognized as goodwill.

The Company tests for indefinite lived intangibles and goodwill impairment in the fourth quarter of each year and whenever events or circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. In accordance with its policies, the Company performed a qualitative assessment of indefinite lived intangibles and goodwill at June 30, 2023 and determined the fair value of each intangible asset and goodwill did not exceed the respective carrying values. Therefore, an impairment of indefinite lived intangibles and goodwill was recognized.

The impairment test conducted by the Company includes an assessment of whether events occurred that may have resulted in impairment of goodwill and intangible assets. Because it was determined that events had occurred which effected the fair value of goodwill and intangible assets, the Company conducted the two-step approach to determine the fair value and required adjustment. The steps are as follows:

1. Based on the totality of qualitative factors, determine whether the carrying amount of the intangible asset may not be recoverable. Qualitative factors and key assumptions reviewed include the following:

   - Increases in costs, such as labor, materials or other costs that could negatively affect future cash flows. The Company assumed that costs associated with labor, materials, and other costs should be consistent with fair market levels. If the costs were materially higher than fair market levels, then such costs may adversely affect the future cash flows of the Company or reporting units.

   - Financial performance, such as negative or declining cash flows, or reductions in revenue may adversely affect recoverability of the recorded value of the intangible assets. During our analysis, the Company assumes that revenues should remain relatively consistent or show gradual growth month-to-month and quarter-to-quarter. If we report revenue declines, instead of increases or flat levels, then such condition may adversely affect the future cash flows of the Company or reporting units.

   - Legal, regulatory, contractual, political, business or other factors that could affect future cash flows. During our analysis, the Company assumes that the legal, regulatory, political or business conditions should remain consistent, without placing material pressure on the Company or any of its reporting units. If such conditions were to become materially different than what has been experienced historically, then such conditions may adversely affect the future cash flows of the Company or reporting units.

- Entity-specific events such as losses of management, key personnel, or customers, may adversely affect future cash flows. During our analysis, the Company assumes that members of management, key personnel, and customers will remain consistent period-over-period. If not effectively replaced, the loss of members of management and key employees could adversely affect operations, culture, morale and overall success of the company. In addition, if material revenue from key customers is lost and not replaced, then future cash flows will be adversely affected.

- Industry or market considerations, such as competition, changes in the market, changes in customer dependence on our service offering, or obsolescence could adversely affect the Company or its reporting units. We understand that the market we serve are constantly changing, requiring us to change with it. During our analysis, we assume that we will address new opportunities in service offering and industries served. If we do not make such changes, then we may experience declines in revenue and cash flow, making it difficult to re-capture market share.

- Macroeconomic conditions such as deterioration in general economic conditions or limitations on accessing capital could adversely affect the Company. During our analysis, we acknowledge that macroeconomic factors, such as the economy, may affect our business plan because our customers may reduce budgets for our services. If there are material declines in the economy, which lead to reductions in revenue then such conditions may adversely affect the Company.

2. Compare the carrying amount of the intangible asset to the fair value.

3. If the carrying amount is greater than the fair value, then the carrying amount is reduced to reflect fair value.

Goodwill and Intangible assets are comprised of the following, presented as net of amortization:

	June 30, 2023	
	AiAdvertising	Total
Domain name	20,202	20,202
Total	$ 20,202	$ 20,202

	December 31, 2022	
	AiAdvertising	Total
Domain name	20,202	20,202
Total	$ 20,202	$ 20,202

Business Combinations

The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customer lists, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Fair value of financial instruments

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates their fair value, due to the relatively short maturity of these instruments. As of June 30, 2023, and December 31, 2022, the Company has zero note payables.

Fair value is defined as the price to sell an asset or transfer a liability, between market participants at the measurement date. Fair value measurements assume that the asset or liability is (1) exchanged in an orderly manner, (2) the exchange is in the principal market for that asset or liability, and (3) the market participants are independent, knowledgeable, able and willing to transact an exchange. Fair value accounting and reporting establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. Considerable judgment is required to interpret the market data used to develop fair value estimates. As such, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current exchange. The use of different market assumptions and/or estimation methods could have a material effect on the estimated fair value.

Off-Balance Sheet Arrangements

None

Recent Accounting Pronouncements

The Company does not elect to delay complying with any new or revised accounting standards, but to apply all standards required of public companies, according to those required application dates.

Management reviewed accounting pronouncements issued during the quarter ended June 30, 2023, and no pronouncements were adopted during the period.

