

**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 March 31, 2016

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**

CLOUDCOMMERCE, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or
organization)

30-0050402

(I.R.S. Employer Identification No.)

1933 Cliff Drive, Suite 1, Santa Barbara, CA 93109

(Address of principal executive offices) (Zip Code)

(805) 964-3313

Registrant's telephone number, including area code

1933 Cliff Drive, Suite 11, Santa Barbara, CA 93109

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

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 proceeding 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes

No

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

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

(Do not check if a smaller reporting company)

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 issuer's classes of common stock as of the latest practicable date.

As of May 13, 2016, the number of shares outstanding of the registrant's class of common stock was 105,790,195.

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PART I. - FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

CLOUDCOMMERCE, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>March 31, 2016</u> (unaudited)	<u>June 30, 2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 78,823	\$ 19,051
Accounts receivable, net	335,772	138,308
Prepaid and other current Assets	6,800	5,048
TOTAL CURRENT ASSETS	<u>421,395</u>	<u>162,407</u>
PROPERTY & EQUIPMENT, net	73,476	8,668
OTHER ASSETS		

Lease deposit	8,821	5,955
Internet domain	20,202	20,202
Goodwill and other intangible assets	1,785,844	-
TOTAL OTHER ASSETS	1,814,867	26,157
TOTAL ASSETS	\$ 2,309,738	\$ 197,232
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 237,433	\$ 61,866
Accrued expenses	366,859	70,713
Line of credit	87,190	-
Deferred income and customer deposit	3,998	11,998
Convertible notes and interest payable, current, net	1,501,511	619,321
Derivative liability	-	1,951,201
TOTAL CURRENT LIABILITIES	2,196,991	2,715,099
LONG TERM LIABILITIES		
Convertible notes and interest payable, net	-	81,563
Accrued expenses, long term	214,803	217,953
TOTAL LONG TERM LIABILITIES	214,803	299,516
TOTAL LIABILITIES	2,411,794	3,014,615
SHAREHOLDERS' DEFICIT		
Preferred stock, \$0.001 par value; 5,000,000 Authorized shares:	-	-
Series A Preferred stock; 10,000 authorized, 10,000 and zero issued and outstanding shares, respectively;	10	-
Series B Preferred stock; 20,000 authorized, no shares issued and outstanding;	-	-
Common stock, \$0.001 par value; 2,000,000,000 authorized shares;	-	-
105,790,195 shares issued and outstanding, respectively	105,790	105,790
Additional paid in capital	16,403,359	7,679,033
Accumulated deficit	(16,611,215)	(10,602,206)
TOTAL SHAREHOLDERS' DEFICIT	(102,056)	(2,817,383)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 2,309,738	\$ 197,232

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
REVENUE	\$ 736,978	\$ 147,651	\$ 1,628,612	\$ 388,634
OPERATING EXPENSES				
Salaries and outside services	783,824	219,839	1,811,072	668,183
Selling, general and administrative expenses	334,683	112,612	860,599	308,588
Stock based compensation	125,695	48,803	360,837	60,187
Depreciation and amortization	7,302	1,154	15,470	3,428
TOTAL OPERATING EXPENSES	1,251,504	382,408	3,047,978	1,040,386
LOSS FROM OPERATIONS BEFORE OTHER INCOME AND TAXES	(514,526)	(234,757)	(1,419,366)	(651,752)
OTHER INCOME (EXPENSE)				
Other income	(2,814)	-	(2,593)	300
Gain (loss) on extinguishment of debt	-	-	(570,975)	118,492
Gain (loss) on changes in derivative liability	-	(935,250)	(3,258,891)	(81,112)
Interest expense	(272,538)	(144,762)	(755,947)	(387,562)
TOTAL OTHER INCOME (EXPENSE)	(275,352)	(1,080,012)	(4,588,406)	(349,882)

LOSS FROM OPERATIONS BEFORE PROVISION FOR TAXES	(789,878)	(1,314,769)	(6,007,772)	(1,001,634)
PROVISION FOR INCOME TAXES	(1,237)	-	(1,237)	(1,600)
NET LOSS	(791,115)	(1,314,769)	(6,009,009)	(1,003,234)
PREFERRED DIVIDEND	20,000	-	40,000	-
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (811,115)	\$ (1,314,769)	\$ (6,049,009)	\$ (1,003,234)
NET LOSS PER SHARE				
BASIC	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.01)
DILUTED	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.01)
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING				
BASIC	105,790,195	105,790,195	105,790,195	105,790,195
DILUTED	105,790,195	105,790,195	105,790,195	105,790,195

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance, June 30, 2015	-	\$ -	105,790,195	\$ 105,790	\$ 7,679,033	\$ (10,602,206)	\$ (2,817,383)
Issuance of Series A Preferred stock	10,000	10	-	-	1,999,990	-	2,000,000
Reclassification of derivative accounting	-	-	-	-	5,636,592	-	5,636,592
Beneficial conversion feature	-	-	-	-	766,907	-	766,907
Dividend on Series A Preferred stock	-	-	-	-	(40,000)	-	(40,000)
Stock based compensation	-	-	-	-	360,837	-	360,837
Net loss	-	-	-	-	-	(6,009,009)	(6,009,009)
Balance, March 31, 2016 (unaudited)	10,000	\$ 10	105,790,195	\$ 105,790	\$ 16,403,359	\$ (16,611,215)	\$ (102,056)

