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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended March 31, 2021.

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.)

321 Sixth Street, San Antonio, TX 78215
(Address of principal executive offices) (Zip Code)

(805) 964-3313
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 May 17, 2021, the number of shares outstanding of the registrant’s common stock, par value $0.001, was 984,952,653.

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PART I. - FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

CLOUDCOMMERCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2021 (unaudited)	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash	$ 5,994,243	$ 10,538
Accounts receivable, net	796,191	343,359
Prepaid and other current Assets	35,200	30,430
TOTAL CURRENT ASSETS	6,825,634	384,327
PROPERTY & EQUIPMENT, net	56,035	55,682
RIGHT-OF-USE ASSETS	146,227	171,549
OTHER ASSETS		
Lease deposit	9,800	9,800
Goodwill and other intangible assets, net	26,410	26,582
TOTAL OTHER ASSETS	36,210	36,382
TOTAL ASSETS	$ 7,064,106	$ 647,940
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	$ 823,100	$ 1,575,880
Accounts payable, related party	10,517	10,517
Accrued expenses	235,513	648,273
Operating lease liability	146,227	171,548
Lines of credit	—	379,797
Deferred revenue and customer deposit	921,092	841,290
Convertible notes and interest payable, current, net	—	183,884
Notes payable	—	565,008
Notes payable, related parties	800,657	792,235
TOTAL CURRENT LIABILITIES	2,937,106	5,168,432
LONG TERM LIABILITIES		
Accrued expenses, long term	194,503	195,553
TOTAL LONG TERM LIABILITIES	194,503	195,553
TOTAL LIABILITIES	3,131,609	5,363,985
COMMITMENTS AND CONTINGENCIES (see Note 14)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $0.001 par value;		
5,000,000 Authorized shares:		
Series A Preferred stock; 10,000 authorized, zero and 10,000 shaes issued and outstanding;	—	10
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, 90,000 shares issued and outstanding;	90	90
Series E Preferred stock; 10,000 authorized, 10,000 shares issued and outstanding;	10	10
Series F Preferred stock; 800,000 authorized, 2,353 and 2,413 shares issued and outstanding;	2	2
Series G Preferred stock; 2,600 authorized, 2,597 shares issued and outstanding;	3	3
Series H Preferred stock; 1,000 authorized, 1,000 and zero shares issued and outstanding;	1	—
Common stock, $0.001 par value; 2,000,000,000 authorized shares; 924,338,167 and 683,940,104 shares issued and outstanding, respectively	924,347	683,949
Additional paid in capital	50,401,311	31,486,837
Accumulated deficit	(47,393,299)	(36,886,978)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	3,932,497	(4,716,045)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$ 7,064,106	$ 647,940

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

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
REVENUE	$ 1,624,520	$ 3,200,767
REVENUE - related party	—	3,640
TOTAL REVENUE	1,624,520	3,204,407
COST OF REVENUE	970,383	2,263,999
Gross Profit	654,137	940,408
OPERATING EXPENSES		
Salaries and outside services	1,427,099	678,991
Selling, general and administrative expenses	6,455,970	457,735
Depreciation and amortization	10,749	31,829
TOTAL OPERATING EXPENSES	7,893,818	1,168,555
LOSS FROM OPERATIONS BEFORE OTHER INCOME AND TAXES	(7,239,681)	(228,147)
OTHER INCOME (EXPENSE)		
Other expense	—	—
Gain (loss) on extinguishment of debt	27,411	—
Gain (loss) forgiveness of PPP Loan	780,680	
Gain (loss) on changes in derivative liability	—	287,571
Interest expense	(4,074,731)	(188,244)
TOTAL OTHER INCOME (EXPENSE)	(3,266,640)	99,327
LOSS FROM OPERATIONS BEFORE PROVISION FOR TAXES	(10,506,321)	(128,820)
PROVISION (BENEFIT) FOR INCOME TAXES	—	—
NET LOSS	(10,506,321)	(128,820)
PREFERRED DIVIDENDS	10,116	29,498
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (10,516,437)	$ (158,318)
NET LOSS PER SHARE		
BASIC	$ (0.01)	$ —
DILUTED	$ (0.01)	$ —
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
BASIC	802,164,932	454,821,804
DILUTED	802,164,932	454,821,804

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

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

	Three months ended March 31, 2020						
	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2019	142,450	$ 142	419,638,507	$ 419,648	$ 30,088,492	$ (35,616,328)	$ (5,108,046)
Conversion of convertible note	—	—	78,857,470	78,857	10,165	—	89,022
Exchange debt-for-equity	2,597	3	—	—	259,695	—	259,698
Series A preferred stock dividend declared ($2.00 per share)	—	—	—	—	(20,000)	—	(20,000)
Series D preferred stock dividend declared ($0.10 per share)	—	—	—	—	(9,025)	—	(9,025)
Series F preferred stock dividend declared ($0.28 per share)	—	—	—	—	(473)	—	(473)
Stock based compensation	—	—	—	—	111,248	—	111,248
Derivative settlement	—	—	—	—	80,357	—	80,357
Other - RegA Investor Funds	1,391	1	—	—	34,774	—	34,775
Net loss	—	—	—	—	—	(128,820)	(128,820)
Balance, March 31, 2020 (unaudited)	146,438	$ 146	498,495,977	$ 498,505	$ 30,555,233	$ (35,745,148)	$ (4,691,264)
	Three months ended March 31, 2021						
Balance, December 31, 2020	147,500	$ 147	683,940,104	$ 683,949	$ 31,486,837	$ (36,886,978)	$ (4,716,045)
Conversion of convertible note	—	—	18,313,074	18,313	164,818	—	183,131
Stock issuances to lenders	—	—	110,000,000	110,000	12,652,143	—	12,762,143
Series A preferred stock dividend declared ($0.86 per share)	—	—	—	—	(8,604)	—	(8,604)
Series F preferred stock dividend declared ($0.67 per share)	—	—	—	—	(1,512)	—	(1,512)
Stock based compensation	—	—	—	—	238,634	—	238,634
Stock option exercises	—	—	3,528,955	3,529	(3,529)	—	—
Preferred stock conversion	(10,000)	(10)	100,000,000	100,000	(99,990)	—	—
Warrant issuance	—	—	—	—	983,571	—	983,571
Warrant exercise	—	—	8,556,034	8,556	(8,556)	—	—
Other - RegA Investor Funds	(100)	—	—	—	(2,500)	—	(2,500)
Issuance of Series H Preferred stock	1,000	1			4,999,999		5,000,000
Net loss	—	—	—	—	—	(10,506,321)	(10,506,321)
Balance, March 31, 2021	138,400	$ 138	924,338,167	$ 924,347	$ 50,401,311	$ (47,393,299)	$ 3,932,497