Management reviewed accounting pronouncements issued during the year ended December 31, 2022, and the following pronouncement was adopted during the period.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13) “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2022. Due to the fact that we have no credit instruments recorded at expected losses, at June 30, 2023 the impact of this ASU on our consolidated financial statements was immaterial.

Recent Developments

Employment Agreement for Gerard Hug

On April 10, 2023, we entered into an employment agreement (the “Employment Agreement”) with Gerard Hug, the Company’s Chief Executive Officer. The Employment Agreement supersedes the employment offer letter with Mr. Hug dated July 21, 2022. The Employment Agreement has an initial term beginning on January 1, 2023 through December 31, 2023 and thereafter shall renew automatically for successive one-year extension terms until either party gives notice of nonrenewal at least 90 days before the end of the applicable extension term. Pursuant to the Employment Agreement, Mr. Hug will receive an annual base salary of $375,000 and a one-time bonus of $50,000 payable on or before May 15, 2023. Mr. Hug will also be eligible for an annual incentive bonus, with a target payout of a minimum of fifty percent (50%) of his base salary (the “Target Bonus”), upon the achievement of Company performance goals established by the Company’s compensation committee of the board of directors. The Employment Agreement further provides that upon the successful up-listing of the Company’s common stock to a national securities exchange such as Nasdaq or the New York Stock Exchange, Mr. Hug will receive a one-time up-listing bonus in the amount of $100,000.

In the event Mr. Hug's employment is terminated by the Company without cause or by Mr. Hug for good reason, Mr. Hug will be entitled to a lump sum payment equal to the sum of (A) two times Mr. Hug's base salary for the year in which the date of the termination occurs, reduced for actual service performed from the effective date down to a minimum period of twelve full months or one times Mr. Hug's base salary, (B) a payment equal to the product of (i) the Target Bonus and (ii) a fraction, the numerator of which is the number of days Mr. Hug was employed by the Company during the year of termination and the denominator of which is the number of days in such year, and (C) 12 months of COBRA premium payments based on the coverages in effect as of the date of Mr. Hug's termination of employment. The treatment of any outstanding equity award shall be determined in accordance with the terms of the 2021 Equity Incentive Plan and the applicable award agreements. All of Mr. Hug's severance benefits are subject to his execution of a release of claims and his continued compliance with his restrictive covenant agreement.

Securities Purchase Agreement

On April 10, 2023, we entered into a securities purchase agreement (the "Purchase Agreement") with Hexagon Partners, Ltd., (the "Purchaser"), pursuant to which the Company agreed to issue and sell to the Purchaser up to 2,918,560 shares of its Series I Preferred Stock (the "Series I Preferred Stock") for an aggregate purchase price of up to $9,250,000 (the "Purchase Price"), in three tranches. Tranche A comprises 2,272,727 shares of Series I Preferred Stock at a purchase price of $2.20 per share of Series I Preferred Stock purchased at an initial closing on April 11, 2023. The Company also granted the Purchaser a six-month option from the date of the initial closing, which the Purchaser has the right to assign subject to certain restrictions, to purchase (i) up to 333,333 additional shares of Series I Preferred Stock at a purchase price of $6.00 per share of Series I Preferred Stock, and (ii) up to 312,500 shares of Series I Preferred Stock at a purchase price of $7.20 per share of Series I Preferred Stock.

For so long as at least 50% of the Series I Preferred Stock purchased pursuant to the Purchase Agreement have not been redeemed by the Company or converted into common stock of the Company, par value $0.001 per share (the "Common Stock"), Hexagon will have the right to designate two directors to the Company's Board of Directors (the "Board"), and the Company may not increase the size of the Board above six directors without Hexagon's prior written consent. During the same period Hexagon has the right to designate two directors to the Board, Hexagon will have the right to appoint an observer to attend meetings of the Board.