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Nine Months Ended	
	March 31, 2016	March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (6,009,009)	\$ (1,003,234)
Adjustment to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	15,470	3,428
Bad debt expense	60,411	(20,099)

Stock based compensation	360,837	60,187
Amortization of debt discount	635,495	333,549
(Gain) loss on extinguishment of debt	570,975	(118,492)
Loss on derivative liability	3,258,891	81,112
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	60,485	52,254
Prepaid and other assets	1,819	(4,197)
Increase (Decrease) in:		
Accounts payable	64,548	(7,597)
Accrued expenses	253,552	59,237
Deferred income	(8,000)	2,550
Other liabilities	137,461	-
NET CASH (USED IN) OPERATING ACTIVITIES	(597,065)	(561,302)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(10,436)	(2,355)
Net cash on acquisition	22,773	-
Purchase of intangible assets (see Note 6)	(10,000)	-
NET CASH PROVIDED BY/(USED) IN INVESTING ACTIVITIES	2,337	(2,355)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	(20,000)	-
Proceeds from issuance of notes payable	674,500	560,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	654,500	560,000
NET INCREASE/(DECREASE) IN CASH	59,772	(3,657)
CASH, BEGINNING OF YEAR	19,051	50,041
CASH, END OF PERIOD	\$ 78,823	\$ 46,384
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ 44
Taxes paid	\$ 4,332	\$ 1,600

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

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
MARCH 31, 2016

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of CloudCommerce, Inc.'s ("CloudCommerce," "we," "us," or the "Company"), have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal recurring adjustments considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2016. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10K for the year ended June 30, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CloudCommerce, Inc. is presented to assist in understanding the Company's financial statements. The 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 financial statements.

The Condensed Consolidated Financial Statements include the Company and its majority-owned subsidiary ("Indaba Group, Inc., a Delaware corporation"). All significant inter-company transactions are eliminated in consolidation.

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 balance of the allowance account at March 31, 2016 and June 30, 2015 are \$68,492 and \$4,808 respectively.

Revenue Recognition

We provide online marketing services that we purchase from third parties. The gross revenue presented in our statement of operations is in accordance with ASC 605-45.

The Company recognizes income when the service is provided or when product is delivered. We present revenue, net of customer incentives. Most of the income is generated from professional services and site development fees. For the quarter ended March 31, 2016, 58% of revenue was concentrated with 4 clients, compared to 54% of revenue concentrated with 4 clients for the quarter ended March 31, 2015.

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 605-25, 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. The deferred revenue as of March 31, 2016 and June 30, 2015 was \$0 and \$8,000, respectively.

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 income. There was no material impact on the Company's financial 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 quarter ended March 31, 2016,

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
MARCH 31, 2016

included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of March 31, 2016 based on the grant date fair value estimated. Stock-based compensation expense recognized in the statement of operations for the quarter ended March 31, 2016 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 nine months ended March 31, 2016 and 2015 was \$360,837 and \$60,187, 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 three and nine months ended March 31, 2016, the Company has excluded 126,000,000 options, 28,019,163 warrants outstanding, 10,000 preferred shares and shares issuable from \$2,060,747 in convertible notes, because their impact on the loss per share is anti-dilutive.

For the three months ended March 31, 2015, the Company has excluded 91,000,000 options, 28,019,163 warrants outstanding, and shares issuable from \$1,084,884 in convertible notes, because their impact on the loss per share is anti-dilutive.

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 Issued Accounting Pronouncements

Management reviewed accounting pronouncements issued during the three months ended December 31, 2015, and no pronouncements were adopted during the period. The Company notes that the following accounting pronouncement was issued, but was not adopted:

Accounting Standards Update 2015-16 - This pronouncement relates to a company that has reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. Based on the nature of this pronouncement and the types of acquisitions the Company is likely to attract, it is not likely that this pronouncement will be adopted or have an effect on the financial statements.

3. LIQUIDITY AND OPERATIONS

The Company had net loss of \$6,009,009 for the nine months ended March 31, 2016 and net loss of \$1,003,234 for the nine months ended March 31, 2015, and net cash used in operating activities of \$597,065 and \$561,302 for 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 or have sufficient capital to finance its growth and business operations, or that such capital will be available on terms that are favorable to the Company or at all. In the current financial environment, it could become difficult for the Company to obtain equipment leases and other business financing. There is no assurance that the Company would be able to obtain additional working capital through the private placement of common stock or from any other source.

Going Concern

The accompanying 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 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

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
MARCH 31, 2016

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, an additional cash infusion. The Company has obtained funds from its shareholders since its inception. It is management's plan to generate additional working capital from increasing sales from its desktop and mobile service offerings, and then continue to pursue its business plan and purposes.