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

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (10,506,321)	$ (128,820)
Adjustment to reconcile net loss to net cash (used in) operating activities		
Bad debt expense	627	5,980
Depreciation and amortization	10,749	31,829
Finance charge, related party	2,820,000	—
Loss on impairment of goodwill & intangibles	—	—
Amortization of Debt Discount	274,992	—
Gain on settlemet of debt	(27,411)	—
Gain on forgiveness of PPP loan	(780,680)	—
Non-cash compensation expense	238,634	111,248
Non-cash service expense	983,571	—
Issuance of Series H Pref to employee	5,000,000	—
(Gain)/loss on derivative liability valuation	—	(287,571)
Derivative expense	—	103,674
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(453,459)	(552,160)
Prepaid expenses and other assets	(4,770)	19,049
Costs in excess of billings	—	(129,040)
Accounts payable	(730,478)	196,604
Accrued expenses	(255,811)	58,955
Customer Deposits	79,802	(576,954)
NET CASH USED IN OPERATING ACTIVITIES	(3,350,555)	(1,147,206)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for purchase of fixed assets	(10,930)	—
NET CASH USED IN INVESTING ACTIVITIES	(10,930)	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	—	(8,778)
Payment of dividend	(259,121)	—
Proceeds of issuance of common stock	9,942,143	—
Proceeds (payments) on line of credit, net	(366,012)	336,892
Proceeds (payments) of preferred stock	(2,500)	34,775
Principal payments on debt, third party	(750,000)	—
Proceeds from PPP loan	780,680	—
Principal payments on term loan	—	(8,917)
Proceeds from issuance of term loan	—	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	9,345,190	353,972
NET INCREASE / (DECREASE) IN CASH	5,983,705	(793,234)
CASH, BEGINNING OF PERIOD	10,538	819,328
CASH, END OF PERIOD	$ 5,994,243	$ 26,094
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 285,293	$ 75,367
Taxes paid	$ —	$ —
Non-cash financing activities:		
Conversion of notes payable to common stock	$ 183,131	$ 89,022
Exchange of Debt-to-Equity (Preferred)	$ —	$ 259,698
Derivative settlement	$ —	$ 80,357
Right of use assets	$ 25,322	$ 22,921
Derivative discount	$ —	$ 87,816
Conversion of preferred to common stock	$ 100,000	$ —
Exercise of stock options	$ 3,529	$ —
Exercise of warrants	$ 8,556	$ —

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

CLOUDCOMMERCE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
MARCH 31, 2021

1. BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements of CloudCommerce, Inc. ("CloudCommerce," "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 March 15, 2021. 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 and are not expected 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CloudCommerce 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"), Parscale Digital, Inc., a Nevada corporation ("Parscale Digital"), WebTegrity, Inc., a Nevada corporation ("WebTegrity"), Data Propria, Inc., a Nevada corporation ("Data Propria"), Giles Design Bureau, Inc., a Nevada corporation ("Giles Design Bureau"), and aiAdvertising, Inc., a Nevada Corporation ("aiAdvertising"). All significant inter-company transactions are eliminated in consolidation of the financial statements.

Reclassifications

Certain prior periods have been recast to reflect current period presentation. During the quarter ended March 31, 2021 we began to recognize cost of revenue in the statement of operation. All prior periods have been recast to reflect this change.

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 March 31, 2021 and December 31, 2020 are $1,369 and $742 respectively.

On November 30, 2016, CLWD Operations entered into a 12-month agreement wherein amounts due from our customers were pledged to a third party, in exchange for a borrowing facility in amounts up to a total of $400,000. The agreement was amended on March 23, 2017, which increased the allowable borrowing amount by $100,000, to a maximum of $500,000. On November 30, 2017, the agreement renewed automatically for another twelve months. The proceeds from the facility were determined by the amounts we invoice our customers. We record the amounts due from customers in accounts receivable and the amount due to the third party as a liability, presented under "Lines of credit" on the Balance Sheet. During the term of this facility, the third-party lender had a first priority security interest in CLWD Operations' assets, and therefore, we would have needed to obtain such third-party lender's written consent to obligate CLWD Operations' further or pledge its assets against additional borrowing facilities. Because of this position, it may be difficult for CLWD Operations to secure additional secured borrowing facilities. The cost of this secured borrowing facility was 0.05% of the daily balance. This borrowing facility had an expiration date of January 14, 2021 and was not renewed. As ofMarch 31, 2021, the balance due from this arrangement was zero.

On October 19, 2017, Parscale Digital entered into a 12-month agreement wherein amounts due from our customers were pledged to a third party, in exchange for a borrowing facility in amounts up to a total of $500,000. The proceeds from the facility were determined by the amounts we invoice our customers. The Company evaluated this facility in accordance with ASC 860, classifying it as a secured borrowing arrangement. We record the amounts due from customers in accounts receivable and the amount due to the third party as a liability, presented as a "Lines of credit" on the Balance Sheet. During the term of this facility, the third-party lender had a first priority security interest in Parscale Digital, and therefore, we would have needed to obtain such third-party lender's written consent to obligate Parscale Digital further or pledge its assets against additional borrowing facilities. The cost of this secured borrowing facility was 0.05% of the daily balance. On April 12, 2018, the Company amended the secured borrowing arrangement, which increased the maximum allowable balance by $250,000, to a total of $750,000. This borrowing facility had an expiration date of November 11, 2020 and was not renewed. As of March 31, 2021, the balance due from this arrangement was zero.