Series I Certificate of Designation

Pursuant to the Purchase Agreement, on April 10, 2023, we filed a Certificate of Designation of Preferences, Rights and Limitations of Series I Preferred Stock (the "Series I Certificate") with the Nevada Secretary of State designating the rights, preferences and limitations of the Series I Preferred Stock. Each share of Series I Preferred Stock is convertible at the option of the holder at any time and from time to time into four hundred (400) fully-paid and non-assessable shares of Common Stock, subject to customary adjustments for stock splits, stock dividends, stock combination recapitalizations or other similar transactions (the "Conversion Ratio"). The holders of outstanding shares of the Series I Preferred Stock shall be entitled to receive dividends pari passu with the holders of Common Stock (except for stock dividends for which adjustments are made pursuant to the Series I Certificate or upon a liquidation, dissolution and winding up of the Company where the holders of Series I Preferred Stock have received payment to the Series I Certificate). The holders of Series I Preferred Stock are entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Series I Preferred Stock held by such holder are then convertible based on the Conversion Ratio as of the record date for determining stockholders entitled to vote (i) on all matters presented to the holders of Common Stock for approval, voting together with the holders of Common Stock as one class, or (ii) whenever the approval or other action of the holders of Series I Preferred Stock is required by applicable law or by the Company's articles of incorporation, bylaws, or other organizational documents; provided, however that the holders of Series I Preferred Stock shall not be entitled to vote together with the Common Stock with respect to any matter at a meeting of the stockholders of the Company, which under applicable law or the Company's articles of incorporation, bylaws or other organizational documents requires a separate class vote.

Without the prior written consent of holders of not less than 50% of the then total outstanding share of Series I Preferred Stock voting as a single class, the Company and its subsidiaries may not (a) effect or agree to effect a change of control; (b) sell, transfer, license, lease, or otherwise dispose of, in any transaction or series of related transactions, any significant assets of the Company or any subsidiary; (c) alter, modify, or repeal the Series I Certificate; (d) in any manner authorize, create, amend or issue any class or series of capital stock ranking prior to or on parity with the Series I Preferred Stock; (e)(i) issue or authorize the issuance of any equity securities of the Company's subsidiaries, other than to the Company or another of the Company's wholly owned subsidiaries, or (ii) form or create a subsidiary of the Company that is not wholly-owned (directly or indirectly) by the Company; or (f) enter into any agreement with respect to any of the foregoing.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of shares of Series I Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment may be made or any assets distributed to the holders of the Common Stock, such consideration per share as would have been payable had all the shares of Series I Preferred Stock been converted into Common Stock, immediately prior to such liquidation, dissolution or winding up.

Registration Rights and Lock-up Agreement

In connection with the entry into the Purchase Agreement and the issuance of the Series I Preferred Stock, the Company and the Purchaser entered into a registration rights and lock-up agreement (the "Registration Rights Agreement"), pursuant to which the Company granted to the Purchaser certain demand and piggyback registration rights with respect to the shares of Common Stock issuable to the Purchaser upon conversion of the Series I Preferred Stock.

The Purchaser agreed to a lock-up that restricts the offer, pledge or sale of the Series I Preferred Stock and the shares of Common Stock issuable upon conversion of the Series I Preferred Stock for a period of one year from the date of the Registration Rights Agreement, subject to certain exceptions as provided in the Registration Rights Agreement.

Rights Agreement

On April 10, 2023, the Board approved the Company's entry into a Rights Agreement, by and between the Company and Worldwide Stock Transfer, LLC, as Rights Agent, in the form attached as an exhibit to the Purchase Agreement (the "Rights Agreement"). On June 6, 2023, the Company executed the Rights Agreement.

Pursuant to the Rights Agreement, the Board declared a dividend distribution of one preferred share purchase right (a "Right") for each outstanding share of common stock, held by the shareholders of the Company at the close of business on June 7, 2023 (the "Record Date"). Holders of the Company's warrants and certain of its existing preferred stock (including the Series I Preferred stock issued pursuant to the Purchase Agreement) as of the Record Date were also issued one Right for each share of common stock that such holders would be entitled to receive upon full exercise or conversion of their warrants or existing preferred stock, as applicable. Each Right will entitle the holder to purchase one ten-thousandth of a share of Series J Junior Participating Preferred Stock, par value $0.001 per share, of the Company (the "Series J Preferred Shares") at the purchase price set forth in the Rights Agreement.

Generally, the Rights Agreement will work by imposing a significant penalty upon any person or group that acquires beneficial ownership of 10% or more of the Common Stock without the approval of the Board. As a result, the overall effect of the Rights Agreement and the issuance of the Rights may be to render more difficult or discourage a merger, tender or exchange offer or other business combination involving the Company that is not approved by the Board. The Rights Agreement is not intended to interfere with any merger, tender or exchange offer or other business combination approved by the Board. Nor does the Rights Agreement prevent the Board from considering whether an offer is in the best interest of its stockholders. The Rights Agreement will exempt certain persons as specified therein, including but not limited to the Purchaser and certain of its affiliates.