4. BUSINESS ACQUISITIONS

Indaba Group, LLC

On October 1, 2015, the Company completed the acquisition of Indaba Group, LLC, a Colorado limited liability company ("Indaba"). As of that date, the Company's operating subsidiary, Warp 9, Inc, a Delaware corporation, merged with Indaba Group, LLC and the name of the combined subsidiary was changed to Indaba Group, Inc. The total purchase price of two million dollars (\$2,000,000), was paid in the form of the issuance of ten thousand (10,000) shares of the Company's Series A Convertible Preferred Stock, at a liquidation preference of two hundred dollars (\$200) per share and payment of working capital surplus in the amount of \$70,597. As of the date of closing, Ryan Shields and Blake Gindi, two of the owners of Indaba, were appointed to the Company's board of directors.

Under the purchase method of accounting, the transactions were valued for accounting purposes at \$2,000,000, which was the fair value of Indaba at the time of acquisition. The assets and liabilities of Indaba were recorded at their respective fair values as of the date of acquisition. The Company has initially determined there were no other separately identifiable intangible assets, any difference between the cost of the acquired entity and the fair value of the assets acquired and liabilities assumed is recorded as goodwill. The acquisition date estimated fair value of the consideration transferred consisted of the following:

Tangible assets acquired	\$ 417,701
Liabilities assumed	(193,890)
Net tangible assets	223,811
Goodwill	1,776,189
Total purchase price	\$ 2,000,000

The above estimated fair value of the intangible assets is based on a preliminary purchase price allocation prepared by management. As a result, during the preliminary purchase price allocation period, which may be up to one year from the business combination date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. After the preliminary purchase price allocation period, we record adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in our operating results in the period in which the adjustments were determined.

Pro forma results

The following tables set forth the unaudited pro forma results of the Company as if the acquisition of Indaba had taken place on the first day of the periods presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies been combined as of the first day of the periods presented.

	Nine months ended, <u>March 31, 2016</u>	Nine months ended, <u>March 31, 2015</u>
Total revenues	\$ 2,290,452	\$ 2,005,595

Net loss	(6,067,177)	(793,145)
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Basic and diluted net loss per common share	\$ (0.06)	\$ (0.00)
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5. CONVERTIBLE NOTES PAYABLE

During the quarter ended December 31, 2015, the Company signed addenda to each of its outstanding convertible notes,

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
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fixing the conversion price at \$0.004. Before the addenda, the conversion price for each of the notes was tied to the trading price of the Company's common stock. Because of that fluctuation, the Company was required to report derivative gains and losses each quarter, which was included in earnings, and an overall derivative liability balance on the balance sheet. Accordingly, per ASC 815, the derivative liability on the note was extinguished and re-valued per ASC 470 as a beneficial conversion feature, where applicable, to be expensed in the statement of operations. The Company has eliminated the derivative liability balance on the balance sheet and discontinued the gain/loss reporting on the income statement.

On March 25, 2013, the Company issued a convertible promissory note ("the March 2013 Note") in the amount of up to \$100,000, at which time an initial advance of \$50,000 was received to cover operational expenses. The lender advanced an additional \$20,000 on April 16, 2013, an additional \$15,000 on May 1, 2013 and an additional \$15,000 on May 16, 2013, for a total draw of \$100,000. The terms of the March 2013 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004. The March 2013 Note bears interest at a rate of 10% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. On May 23, 2014, the lender converted \$17,000 of the \$100,000 outstanding balance and accrued interest of \$1,975 into 4,743,699 shares of common stock. On October 14, 2014, the lender converted \$17,000 of the \$100,000 outstanding balance and accrued interest of \$2,645 into 4,911,370 shares of common stock. The balance of the March 2013 Note, as of March 31, 2016 is \$85,440, which includes \$19,440 of accrued interest.

On May 16, 2013, the Company issued a convertible promissory note ("the May 2013 Note") in the amount of \$100,000, at which time an initial advance of \$10,000 was received to cover operational expenses. The lender advanced an additional \$20,000 on June 3, 2013, an additional \$25,000 on July 2, 2013, an additional \$10,000 on September 3, 2013 and an additional \$35,000 on February 18, 2014, for a total draw of \$100,000. The terms of the May 2013 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at a conversion price of \$0.004. The Company recognized a discount on the May 2013 Note in the amount of \$100,000, due to the beneficial conversion feature. This discount was recognized over twelve months, and has been fully amortized as of September 30, 2015. The May 2013 Note bears interest at a rate of 10% per year and payable upon demand, but in no event later than 60 months from the effective date of each tranche. The balance of the May 2013 Note, as of March 31, 2016 is \$125,379, which includes \$25,379 of accrued interest.