On August 2, 2018, Giles Design Bureau, WebTegrity, and Data Propria entered into 12-month agreements wherein amounts due from our customers were pledged to a third-party, in exchange for borrowing facilities in amounts up to a total of $150,000, $150,000 and $600,000, respectively. The proceeds from the facility were determined by the amounts we invoice our customers. We evaluated these facilities in accordance with ASC 860, classifying as secured borrowing arrangements. We record the amounts due from customers in accounts receivable and the amount due to the third party as a liability, presented under "Lines of credit" on the Balance Sheet. During the term of these facilities, the third-party lender had a first priority security interest in the respective entities, and, therefore, we would have needed to obtain such third-party lender's written consent to obligate the entities further or pledge our assets against additional borrowing facilities. The cost of this secured borrowing facilities was 0.056%, 0.056% and 0.049%, respectively, of the daily balance. These three borrowing facilities had an expiration date of August 22, 2020 and were not renewed. As of March 31, 2021, the combined balance due from these arrangement was zero.

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 for business combinations and analyzing goodwill, 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 ofMarch 31, 2021, the Company held cash and cash equivalents in the amount of $5,994,243, which was held in the Company's operating bank accounts. Of this amount, none was held in any one account, in amounts exceeding the FDIC insured limit of $250,000.

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 $10,577 and $10,175 for the three months ended March 31, 2021and 2020, 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 March 31, 2021, and December 31, 2020 were $921,092 and $841,290, respectively. The costs in excess of billings as of March 31, 2021 and December 31, 2020 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 zero for the three months ended March 31, 2021 and 2020.

Advertising Costs

The Company expenses the cost of advertising and promotional materials when incurred. Total advertising costs were $21,143 and $65,428 for the three months ended March 31, 2021 and 2020, 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 March 31, 2021 and December 31, 2020, 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. During the year ended December 31, 2020, management reviewed the intangible assets and goodwill of WebTegrity, and determined that there were indications of impairment

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. 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. In accordance with its policies, at December 31, 2020 the Company performed a qualitative assessment of indefinite lived intangibles and goodwill related to WebTegrity and determined there was impairment of indefinite lived intangibles and goodwill. Therefore, an impairment of indefinite lived intangibles and goodwill was recognized.

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 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.

In accordance with its policies, the Company conducted an impairment assessment during the year ended December 31, 2020 related to the WebTegrity acquisition and determined that impairment of indefinite lived intangibles and goodwill was necessary. Accordingly, all intangible assets and goodwill related to the WebTegrity acquisition have been written off, amounting to $560,000. This amount reduced the consolidated balances of WebTegrity, as outlined below. This amount is included in Operating Expenses on the Income Statement, for the year ended December 31, 2020. At the time of the impairment analysis, the remaining prior year balance of the Customer List ($71,606) had already been expensed throughout the year ended December 31, 2020.

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

	March 31, 2021			
	Parscale Digital	**WebTegrity**	**CloudCommerce**	**Total**
Customer list	—	—	—	—
Non-compete agreement	—	—	—	—
Domain name and trademark	—	—	26,410	26,410
Brand name	—	—	—	—
Goodwill	—	—	—	—
Customer list	—	—	—	—

	December 31, 2020			
	Parscale Digital	**WebTegrity**	**CloudCommerce**	**Total**
Customer list	—	—	—	—
Non-compete agreement	—	—	—	—
Domain name and trademark	—	—	26,582	26,582
Brand name	—	—	—	—
Goodwill	—	—	—	—
Customer list	—	—	—	—

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the acquisition date, of assets received, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Any costs directly attributable to the business combination are expensed in the period incurred. The acquiree's identifiable assets and liabilities are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

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 March 31, 2021, the Company held cash and cash equivalents in the amount of $5,994,243, 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 13.

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 three months ended March 31, 2021, included compensation expense for the stock-based payment awards granted prior to, but not yet vested, as of March 31, 2021 based on the grant date fair value estimated. Stock-based compensation expense recognized in the consolidated statement of operations for the three months ended March 31, 2021 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 three months ended March 31, 2021 and 2020 were $238,634 and $111,248, 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 months ended March 31, 2021, the Company has excluded 265,946,572 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, 90,000 Series D Preferred shares convertible into 225,000,000 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 250,912,853 shares of common stock underlying warrants, because their impact on the loss per share is anti-dilutive.

For the three months ended March 31, 2020, the Company has excluded 1,006,587 shares of common stock underlying options, 10,000 Series A Preferred shares convertible into 100,000,000 shares of common stock, 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, 90,000 Series D Preferred shares convertible into 225,000,000 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 58,602,541 shares of common stock underlying $463,739 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.

Accounting for Derivatives

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses a probability weighted average series Binomial lattice formula pricing models to value the derivative instruments at inception and on subsequent valuation dates.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

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 March 31, 2021, and no pronouncements were adopted during the period.

Management reviewed accounting pronouncements issued during the year ended December 31, 2020, and the following pronouncements were adopted during the period.

In January 2017, the FASB issued 2017-04, Intangibles- *Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Instead, under this pronouncement, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment change for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects will be considered, if applicable. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Due to the limited amount of goodwill and intangible assets recorded at December 31, 2020, the impact of this ASU on its consolidated financial statements and related disclosures was immaterial.

Recently Issued Accounting Pronouncements Not Yet Adopted

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. We are currently in the process of evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

In January 2017, the FASB issued 2017-04, Intangibles- *Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Instead, under this pronouncement, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment change for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects will be considered, if applicable. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

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, is not expected to be realized. For the three months ended March 31, 2021, we used the federal tax rate of 21% in our determination of the deferred tax assets and liabilities balances.