Series J. Certificate of Designation

In connection with the adoption of the Rights Agreement, on June 8, 2023, we filed a Certificate of Designation, Preferences and Rights of Series J Junior Participating Preferred Stock, par value $0.001 per share, of the Company (the "Series J Certificate of Designation") with Nevada Secretary of State. The Series J Certificate of Designation sets forth the rights, powers and preferences of the Preferred Shares.

Amended and Restated Bylaws

In accordance with terms of the Purchase Agreement, on April 10, 2023, the Board amended and restated the Company's bylaws to, among other things, (i) set the size of the Board at six directors, (ii) provide that the size of the Board shall not be increased without the affirmative vote of the holders of the Company's voting securities holding 80% of the vote, (iii) revise the provisions relating to indemnification of certain persons, and (iv) provide that the Board may not amend the bylaws without the affirmative vote of 75% of the members of the Board (the "Amended and Restated Bylaws").

Resignation of Director and Appointment of New Directors

Effective June 5, 2023, Rosie O'Meara provided notice of her resignation as a member of the Board. Ms. O'Meara's resignation was not a result of any disagreement with the Company's Board or management.

On June 2, 2023, James B. Renacci and Thomas O. Hicks, Jr. were appointed to the Board. Messrs. Renacci and Hicks will serve as members of the Board until the next annual meeting of the Company's stockholders, and until their successors are elected and qualified or until their death, resignation, or removal.

In connection with his appointment to the Board, the Board appointed Mr. Renacci to serve as a member of the Special Committee, which was formed by the Board and granted full authority to act on behalf of the Board and take all actions deemed advisable relating to the previously disclosed rights agreement. The Board also appointed Mr. Renacci to serve as a member of the Nominating and Corporate Governance Committee and to serve as the Chairperson of the Audit Committee.

In connection with his appointment to the Board, the Board appointed Mr. Hicks to serve as a member of the Special Committee, Compensation Committee, and Nominating and Corporate Governance Committee.

Each of the new directors will receive compensation for their service as a director or committee member in accordance with the Company's standard director compensation of $30,000 annually.

Employment Agreement with Keven Myers

On June 2, 2023, we entered into an employment agreement (the "Employment Agreement") with Kevin Myers, the Company's Chief Product & Marketing Officer.

The Employment Agreement has an initial term beginning on January 1, 2023, through December 31, 2023, and thereafter shall renew automatically for successive one-year extension terms until either party gives notice of nonrenewal at least 90 days before the end of the applicable extension term. Pursuant to the Employment Agreement, Mr. Myers will receive an annual base salary of $250,000 and a one-time bonus of $50,000 payable on or before July 15, 2023. Mr. Myers will also be eligible for an annual incentive bonus, with a target payout of a minimum of fifty percent (50%) of his base salary (the "Target Bonus"), upon the achievement of Company performance goals established by the Company's compensation committee of the board of directors.

In the event Mr. Myers' employment is terminated by the Company without cause or by Mr. Myers for good reason, Mr. Myers will be entitled to a lump sum payment equal to the sum of (A) two times Mr. Myers' base salary for the year in which the date of the termination occurs, reduced for actual service performed from the effective date down to a minimum period of twelve full months or one times Mr. Myers' base salary, (B) a payment equal to the product of (i) the Target Bonus and (ii) a fraction, the numerator of which is the number of days Mr. Myers was employed by the Company during the year of termination and the denominator of which is the number of days in such year, and (C) 12 months of COBRA premium payments based on the coverages in effect as of the date of Mr. Myers' termination of employment. The treatment of any outstanding equity award shall be determined in accordance with the terms of the 2021 Equity Incentive Plan and the applicable award agreements. All of Mr. Myers' severance benefits are subject to his execution of a release of claims and his continued compliance with his restrictive covenant agreement.

Entry into a Material Definitive Agreement

On June 6, 2023, we entered into the Rights Agreement (the "Rights Agreement"), by and between the Company and Worldwide Stock Transfer, LLC, as Rights Agent, substantially in the form previously attached as an exhibit to the Securities Purchase Agreement filed as Exhibit No. 10.1 to the Company's Current Report on Form 8-K filed on April 11, 2023. The Rights Agent currently serves as the Company's transfer agent with respect to the Company's common stock and also has been appointed transfer agent with respect to the Series J Junior Participating Preferred Stock, par value $0.001 per share (each, a "Preferred Share" and collectively, the "Preferred Shares"), if any, that may be issued pursuant to the exercise of rights under the Rights Agreement.