On March 4, 2014, the Company issued a convertible promissory note ("the March 2014 Note") in the amount of \$250,000, at which time an initial advance of \$25,000 was received to cover operational expenses. The lender advanced an additional \$20,000 on March 17, 2014 and an additional \$30,000 on April 2, 2014, for a total draw of \$75,000. The terms of the March 2014 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at a conversion price of \$0.004. The Company recorded a debt discount of \$75,000 related to the beneficial conversion feature of the March 2014 Note. This discount is recognized over 18 months, beginning on the date of each tranche payment. For the quarter ended March 31, 2016, the Company included \$4,921 in interest expense related to the discount. As of March 31, 2016, the portion of the discount that has not been amortized is \$8,489. The March 2014 Note bears interest at a rate of 10% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. The balance of the March 2014 Note, as of March 31, 2016 is \$90,266, which includes \$15,266 of accrued interest.

On April 16, 2014, the Company issued a convertible promissory note ("the April 2014 Note") in the amount of \$300,000, at which time an initial advance of \$40,000 was received to cover operational expenses. The lender advanced an additional \$55,000 on April 30, 2014, an additional \$40,000 on May 16, 2014, an additional \$40,000 on June 2, 2014, an additional \$35,000 on June 30, 2014, an additional \$40,000 on July 18, 2014, and an additional \$50,000 on August 15, 2014, for a total draw of \$300,000. The terms of the April 2014 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004. The Company recorded debt discount of \$300,000 related to the conversion feature of the April 2014 Note. This discount is recognized over 18 months, beginning on the date of each tranche payment. For the quarter ended March 31, 2016, the Company included \$1,726 in interest expense related to the discount. As of March 31, 2016, the portion of the discount that has not been amortized is \$3,775. The April 2014 Note bears interest at a rate of 10% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. The balance of the April 2014 Note, as of March 31, 2016 is \$354,316, which includes \$54,316 of accrued interest.

On September 5, 2014, the Company issued a convertible promissory note ("the September 2014 Note") in the amount of \$250,000, at which time an initial advance of \$40,000 was received to cover operational expenses. The lender advanced an additional \$10,000 on September 17, 2014, an additional \$30,000

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CLOUDCOMMERCE, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
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On October 1, 2014, an additional \$40,000 on October 16, 2014, an additional \$40,000 on October 31, 2014, an additional \$40,000 on November 18, 2014, and an additional \$50,000 on December 16, 2014, for a total draw of \$250,000. The terms of the September 2014 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004. The Company recorded a debt discount of \$250,000 related to the conversion feature of the September 2014 Note. This discount is recognized over 18 months, beginning on the date of each tranche payment. For the quarter ended March 31, 2016, the Company included \$49,424 in interest expense related to the discount. As of March 31, 2016, the portion of the old and new discount that has not been amortized is \$17,166. The September 2014 Note bears interest at a rate of 10% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. The balance of the September 2014 Note, as of March 31, 2016 is \$285,729, which includes \$35,729 of accrued interest.

On January 5, 2015, the Company issued a convertible promissory note ("the January 2015 Note") in the amount of \$250,000, at which time an initial advance of \$30,000 was received to cover operational expenses. The lender advanced an additional \$45,000 on January 20, 2015, an additional \$45,000 on February 2, 2015, an additional \$35,000 on February 16, 2015, an additional \$35,000 on March 2, 2015, an additional \$30,000 on March 17, 2015, an additional \$20,000 on April 2, 2015, and an additional \$10,000 on April 17, 2015, for a total draw of \$250,000. The terms of the January 2015 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004. The Company recorded a debt discount of \$250,000 related to the conversion feature of the January 2015 Note. This discount is recognized over 18 months, beginning on the date of each tranche payment. For the quarter ended March 31, 2016, the Company included \$32,172 in interest expense related to the discount. As of March 31, 2016, the portion of the new discount that has not been amortized is \$47,426. The January 2015 Note bears interest at a rate of 10% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. The balance of the January 2015 Note, as of March 31, 2016 is \$278,081, which includes \$28,081 of accrued interest.

On May 4, 2015, the Company issued a convertible promissory note ("the May 2015 Note") in the amount of \$250,000, at which time an initial advance of \$33,000 was received to cover operational expenses. The lender advanced an additional \$43,000 on May 18, 2015, an additional \$45,000 on June 2, 2015, an additional \$10,000 on June 17, 2015, an additional \$38,000 on July 2, 2015, an additional \$37,000 on July 17, 2015, and additional \$10,000 on August 5, 2015, and an additional \$34,000 on August 19, 2015, for a total draw of \$250,000. The terms of the May 2015 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004. The Company recorded a debt discount of \$250,000 related to the conversion feature of the May 2015 Note. This discount is recognized over 18 months, beginning on the date of each tranche payment. For the quarter ended March 31, 2016, the Company included \$24,944 in interest expense related to the discount. As of March 31, 2016, the portion of the new discount that has not been amortized is \$73,690. The May 2015 Note bears interest at a rate of 10% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. The balance of the May 2015 Note, as of March 31, 2016 is \$269,481, which includes \$19,481 of accrued interest.