	For the three months ended March 31, 2021
Current tax provision:	
Federal	
Taxable income	$ —
Total current tax provision	$ —
Deferred tax provision:	
Federal	
Loss carryforwards	$ 3,899,037
Change in valuation allowance	(3,899,037)
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.

The Company generates income from five main revenue streams: data science, creative design, web development, digital marketing, and other. Each revenue stream is unique, and includes the following features:

Data Science

We analyze big data (large volume of information) to reveal patterns and trends associated with human behavior and interactions that can lead to better decisions and strategic business moves. As a result of our data science work, our clients are able to make informed and valuable decisions to positively impact their bottom lines. We classify revenue as data science that includes polling, research, modeling, data fees, consulting and reporting. 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. Transaction pricing is usually a lump sum, which is estimated by specific project requirements. The Company recognizes revenue when performance obligations are met, including, when the data sciences service is performed, polling is conducted, or support hours are expended. If the data sciences service is a fixed fee retainer, then the obligation is earned at the end of the period, regardless of how much service 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. In addition, we offer monthly hosting support packages, which ensures websites are functioning properly. The Company records web development revenue as earned, when the developer hours are recorded (if T&M 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 that includesad spend, SEO management 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.

Other

We offer services that do not fit into the other four categories but rely heavily on the “other” services to provide the entire support package for our clients. Included in this category are domain name management, account management, web hosting, client training, and partner commissions. Revenue is recognized for these services as the service is performed (such as account management or training) or during the month in which the service was provided (such as hosting, partner commissions and domain name registration).

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, furniture, 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

During the three months ended March 31, 2021 and 2020, we included $684,561 and $1,925,953 respectively, in revenue, related to reimbursable costs.

The deferred revenue and customer deposits as of March 31, 2021 and December 31, 2020 were $921,092 and $841,290, respectively.

For the three months ended March 31, 2021 and 2020 (unaudited), revenue was disaggregated into the six categories as follows:

	Three months ended March 31, 2021 (unaudited)			Three months ended March 31, 2020 (unaudited)		
	Third Parties	Related Parties	Total	Third Parties	Related Parties	Total
Data Sciences	$ —	$ —	$ —	$ 55,000	$ —	$ 55,000
Design	474,593	—	474,593	683,792	—	683,792
Development	41,255	—	41,255	89,754	—	89,754
Digital Advertising	1,034,165	—	1,034,165	2,148,089	3,640	2,151,729
Swarm	1,184	—	1,184	—	—	—
Other	73,322	—	73,322	224,132	—	224,132
Total	$ 1,624,520	$ —	$ 1,624,520	$ 3,200,767	$ 3,640	$ 3,204,407

4. LIQUIDITY AND OPERATIONS

The Company had a net loss of $10,506,321 for the three months endedMarch 31, 2021, and $128,820 for the three months endedMarch 31, 2020, and net cash used in operating activities of $(3,350,555) and $(1,147,206), in the same periods, respectively.

As of March 31, 2021, the Company had a short-term borrowing relationship with two lenders. The lenders provided short-term and long-term financing under a secured borrowing arrangement, using our accounts receivable as collateral, disclosed in footnote 6, as well as convertible notes disclosed in footnote 7. As of March 31, 2021, there were no unused sources of liquidity, nor were there any commitments of material capital expenditures.

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 March 31, 2021, 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.

Trademark

On September 22, 2015, the Company purchased the trademark rights to “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 expired in 2020 and the Company submitted a renewal application for an additional 10 years. 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 three months ended March 31, 2021 and 2020, the Company included $172 and $172, respectively, in depreciation and amortization expense related to this trademark. As of March 31, 2021, the balance on this intangible asset was $6,209.

Customer List

On November 15, 2017, the Company acquired WebTegrity, and has calculated the value of the customer list acquired at $280,000, with a useful life of 3 years. For the years ended March 31, 2021 and 2019, we included zero and $21,482 in depreciation and amortization expense related to the customer list. During the year ended December 31, 2020, the Company performed our annual impairment analysis and we determined that the intangible assets of WebTegrity were impaired. Therefore, as of December 31, 2020, the remaining balance of this intangible asset of $7,161 was written off and included in loss on impairment of goodwill and intangible assets on the income statement. As of December 31, 2020, the balance on this intangible asset was zero.

Brand Name

On November 15, 2017, the Company acquired WebTegrity, and have calculated the value of the brand name at $130,000, which is included in other assets on the balance sheet. As of March 31, 2021, we have determined that this brand name 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 an indefinite useful life. In evaluating whether this brand had an indefinite useful life, the Company considered the following criteria:

- Expected use – We expected to retain the name and brand, leveraging the good reputation and client following. Within the WordPress industry, the WebTegrity name was well known, and the founder of the company has been asked to speak at various conferences.
- Expected useful life of related group – The WebTegrity name does not relate to another intangible asset or group of intangible assets. Therefore, this criterion was not considered.
- Limits to useful life – There was no legal, regulatory, or contractual limitation to this intangible asset's life.
- Historical experience – This asset does not require an extension or renewal, in order for it to remain on our balance sheet.
- Effects of other factors –WebTegrity was in a highly competitive industry, mostly relying on the WordPress platform. We also considered whether there was a chance of obsolescence or decline due to competition. In addition, we concluded that there was not a chance of obsolescence or decline due to competition. Even though there is much competition, WebTegrity produced a quality product with a great team, resulting in long term clients.
- Maintenance required – There is no maintenance expenditure to obtain future cash flows. Therefore, this criterion was not taken into consideration.

During the year ended December 31, 2020, the Company performed our annual impairment analysis and we determined that the intangible assets of WebTegrity was impaired. Therefore, as of December 31, 2020, the remaining balance of this intangible asset of $130,000 was written off and included in loss on impairment of goodwill and intangible assets on the income statement. As of December 31, 2020, the balance on this intangible asset was zero.