Pursuant to the Rights Agreement, the Board declared a dividend distribution of one right (a "Right") to purchase one ten-thousandth of one share of our newly designated Preferred Shares for each outstanding share of common stock, par value $0.001 per share, held by the shareholders of the Company at the close of business on June 7, 2023 (the "Record Date"). Holders of the Company's warrants and certain of its existing preferred stock as of the Record Date were also issued one Right for each share of common stock that such holders would be entitled to receive upon full exercise or conversion of their warrants or existing preferred stock, as applicable.

Results of Operations for the Three months ended June 30, 2023, compared to the Three months ended June 30, 2022.

REVENUE

Total revenue for the three months ended June 30, 2023, decreased by $24,585 to $1,594,041, compared to $1,618,626 for the three months ended June 30, 2022. The decrease was primarily due to strong client activity in Digital Marketing for the first fiscal quarter, pulling revenue forward.

COST OF REVENUE

Cost of revenue for the three months ended June 30, 2023, increased by $326,148 to $1,953,936, compared to $1,627,788 for the three months ended June 30, 2022. The increase was primarily due to the increase in purchased media within digital marketing.

SALARIES AND OUTSIDE SERVICES

Salaries and outside services for the three months ended June 30, 2023, increased by $292,999 to $1,151,803, compared to $858,804 for the three months ended June 30, 2022. The increase was primarily due to legal costs to complete the sale of our Series I Preferred stock to Hexagon Partners.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the three months ended June 30, 2023, decreased by $333,994 to $805,499 compared to $1,139,493 for the three months ended June 30, 2022. The decrease was primarily due to a decrease in headcount, rent, and stock-based compensation.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses for the three months ended June 30, 2023, decreased by $1,274 to $8,047 compared to $9,321 for the three months ended June 30, 2022. The decrease was primarily due to reduced fixed asset purchases over the past two years.

OTHER INCOME AND EXPENSE

Total other income for the three months ended June 30, 2023, increased by $435,021 to net other income of $435,021 compared to net other income of zero for the three months ended June 30, 2022. The increase in net other income was from received ERC tax credits for maintaining employment through the COVID-19 crisis.

NET LOSS

The net loss for the three months ended June 30, 2023, was $1,890,223 decreased by $126,557, compared to the net loss of $2,016,780 for the three months ended June 30, 2022. The decrease in net loss for the period was primarily due to received ERC tax credits and reduced employee and SG&A expenses.

Results of Operations for the Six months ended June 30, 2023, compared to the Six months ended June 30, 2022.

REVENUE

Total revenue for the six months ended June 30, 2023, increased by $950,505 to $3,768,793, compared to $2,818,288 for the six months ended June 30, 2022. The increase was primarily due to strong client activity in digital marketing.

COST OF REVENUE

Cost of revenue for the six months ended June 30, 2023, increased by $445,765 to $3,609,385, compared to $3,163,620 for the six months ended June 30, 2022. The increase was primarily due to the increase in purchased media within Digital Marketing.

SALARIES AND OUTSIDE SERVICES

Salaries and outside services for the six months ended June 30, 2023, decreased by $300,445 to $1,823,064, compared to $2,123,509 for the six months ended June 30, 2022. The decrease was primarily due reduced levels of employment, partially offset by legal costs in the second quarter to complete the Series I Preferred share offering to Hexagon Partners.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

SG&A expenses for the six months ended June 30, 2023, decreased by $625,273 to $1,528,784 compared to $2,154,057 for the six months ended June 30, 2022. The decrease was primarily due to a decrease in headcount associated expenses, rent, and stock-based compensation.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses for the six months ended June 30, 2023, decreased by $2,337 to $16,097 compared to $18,434 for the six months ended June 30, 2022. The decrease was primarily due to reduced fixed asset purchases over the past two years.

OTHER INCOME AND EXPENSE

Total other income for the six months ended June 30, 2023, increased by $409,829 to net other income of $435,026 compared to net other expense of $25,197 for the six months ended June 30, 2022. The increase in net other income was from a received ERC tax credit for maintaining employment through the COVID-19 crisis.