On August 19, 2015, the Company issued a convertible promissory note ("the August 2015 Note") in the amount of \$250,000, at which time an initial advance of \$3,000 was received to cover operational expenses. The lender advanced an additional \$40,000 on September 1, 2015, and an additional \$31,000 on September 17, 2015, for a total draw of \$74,000. The terms of the August 2015 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004. The Company recorded a debt discount of \$74,000 related to the conversion feature of the August 2015 Note. This discount is recognized over 18 months, beginning on the date of each tranche payment. For the quarter ended March 31, 2016, the Company included \$7,495 in interest expense related to the discount. As of March 31, 2016, the portion of the new discount that has not been amortized is \$28,096. The August 2015 Note bears interest at a rate of 10% per year and is payable upon demand, but in no event later than 60 months from the effective date of each tranche. The balance of the August 2015 Note, as of March 31, 2016 is \$78,173, which includes \$4,173 of accrued interest.

On October 1, 2015, the Company issued a convertible promissory note (the "October 2015 Note") in the amount of \$1,000,000, at which time an initial advance of \$38,000 was received to cover operational expenses. The lender advanced an additional \$38,500 on October 16, 2015, an additional \$65,000 on November 17, 2015, an additional \$32,000 on December 7, 2015, an additional \$60,000 on December 17, 2015, an additional \$35,000 on January 4, 2016, an additional \$52,000 on January 19, 2016, an additional \$58,000 on February 2, 2016, an additional \$36,000 on February 18, 2016, an additional \$40,000 on March 2, 2016, and an additional \$27,000 on March 21, 2016, for a total draw of \$481,500. The terms of the

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October 2015 Note, as amended, allow the lender to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of \$0.004. The October 2015 Note bears interest at a rate of 10% per year and matures 12 months from the effective date of each advance. The Company recorded a debt discount of \$481,500 related to the conversion feature of the October 2015 Note. This discount is recognized over 12 months, beginning on the date of each tranche payment. For the quarter ended March 31, 2016, the Company included \$103,688 in interest expense related to the discount. As of March 31, 2016, the portion of the discount that has not been amortized is \$380,594. The balance of the October 2015 Note, as of March 31, 2016 is \$493,882, which includes \$12,382 of accrued interest.

Following is the five year maturity schedule for our convertible notes payable:

Year ended June 30,	Amount Due
2016	\$ 911,701
2017	\$ 589,810
2018	\$ -
2019	\$ -
2020	\$ -

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 March 31, 2016 and 2015, 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 that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-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 1 measurements) 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.

We measure certain financial instruments at fair value on a recurring basis. As of March 31, 2016 the Company had no Assets and liabilities measured at fair value on a recurring basis per ASC Topic 820.

Assets and liabilities measured at fair value on a recurring basis are as follows at June 30, 2015:

	Total	(Level 1)	(Level 2)	(Level 3)
Liabilities				
Derivative liability	1,951,201	-	-	1,951,201
Total liabilities measured at fair value	\$ 1,951,201	\$ -	\$ -	\$ 1,951,201

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The following is a reconciliation of the derivative liability for which Level 3 inputs were used in determining the approximate fair value:

Beginning balance as of July 1, 2015	\$ 1,951,201
Fair value on issuance of debt	426,500
Change on settlement of debt	(5,636,592)
Loss on change in derivative liability	3,258,891
Ending balance as of December 31, 2015	\$ -

6. RELATED PARTIES

During the three months ended March 31, 2016, the Company had the following related party transactions:

On January 12, 2016, the Company borrowed \$100,000 from Bountiful Capital, LLC to cover operating costs. The loan was offered interest free on a short term basis, and was due February 12, 2016. As of the date of this filing, the loan has not been repaid, nor has the lender demanded payment. The Company is currently discussing options to either extend the maturity date or refinance the balance due. The Chief Financial Officer of the Company, Greg Boden, is also the President of Bountiful Capital, LLC. Therefore, this loan transaction was with a related party.

7. INTANGIBLE ASSETS

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, which will be used 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 September 30, 2015, 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.

On September 22, 2015, the Company purchased the trademark rights of "CLOUDCOMMERCE", from a private party at a purchase price of \$10,000. The total recorded cost of this trademark of \$10,000 has been included in other assets on the balance sheet. The trademark expires in 2020 and may be renewed for an additional 10 years. Therefore, as of September 30, 2015, we determined that this intangible asset has a definite useful life of 174 months, and as such, will be included in depreciation and amortization expense. For the quarter ended March 31, 2016, the Company included \$172 in depreciation and amortization expense related to this trademark.

8. CAPITAL STOCK

At March 31, 2016 the Company's authorized stock consists of 2,000,000,000 shares of common stock, par value \$0.001 per share. At March 31, 2015 the Company's authorized stock consists of 495,000,000 shares of common stock, par value \$0.001 per share. The Company is also authorized to issue 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 Company has designated 10,000 shares of its preferred stock as Series A Convertible Preferred Stock and 20,000 shares of its preferred stock as Series B 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 shall be entitled to receive dividends, payable quarterly, out of any assets of the Corporation legally available therefor, at the rate of Eight dollars (\$8) per share per annum, payable in preference and priority to any payment of any dividend on the Common Stock. Each share of Series B Preferred Stock shall have a stated value of \$100.00 The Series B Preferred Stock is convertible into shares of fully paid and non-assessable shares of the Company's common stock by dividing the Stated Value by a conversion price of \$0.004 per share. The holders of outstanding shares of the Series B Preferred Stock shall be entitled to receive dividends, payable when Series B Preferred Stock is converted to Common Stock, out of any assets of the Corporation legally available at the rate of 10% per annum based on the Share Value, The right to such dividends on the Series B Preferred Stock shall be cumulative. At the sole option of the Holder, dividends can be converted into Common Stock at the Conversion Price. Series B Preferred Stock shall not be entitled to vote, as a separate class or otherwise, on any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation.