Goodwill

On November 15, 2017, the Company acquired WebTegrity, and have calculated the value of the goodwill at $430,000, which is included in other assets on the balance sheet. During the year ended December 31, 2020, the Company performed our annual impairment analysis and we determined that the goodwill of WebTegrity was impaired. Therefore, as of December 31, 2020, the remaining balance of this intangible asset of $430,000 was written off and included in loss on impairment of goodwill and intangible assets on the income statement. As of December 31, 2020, the balance on this intangible asset was zero.

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:

	March 31, 2021			December 31, 2020		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer list	$ —	$ —	$ —	$ —	$ —	$ —
Non-compete agreement	—	—	—	—	—	—
Domain name and trademark	30,201	(3,791)	26,410	30,201	(3,619)	26,582
Brand name	—	—	—	—	—	—
Goodwill	—	—	—	—	—	—
Total	$ 30,201	$ (3,791)	$ 26,410	$ 30,201	$ (3,619)	$ 26,582

Total amortization expense charged to operations for the three months ended March 31, 2021, and 2020 were$172 and $21,654, respectively. The following table of remaining amortization of finite life intangible assets, for the years ended December 31, includes the intangible assets acquired, in addition to the CloudCommerce trademark:

2021	517
2022	690
2023	690
Thereafter	4,312
Total	$ 6,209

6. CREDIT FACILITIES

Lines of Credit

On November 30, 2016, CLWD Operations entered into a 12-month agreement wherein amounts due from our customers were pledged to a third party, in exchange for a borrowing facility in amounts up to a total of $400,000. The agreement was amended on March 23, 2017, which increased the allowable borrowing amount by $100,000, to a maximum of $500,000. On November 30, 2017, the agreement renewed automatically for another twelve months. The proceeds from the facility were determined by the amounts we invoiced our customers. We record the amounts due from customers in accounts receivable and the amount due to the third party as a liability, presented under "Lines of credit" on the Balance Sheet. During the term of this facility, the third-party lender had a first priority security interest in CLWD Operations, and therefore, we would have needed to obtain such third-party lender's written consent to obligate CLWD Operations further or pledge our assets against additional borrowing facilities. The cost of this secured borrowing facility was 0.05% of the daily balance. During the three months ended March 31, 2021 and 2020, the Company included $13,785 and $34,921, respectively, in interest expense, related to this secured borrowing facility, and as of March 31, 2021 and December 31, 2020, the outstanding balances were zero and zero, respectively. This borrowing facility had an expiration date of January 14, 2021 and was not renewed.

On October 19, 2017, Parscale Digital entered into a 12 month agreement with a third party to sell the rights to amounts due from our customers, in exchange for a borrowing facility in amounts up to a total of $500,000. The agreement was amended on April 12, 2018, which increased the allowable borrowing amount by $250,000, to a maximum of $750,000. The proceeds from the facility were determined by the amounts we invoice our customers. We evaluated this facility in accordance with ASC 860, classifying it as a secured borrowing arrangement. As such, we record the amounts due from customers in accounts receivable and the amount due to the third party as a liability, presented under "Lines of credit" on the Balance Sheet. During the term of this facility, the third party lender had a first priority security interest in Parscale Digital, and therefore, we would have needed to obtain such third party lender's written consent to obligate it further or pledge our assets against additional borrowing facilities. The cost of this secured borrowing facility was 0.05% of the daily balance. During the three months ended March 31, 2021 and 2020, the Company included zero and $11,205, respectively, in interest expense, related to this secured borrowing facility, and as of three ended March 31, 2021 and year ended December 31, 2020, the combined outstanding balances were zero and zero, respectively. This borrowing facility had an expiration date of November 11, 2019 and was not renewed.

On August 2, 2018, Giles Design Bureau, WebTegrity, and Data Propria entered into a 12 month agreements with a third party to sell the rights to amounts due from our customers, in exchange for borrowing facilities in amounts up to a total of $150,000, $150,000 and $600,000, respectively. The proceeds from the facility were determined by the amounts we invoiced our customers. We evaluated these facilities in accordance with ASC 860, classifying as secured borrowing arrangements. As such, we record the amounts due from customers in accounts receivable and the amount due to the third party as a liability, presented under “Lines of credit” on the Balance Sheet. During the term of these facilities, the third party lender had a first priority security interest in the respective entities, and therefore, we would have been required to obtain such third party lender’s written consent to obligate the entities further or pledge their assets against additional borrowing facilities The cost of these secured borrowing facilities were 0.056%, 0.056% and 0.049%, respectively, of the daily balance. During the three months ended March 31, 2021 and 2020, the Company included zero and $73,054, respectively, in interest expense, related to these secured borrowing facilities, and as of March 31, 2021 and December 31, 2020, the combined outstanding balances were zero and zero, respectively. These three borrowing facilities had an expiration date of August 22, 2020 and were not renewed.

7. CONVERTIBLE NOTES PAYABLE

During fiscal year 2019, the Company issued convertible promissory notes with variable conversion prices, as outlined below. The conversion prices for each of the notes was tied to the trading price of the Company’s common stock. Because of the fluctuation in stock price, the Company is required to report derivative gains and losses each quarter, which was included in earnings, and an overall derivative liability balance on the balance sheet. The Company also records a discount related to the convertible notes, which reduces the outstanding balance of the total amount due and presented as a net outstanding balance on the balance sheet. During the quarter ended June 30, 2020, all convertible notes that contained embedded derivative instruments were converted, leaving a derivative liability balance of zero.

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 we received an initial advance of $50,000 to cover operational expenses. The lender, a related party, advanced an additional $20,000 on April 16, 2013, $15,000 on May 1, 2013 and $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 per share. The March 2013 Note bore interest at a rate of 10% per year and matured on March 25, 2018. On May 23, 2014, the lender converted $17,000 of the 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 outstanding balance and accrued interest of $2,645 into 4,911,370 shares of common stock. On April 17, 2018, the lender converted $16,000 of the outstanding balance and accrued interest of $8,106 into 6,026,301 shares of common stock. On June 23, 2020, the lender converted $50,000 of the outstanding balance and accrued interest of $36,260 into 21,565,068 shares of common stock. The balance of the March 2013 Note, as of March 31, 2021 was zero. This note was converted within the terms of the agreement.