NET LOSS

The net loss for the six months ended June 30, 2023, was $2,773,511 decreased by $1,842,624, compared to the net loss of $4,616,135 for the six months ended June 30, 2022. The decrease in net loss for the period was primarily due to received ERC tax credits and reduced employee and SG&A expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a net working capital (i.e., the difference between current assets and current liabilities) of $992,461 on June 30, 2023, compared to a net working capital deficit of $2,684,592 on December 31, 2022.

Cash flow used in operating activities was $3,245,612 for the six months ended June 30, 2023, compared to cash flow used in operating activities of $2,923,954 for the six months ended June 30, 2022. The increase in cash flow used in operating activities of $321,658 was primarily due to decrease in Accounts Payable to vendors from paying invoices faster and an increase in Accounts Receivable due to increases in revenue.

Cash flow provided by investing activities was zero for the six months ended June 30, 2023, compared to cash flow used in investing activities of $1,988 for the six months ended June 30, 2022. The decrease in cash flow provided by investing activities of $1,988 was due to less purchases of computer equipment.

Cash flow provided by financing activities was $5,599,427 for the six months ended June 30, 2023, compared to cash flow provided by financing activities of $940,159 for the six months ended June 30, 2022. The increase in cash flow provided by financing activities of $4,659,268 was primarily due to the Series I preferred stock purchase by Hexagon Partners.

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts receivable and accounts payable and capital expenditures.

As of June 30, 2023, the Company had an equity line financing relationship with one investor. During the current period, the investor provides short-term financing under a stock purchase arrangement disclosed in footnote 6. The Company does not have any long-term sources of liquidity. As of June 30, 2023, there were no unused sources of liquidity, nor were there any commitments of material capital expenditures.

The Company has negative monthly cash flows from operations of approximately $470,000. The Company’s current cash is not sufficient to sustain the Company’s operations for approximately 12 months without additional borrowings or further sales of stock. To satisfy cash needs, the Company relies on the sale of capital stock or can introduce borrowing mechanisms to fund operations, as discussed above.

The consolidated financial statements of the Company have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. Management believes that our current cash flow will sustain our operations and obligations as they become due, additionally will allow the development of our core business operations. Furthermore, the Company anticipates that it will raise additional capital through investments from our existing shareholders, prospective new investors and future revenue generated by our operations.

Any additional capital we may raise through the sale of equity or equity-backed securities may dilute current stockholders' ownership percentages and could also result in a decrease in the fair market value of our equity securities. The terms of the securities issued by us in future capital transactions may be more favorable to new investors and may include preferences, superior voting rights and the issuance of warrants or other derivative securities which may have a further dilutive effect.

Furthermore, any additional debt or equity or other financing that we may need may not be available on terms favorable to us, or at all. If we are unable to obtain required additional capital, we may have to curtail our growth plans or cut back on existing business. Further, we may not be able to continue operations if we do not generate sufficient revenues from operations.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our reported financial results.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for small reporting companies.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our management concluded that, due to material adjusting entries related to stock issuances, as of June 30, 2023, our disclosure controls and procedures were ineffective.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The Company's management does not expect that its disclosure controls or its internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company may be involved in legal actions and claims arising in the ordinary course of business from time to time in the future. However, at this time there are no current legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

Item 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in “Risk Factors” in our Form 10-K filed with the SEC on May 16, 2023.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
31.1	Section 302 Certification*
31.2	Section 302 Certification**
32.1	Section 906 Certification**
32.2	Section 906 Certification **
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

AIADVERTISING, INC.
(Registrant)

Dated: October 20, 2023

By: /s/ *Gerard Hug*
Gerard Hug
Chief Executive Officer
(Principal Executive Officer)

/s/ *John C. Small*
John Small
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Gerard Hug, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AiAdvertising, Inc.

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (of 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.

Dated: October 20, 2023

By: /s/ *Gerard Hug*
Gerard Hug, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, John Small, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AiAdvertising, Inc.

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (of 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.

Dated: October 20, 2023

By: /s/ *John Small*
John Small, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

SECTION 906 CERTIFICATION

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 of AiAdvertising, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 (the "Report") I, Gerard Hug, Chief Executive Officer and President of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

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

Dated: October 20, 2023

By: /s/ *Gerard Hug*
Gerard Hug, Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

SECTION 906 CERTIFICATION

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 of AiAdvertising, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 (the "Report") I, John Small, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

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

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

Dated: October 20, 2023

By: /s/ *John C. Small*
John Small, Chief Financial Officer
(Principal Financial Officer)