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On October 1, 2015, the Company completed the acquisition of Indaba Group, LLC, a Colorado limited liability company. The Company paid two million dollars (\$2,000,000) for the acquisition in the form of ten thousand (10,000) shares of the Company's Series A Convertible Preferred Stock, at a liquidation preference of two hundred dollars (\$200) per share. The Company has accrued \$20,000 in dividends payable as of March 31, 2016.

9. STOCK OPTIONS AND WARRANTS

Stock Options

Our 2003 Stock Option Plan for Directors, Officers, Employees and Key Consultants (the "2003 Plan") authorizing the issuance of up to 5,000,000 shares of our common stock pursuant to the grant and exercise of up to 5,000,000 stock options terminated upon the expiration of the remaining options granted under the 2003 Plan on May 24, 2014. In the future, we plan to establish a new stock option plan pursuant to which stock options may be authorized and granted to our executive officers, directors, employees and key consultants. We expect to authorize up to 10% of our issued and outstanding Common Stock for future issuance under such plan. We believe that stock option awards motivate our employees to work to improve our business and stock price performance, thereby further linking the interests of our senior management and our stockholders. The board considers several factors in determining whether awards are granted to an executive officer, including those previously described, as well as the executive's position, his or her performance and responsibilities, and the amount of options, if any, currently held by the officer and their vesting schedule. Our policy prohibits backdating options or granting them retroactively. As of March 31, 2016, 126,000,000 stock options granted outside of the Plan were outstanding.

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 weighted average remaining contractual life of options outstanding as of March 31, 2016 was as follows:

Exercise prices	Number of options outstanding	Weighted Average remaining contractual life (years)

\$0.015	35,000,000	6.41
\$0.013	63,000,000	6.06
\$0.013	15,000,000	5.97
\$0.053	12,500,000	3.37
\$0.004	500,000	5.54
	<u>126,000,000</u>	

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

	Period ended March 31, 2016	
	Options	Weighted average exercise price
Outstanding -beginning of period	91,000,000	\$ 0.012
Granted	35,000,000	\$ 0.015
Exercised	-	-
Forfeited	-	-
Outstanding - end of period	<u>126,000,000</u>	<u>\$ 0.013</u>
Exercisable at the end of period	49,235,616	\$ 0.011
Weighted average fair value of options granted during the year		\$ 525,000

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Warrants

During the quarter ended March 31, 2016, the Company issued no warrants for services. A summary of the Company's warrant activity and related information follows:

	Period ended March 31, 2016		Weighted average exercise price
	Warrants		
Outstanding -beginning of period	28,019,163	\$	0.003
Granted	-	\$	-
Exercised	-	\$	-
Forfeited	-	\$	-
Outstanding and exercisable - end of period	<u>28,019,163</u>	<u>\$</u>	<u>0.003</u>

The weighted average remaining contractual life of warrants outstanding as of March 31, 2016 was as follows:

Weighted
Average

Exercise prices	Number of options outstanding	remaining contractual life (years)
\$0.003	28,019,163	0.27

10. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

During the period ended March 31, 2016 and 2015, there were non-cash financing activities as follows:

	<u>2016</u>	<u>2015</u>
Preferred stock issued for acquisition	\$ 2,000,000	\$ -
Reclassification of derivative accounting	\$ 5,636,592	\$ -

11. CONCENTRATIONS

For the three months ended March 31, 2016 and 2015, the Company had four and four major customers who represented approximately 58% and 54% of total revenue, respectively. For the nine months ended March 31, 2016 and 2015, the Company had three and five major customers who represented approximately 50% and 45% of total revenue, respectively. At March 31, 2016 and June 30, 2015, accounts receivable from four and four customers, respectively, represented approximately 44% and 63% of total accounts receivable, respectively. The customers comprising the concentrations within the accounts receivable are not the same customers that comprise the concentrations with the revenues discussed above.

12. COMMITMENTS

On May 21, 2014, the Company reached a settlement with a prior landlord for the reduction of past due rent and a payment schedule to pay off the remaining amount due. The total amount due, \$227,053, was settled in the amount of \$40,250, paid in monthly payments of \$350. Once the \$40,250 is paid off, the Company will recognize a gain on settlement of debt in the amount of \$186,803. This debt is reported in long term liabilities, with the current portion of the payments reported in current liabilities.

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13. SUBSEQUENT EVENTS

Management has evaluated subsequent events according to the requirements of ASC TOPIC 855, and has reported the following events:

On April 1, 2016, the Company received an advance of \$22,000, on the October 2015 Note.