On April 20, 2018, the Company issued a convertible promissory note (the “April 2018 Note”) in the amount of up to $200,000, at which time we received an initial advance of $200,000 to cover operational expenses. The terms of the April 2018 Note, as amended, allowed the lender, a related party, to convert all or part of the outstanding balance plus accrued interest, at any time after the effective date, at a conversion price of $0.01 per share. The April 2018 Note bore interest at a rate of 5% per year and had maturity date of April 20, 2021. During the year ended December 31, 2018, it was determined that the April 2018 Note offered a conversion price which was lower than the market price, and therefore included a beneficial conversion feature. The Company included the amortization of this beneficial conversion feature in interest expense in the amount of $139,726 during the year ended December 31, 2018, and $60,274 during the year ended December 31, 2019. During the year ended December 31, 2019, it was determined that the conversion feature of the April 2018 Note was considered a derivative in accordance with current accounting guidelines because of the reset conversion features of the April 2018 Note. The fair value of the April 2018 Notes has been determined by using the Binomial lattice formula from the effective date of the note. On June 23, 2020, the lender converted $38,894 of the outstanding balance and accrued interest of $4,236 into 4,313,014 shares of common stock. On January 13, 2021, the lender converted $161,106 of the outstanding balance and accrued interest of $22,025 into 18,313,074 shares of common stock. The balance of the April 2018 Note, as of March 31, 2021, was zero. This note was converted within the terms of the agreement.

On January 31, 2019 the Company issued a promissory note (the “January 31, 2019 Note”) in the amount of $53,500 at which time the Company received $50,000, and the remaining $3,500 was retained by the lender to cover legal and administrative cost. The proceeds were used to cover operational expenses. The January 31, 2019 Note bore interest at a rate of 10% per year, had a maturity date of January 31, 2020, and was convertible into common stock 180 days after issuance. The conversion price was calculated as a 39% discount to the lowest trading prices during the 15 trading days prior to conversion. During the year ended December 31, 2019, the lender converted the entire balance of $53,500, plus $3,165 interest and fee into 56,483,670 shares. During the quarter ended December 31, 2020, the lender converted $3,935 accrued interest and fees into 4,300,327 shares, leaving a balance of zero. Because the Company records the value of convertible notes at fair value, no gain or loss is recorded upon conversion. The balance of the January 31, 2019 Note, as of March 31, 2021, was zero This note was converted within the terms of the agreement.

On May 2, 2019 the Company issued a convertible promissory note (the "May 2, 2019 Note") in the amount of $48,500 at which time the Company received $45,000, and the remaining $3,500 was retained by the lender to cover legal and administrative cost. The proceeds were used to cover operational expenses. The May 2, 2019 Note bore interest at a rate of 10% per year, had a maturity date of May 2, 2020, and was convertible into common stock 180 days after issuance. The conversion price was calculated as a 39% discount to the lowest trading price during the 15 trading days prior to conversion. The conversion feature of the May 2, 2019 Note was considered a derivative in accordance with current accounting guidelines because of the reset conversion features of the May 2, 2019 Note. The fair value of the May 2, 2019 Notes has been determined by using the Binomial lattice formula from the effective date of the note. During the quarter ended December 31, 2020, the lender converted $40,772 principal and fees into 39,200,000 shares, and $13,578 principal, interest and fees into 22,258,360 shares, leaving a balance of zero. This note was converted within the terms of the agreement.

On July 16, 2019 the Company issued a convertible promissory note (the "July 16, 2019 Note") in the amount of $43,000 at which time the Company received $40,000, and the remaining $3,000 was retained by the lender to cover legal and administrative cost. The proceeds were used to cover operational expenses. The July 16, 2019 Note bore interest at a rate of 10% per year, had a maturity date of July 10, 2020, and was convertible into common stock 180 days after issuance. The conversion price was calculated as a 39% discount to the lowest trading price during the 15 trading days prior to conversion. Because the conversion feature of the July 16, 2019 Note was not available to the lender, as of December 31, 2019, the July 16, 2019 Note was not considered a derivative. During the quarter ended June 30, 2020, the lender converted $52,300 principal, interest and fees into 91,500,000 shares, leaving a balance of zero. This note was converted within the terms of the agreement.

On September 4, 2019 the Company issued a convertible promissory note (the "September 4, 2019 Note") in the amount of $53,000 at which time the Company received $50,000, and the remaining $3,000 was retained by the lender to cover legal and administrative cost. The proceeds were used to cover operational expenses. The September 4, 2019 Note bore interest at a rate of 10% per year, had a maturity date of September 4, 2020, and was convertible into common stock 180 days after issuance. The conversion price was calculated as a 39% discount to the average of the two lowest trading prices during the 20 trading days prior to conversion. Because the conversion feature of the September 4, 2019 Note was not available to the lender, as of December 31, 2019, the September 4, 2019 Note was not considered a derivative. During the quarter ended March 31, 2020, the lender converted $48,000 principal into 35,357,143 shares. During the quarter ended June 30, 2020, the lender converted $7,650 principal and interest into 7,806,122 shares, leaving a balance of zero. This note was converted within the terms of the agreement.

On December 2, 2019 the Company issued a convertible promissory note (the "December 2, 2019 Note") in the amount of $38,000 at which time the Company received $35,000, and the remaining $3,000 was retained by the lender to cover legal and administrative cost. The proceeds were used to cover operational expenses. The December 2, 2019 Note bore interest at a rate of 10% per year, had a maturity date of December 2, 2020, and was convertible into common stock 180 days after issuance. The conversion price was calculated as a 39% discount to the average of the two lowest trading prices during the 20 trading days prior to conversion. Because the conversion feature of the December 2, 2019 Note was not available to the lender, as of December 31, 2019, the December 2, 2019 Note was not considered a derivative. On June 1, 2020, the Company repaid the remaining balance of the December 2, 2019 note, of $55,824, which includes principal, interest and prepayment penalty, leaving a balance of zero. The prepayment penalty of $16,528 was included in interest expense for the quarter ended June 30, 2020.

On December 5, 2019 the Company issued a convertible promissory note (the "December 5, 2019 Note") in the amount of $53,000 at which time the Company received $50,000, and the remaining $3,000 was retained by the lender to cover legal and administrative cost. The proceeds were used to cover operational expenses. The December 5, 2019 Note bore interest at a rate of 10% per year, had a maturity date of December 5, 2020, and was convertible into common stock 180 days after issuance. The conversion price was calculated as a 39% discount to the average of the two lowest trading prices during the 20 trading days prior to conversion. Because the conversion feature of the December 5, 2019 Note was not available to the lender, as of December 31, 2019, the December 5, 2019 Note was not considered a derivative. On June 3, 2020, the Company repaid the remaining balance of the December 2, 2019 note, of $77,859, which includes principal, interest and prepayment penalty, leaving a balance of zero. The prepayment penalty of $22,988 was included in interest expense for the quarter ended June 30, 2020.

8. NOTES PAYABLE

Related Party Notes Payable

On August 3, 2017, the Company issued a promissory note (the "August 3, 2017 Note") in the amount of $25,000, at which time the entire balance of $25,000 was received to cover operational expenses. The August 3, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the August 3, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On August 15, 2017, the Company issued a promissory note (the "August 15, 2017 Note") in the amount of $34,000, at which time the entire balance of $34,000 was received to cover operational expenses. The August 15, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the August 15, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On August 28, 2017, the Company issued a promissory note (the "August 28, 2017 Note") in the amount of $92,000, at which time the entire balance of $92,000 was received to cover operational expenses. The August 28, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the August 28, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On September 28, 2017, the Company issued a promissory note (the "September 28, 2017 Note") in the amount of $63,600, at which time the entire balance of $63,600 was received to cover operational expenses. The September 28, 2017 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than 36 months from the effective date. The balance of the September 28, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On October 11, 2017, the Company issued a promissory note (the "October 11, 2017 Note") in the amount of $103,500, at which time the entire balance of $103,500 was received to cover operational expenses. The October 11, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the October 11, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On October 27, 2017, the Company issued a promissory note (the "October 27, 2017 Note") in the amount of $106,000, at which time the entire balance of $106,000 was received to cover operational expenses. The October 27, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the October 27, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On November 15, 2017, the Company issued a promissory note (the "November 15, 2017 Note") in the amount of $62,000, at which time the entire balance of $62,000 was received to cover operational expenses. The November 15, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the November 15, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On November 27, 2017, the Company issued a promissory note (the "November 27, 2017 Note") in the amount of $106,000, at which time the entire balance of $106,000 was received to cover operational expenses. The November 27, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the November 27, 2017 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On December 19, 2017, the Company issued a promissory note (the "December 19, 2017 Note") in the amount of $42,000, at which time the entire balance of $42,000 was received to cover operational expenses. The December 19, 2017 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the December 19, 2017 Note, as of March 31, 2021 was zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On January 3, 2018, the Company issued a promissory note (the "January 3, 2018 Note") in the amount of $49,000, at which time the entire balance of $49,000 was received to cover operational expenses. The January 3, 2018 Note bore interest at a rate of 5% per year and was payable upon demand, but in no event later than 36 months from the effective date. The balance of the January 3, 2018 Note, as of March 31, 2021 is zero. On February 17, 2021, the related party note payable was refinanced and consolidated into one note payable. See the "February 17, 2021 Note".

On January 17, 2020, the Company exchanged the below related party notes payable for 2,597 shares of Series G preferred stock. The table includes the balances of each note, on the date of the exchange. During the quarter ended June 30, 2020, the Company included $560 in interest expense, related to the exchanged notes. As of June 30, 2020, the balances of the exchanged notes were zero.

Note Date	Principal	Accrued Interest	Total Due	Gain on Exchange	Series G Preferred Shares
November 30, 2017	$ 30,000	$ 3,197	$ 33,197	$ 70	$ 331
January 30, 2018	72,000	7,072	79,072	168	789
February 1, 2018	85,000	8,314	93,314	198	931
July 23, 2019	25,000	610	25,610	58	256
August 20, 2019	10,000	205	10,205	23	102
August 28, 2019	18,500	360	18,860	43	188
Total	$ 240,500	$ 19,758	$ 260,258	$ 560	$ 2,597

On January 28, 2021, the Company entered into an Unsecured Promissory Note (the "January 28, 2021 Note"), in the aggregate principal amount of $840,000, with Bountiful Capital, LLC for gross proceeds of $840,000. The investor is a related party. The chief financial officer of the Company, Greg Boden, is also the president of Bountiful Capital, LLC. The note bears interest at a rate of 5% per year and is not convertible into shares of common stock of the Company. Principal and interest under the note are due and payable upon maturity on January 28, 2022, and a prepayment of the note is permitted. On March 4, 2021, the Company paid off the note in full in the amount of $840,000.

On February 17, 2021, the Company issued a promissory note (the "February 17, 2021 Note") in the amount of $683,100, at which time the entire balance of $683,100 was received to refinance all outstanding promissory notes. The February 17, 2021 Note bears interest at a rate of 5% per year and is payable upon demand, but in no event later than August 31, 2021. The balance of the February 17, 2017 Note, as of March 31, 2021 is $800,657, which includes $117,557 of accrued interest. Upon executing the February 17, 2021 Note, the Company issued 25,000,000 shares of restricted common stock to Bountiful Capital.

As of March 31, 2021, and December 31, 2020, the notes payable due to related parties totaled $800,657 and $792,235, respectively.