On April 18, 2016, the Company entered into an unsecured promissory note (the "April 2016 Note") in the amount of \$500,000, at which time an initial advance of \$35,500 was received to cover operational expenses. The April 2016 Note is payable upon demand, but in no case later than April 18, 2019. The April 2016 Note bears interest at a rate of 5% per year. On May 2, 2016, the Company received an additional advance of \$41,000, on the April 2016 Note.

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 financial statements and the related notes thereto included elsewhere herein. 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, 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 prospectus. 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 "Risk Factors" of the reports filed 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.

Overview

CloudCommerce, Inc., together with our subsidiary, provides advanced e-commerce services to leading brands. Our customers depend on us to help them compete effectively in the worldwide e-commerce market. Our comprehensive services include: (1) development of highly customized and sophisticated online stores, (2) real-time integration to other business systems, (3) digital marketing and data analytics, (4) complete and

secure site management, and (5) integration to physical stores. Our goal is to become the industry leader by rapidly increasing the number of customers who regularly depend on us for services and by acquiring other rapidly growing e-commerce service providers.

We believe our services allow our clients to lower costs and focus on promoting and marketing their brand, product line, and website while leveraging the investments we have made in technology and infrastructure to operate a dynamic digital presence.

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.

We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness, and changes in customer payment terms

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when making estimates of the uncollectability of our trade accounts receivable balances. If we determine that the financial conditions of any of our customers has deteriorated, whether due to customer specific or general economic issues, increases in the allowance may be made. Accounts receivable are written off when all collection attempts have failed.

We follow the provisions of ASC 605-10-25, that four conditions must be met before revenue can be recognized: (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

Income taxes are accounted for under the asset and liability method. Under this method, to the extent that we believe that the deferred tax asset is not likely to be recovered, a valuation allowance is provided. In making this determination, we consider estimated future taxable income and taxable timing differences expected in the future. Actual results may differ from those estimates.

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 March 31, 2016 and 2015, 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 that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-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 1 measurements) 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.

We measure certain financial instruments at fair value on a recurring basis. The Company had no assets and liabilities measured at fair value on a recurring basis as of March 31, 2016.

Assets and liabilities measured at fair value on a recurring basis are as follows at June 30, 2015:

	Total	(Level 1)	(Level 2)	(Level 3)
Liabilities				
Derivative liability	1,951,201	-	-	1,951,201
Total liabilities measured at fair value	\$1,951,201	\$ -	\$ -	\$1,951,201

Results of Operations for the Three Months Ended March 31, 2016, compared to the Three Months Ended March 31, 2015.

REVENUE

Total revenue for the three months ended March 31, 2016 increased by \$589,327 to \$736,978, compared to \$147,651 for the three months ended March 31, 2015. The increase was primarily due to the acquisition of Indaba.

SALARIES AND OUTSIDE SERVICES

Salaries and outside services for the three months ended March 31, 2016 increased by \$563,985 to \$783,824, compared to \$219,839 for the three months ended March 31, 2015. The increase was primarily due to the acquisition of Indaba.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative ("SG&A") expenses for the three months ended March 31, 2016 increased by \$222,071 to \$334,683, compared to \$112,612 for the three months ended March 31, 2015. The increase was due to higher salary and operating expenses, related to the acquisition of Indaba.

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RESEARCH AND DEVELOPMENT

Research and development expenses for the three months ended March 31, 2016 and March 31, 2015 were both \$0.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses for the three months ended March 31, 2016 increased by \$6,148 to \$7,302, compared to \$1,154 for the three months ended March 31, 2015. The increase was due to the addition of the computers used by the Indaba employees.

OTHER INCOME AND EXPENSE

Total other income (expense) for the three months ended March 31, 2016 increased by \$804,660 to net other expense of \$275,352, compared to net other expense of \$1,080,012 for the three months ended March 31, 2015. The increase was primarily due to the discontinuance of derivative accounting.

NET INCOME/(LOSS)

The consolidated net loss for the three months ended March 31, 2016 was \$791,115, compared to the consolidated net loss of \$1,314,769 for the three months ended March 31, 2015. The decrease in net loss for the period was primarily due to the discontinuance of derivative accounting, partially offset by interest expense and additional operating costs of Indaba.

Results of Operations for the Nine Months Ended March 31, 2016, compared to the Nine Months Ended March 31, 2015.

REVENUE

Total revenue for the nine months ended March 31, 2016 increased by \$1,239,978 to \$1,628,612, compared to \$388,634 for the nine months ended March 31, 2015. The increase was primarily due to the acquisition of Indaba.

SALARIES AND OUTSIDE SERVICES

Salaries and outside services for the nine months ended March 31, 2016 increased by \$1,142,889 to \$1,811,072, compared to \$668,183 for the nine months ended March 31, 2015. The increase was primarily due to the acquisition of Indaba.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

SG&A expenses for the nine months ended March 31, 2016 increased by \$552,011 to \$860,599, compared to \$308,588 for the nine months ended March 31, 2015. The increase was due to higher salary and operating expenses, related to the acquisition of Indaba.

RESEARCH AND DEVELOPMENT

Research and development expenses for the nine months ended March 31, 2016 and March 31, 2015 were both \$0.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses for the nine months ended March 31, 2016 increased by \$12,042 to \$15,470, compared to \$3,428 for the nine months ended March 31, 2015. The increase was due to the addition of the computers used by the Indaba employees.

OTHER INCOME AND EXPENSE

Total other income (expense) for the nine months ended March 31, 2016 decreased by \$4,238,524 to net other expense of \$4,588,406, compared to net other expense of \$349,882 for the nine months ended March 31, 2015. The decrease was primarily due to changes in the derivative

liability.

NET INCOME/(LOSS)

The consolidated net loss for the nine months ended March 31, 2016 was \$6,009,009, compared to the consolidated net loss of \$1,003,234 for the nine months ended March 31, 2015. The increase in net loss for the period was primarily due to an increase of the derivative liability, interest expense and additional operating costs of Indaba.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a net working capital deficit (i.e. the difference between current assets and current liabilities) of (\$1,775,596) at March 31, 2016 compared to a net working capital deficit of (\$2,552,692) at June 30, 2015. The decrease in net working capital deficit at March 31, 2016 was primarily due to the discontinuance of derivative accounting, partially offset by additional borrowings.

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Cash flow used in operating activities was (\$597,065) for the nine months ended March 31, 2016, compared to cash flow used in operating activities of (\$561,302) for the nine months ended March 31, 2015. The increase in cash flow used in operating activities of \$35,763 was primarily due to an increase in net loss, partially offset by loss on derivative liability, stock-based compensation and loss on extinguishment of debt.

Cash flow provided by investing activities was \$2,337 for the nine months ended March 31, 2016, compared to cash flow used in investing activities of (\$2,355) for the nine months ended March 31, 2015. The increase in cash flow used in investing activities of \$4,692 was primarily due to the net change in purchasing intangible assets, computer equipment and the acquisition of Indaba.

Cash flow provided in financing activities was \$654,500 for the nine months ended March 31, 2016, compared to \$560,000 for the nine months ended March 31, 2015. The increase in cash flow provided in financing activities of \$94,500 was due to an increase in the amount of funds received from the note holders.

The Company has recently been incurring operating losses and experiencing negative cash flow, funded through established borrowing arrangements. In the future, if the Company does not have sufficient cash-on-hand to fund operations, we expect to draw funds from those borrowing arrangements.

Off-Balance Sheet Arrangements

None.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer that it files under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officers, or persons performing similar functions as appropriate to allow timely decisions regarding required disclosure. The Company's Chairman, Chief Executive Officer, and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Company.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2016 (under the supervision and with the participation of the Company's Chairman, Chief Executive Officer, and Chief Financial Officer) pursuant to Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Company's Chief Executive Officer, and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of March 31, 2016.

Changes in Internal Controls over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

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Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

(a) Exhibits

<u>EXHIBIT NO.</u>	<u>DESCRIPTION</u>
3.1	Certificate of Designation for Series A Preferred Stock (Incorporated by reference to exhibits filed with the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission, dated October 6, 2015.)
31.1	Section 302 Certification
31.2	Section 302 Certification
32.1	Section 906 Certification
32.2	Section 906 Certification
EX-101.INS	XBRL INSTANCE DOCUMENT*
EX-101.SCH	XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT*
EX-101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE*
EX-101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE*
EX-101.LAB	XBRL TAXONOMY EXTENSION LABELS LINKBASE*

* Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLOUDCOMMERCE, INC.
(Registrant)

Dated: May 13, 2016

By: /s/ Andrew Van Noy
Andrew Van Noy
Chief Executive Officer and President
(Principal Executive Officer)

/s/ Greg Boden

Greg Boden,
Chief Financial Officer
(Principal Financial/Accounting
Officer)

EXHIBIT 31.1

CERTIFICATION

EXHIBIT 31.1

CERTIFICATION

I, Andrew Van Noy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CloudCommerce, 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: May 13, 2016

By: /s/ Andrew Van Noy
Andrew Van Noy, Chief Executive Officer and President
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

EXHIBIT 31.2

CERTIFICATION

I, Gregory Boden, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CloudCommerce, 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: May 13, 2016

By: /s/ Gregory Boden
Gregory Boden, Chief Financial Officer
(Principal Financial/Accounting Officer)

EXHIBIT 32.1

CERTIFICATION

Exhibit 32.1

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 CloudCommerce, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2016 (the "Report") I, Andrew Van Noy, 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.

Date: May 13, 2016

By: /s/ Andrew Van Noy

Andrew Van Noy, Chief Executive Officer and President
(Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

EXHIBIT 32.2

CERTIFICATION

Exhibit 32.2

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 CloudCommerce, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2016 (the "Report") I, Gregory Boden, 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.

Date: May 13, 2016

By: */s/ Gregory Boden*

Gregory Boden, Chief Financial Officer
(Principal Financial/Accounting Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.