Third Party Notes Payable

On June 29, 2018, the Company issued a promissory note (the "June 2018 Note"), in the amount of $750,000, at which time the Company received $735,000. The remaining $15,000 was retained by the lender as an origination fee. On February 28, 2019 the promissory note was refinanced, and the balance increased to $1,000,000 (the "February 28, 2019 Note"). As of the date of closing the lender withheld $25,443 from the $375,000 balance increase as an origination fee, netting $349,557 to the Company, and on April 3, 2019 the Company received the remaining $250,000. The February 28, 2019 Note bore interest at a rate of 18% per year and is amortized over 12 months. During the year ended December 31, 2020, the Company made payments totaling $506,919 and included $64,326 in interest expense related to this note. As of December 31, 2020, the outstanding balance on the February 28, 2019 Note was zero.

On May 5, 2020, the Company issued a promissory note (the "May 2020 Note") in the amount of $780,680, at which time the entire balance of $780,680 was received to cover payroll and other operating expenses. This May 2020 Note was issued through the Small Business Administration Paycheck Protection Program (the "PPP Program"), and bears interest at a rate of 1% per year. The PPP Program loans allow a deferment period of 6 months, which would require payments to be made starting November 5, 2020. On November 13, 2020, the May 2020 Note was forgiven in full. As of December 31, 2020, the balance on the May 2020 Note was zero, and the Company recorded a gain in the amount of $780,680.

On October 21, 2020, the Company issued a promissory note (the "October 2020 Note") in the amount of $600,000, at which time a balance of $548,250 was received after subtracting lender costs. The October 2020 Note bears interest at a rate of 12% per year, with 12 months of interest guaranteed. The Company issued 32,232,333 shares of our common stock in connection with this borrowing, which required the recording of a discount in the amount of $299,761 against the balance, amortized over the term of the note. During the quarter ended March 31, 2021, the Company paid off the balance owed on the October 2020 Note of $672,000 and amortized the debt discount of $242,274. As of March 31, 2021, the balance owed on the October 2020 Note was zero.

On December 10, 2020, the Company issued a promissory note (the "December 2020 Note") in the amount of $150,000, at which time a balance of $130,875 was received after subtracting lender costs. The December 2020 Note bears interest at a rate of 12% per year, with 12 months of interest guaranteed. The Company issued 5,769,230 shares of our common stock in connection with this borrowing, which required the recording of a discount in the amount of $34,615 against the balance, amortized over the term of the note. During the quarter ended March 31, 2021, the Company paid off the balance owed on the December 2020 Note of $152,614 and amortized the debt discount of $32,718. As of March 31, 2021, the balance owed on the December 2020 Note was zero.

On February 4, 2021, the Company received loan proceeds of $780,680 under the Second Draw of the Paycheck Protection Program ("PPP2"). The PPP2 is evidenced by a promissory note between the Company and the Cache Valley Bank. The note had a five-year term, bore interest at the rate of 1.0% per year, and could have been prepaid at any time without payment of any premium. No payments of principal or interest were due during the six-month period beginning on the date of the Note (the "Deferral Period"). The principal and accrued interest under the note was forgivable after eight weeks if the Company used the PPP2 Loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and otherwise complies with PPP2 requirements. In order to obtain forgiveness of the PPP2 Loan, the Company submitted a request and provided satisfactory documentation regarding its compliance with applicable requirements. On March 23, 2021, we were notified by a representative of Cache Valley Bank that the PPP2 loan was forgiven in full, in the amount of $780,680. As of March 31, 2021, the balance of the PPP2 loan was zero.

9. DERIVATIVE LIABILITIES

During the prior year, the Company determined that the convertible notes outstanding as of December 31, 2020 contained embedded derivative instruments as the conversion price was based on a variable that was not an input to the fair value of a "fixed-for-fixed" option as defined under FASB ASC Topic No. 815 – 40. During the quarter ended June 30, 2020, all convertible notes that contained embedded derivative instruments were converted, leaving a derivative liability balance of zero. The zero balance has carried forward from June 30, 2020 until the quarter ended March 31, 2021.

The Company determined the fair values of the embedded convertible notes derivatives and tainted convertible notes using the lattice valuation model. The balance of the fair value of the derivative liability as of March 31, 2020 and December 31, 2020 is as follows:

Balance at December 31, 2020	$	—
Additions due to new convertible notes		—
Reduction due to conversions and adjustments		—
Mark-to-market adjustment		—
Balance at March 31, 2021	$	—

During the three months ended March 31, 2021 and 2020, the Company incurred losses of $0 and $0, respectively, on the conversion of convertible notes. In connection with the convertible notes, for the three months ended March 31, 2021 and 2020, the Company recorded $329 and $9,295, respectively, of interest expense and zero and $103,674, respectively, of debt discount amortization expense. As of March 31, 2021, and December 31, 2020, the Company had zero and zero, respectively, of accrued interest related to the convertible notes that contained embedded derivative.

10. CAPITAL STOCK

At March 31, 2021 and December 31, 2020, the Company’s authorized stock consists of 2,000,000,000 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 Preferred Stock and Series H 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 Corporation legally available therefor, at the rate of $8 per share annually, payable in preference and priority to any payment of any dividend on the common stock. During the three months ended March 31, 2021 and 2020, we paid dividends of zero and zero, respectively, to the holders of Series A Preferred stock. During the quarter ended March 31, 2021, the holders of the 10,000 shares of Series A Preferred Stock converted all outstanding shares of Series A Preferred into 100,000,000 shares of common stock. As of March 31, 2021, the balance owed on the Series A Preferred stock dividend was $148,604, $8,604 of which was recognized during the quarter ended March 31, 2021.

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 March 31, 2021, 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 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 March 31, 2021, 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 March 31, 2021, the Company had 90,000 shares of Series D Preferred Stock outstanding. During the three months ended March 31, 2021, and 2020, we paid dividends of $257,609, and zero respectively, to the holders of Series D Preferred stock. As of March 31, 2021, 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 March 31, 2021, 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 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. During the quarter ended March 31, 2021, a holder of Series F Preferred shares sold 100 shares back to the company for $2,500. As of March 31, 2021, the Company had 2,353 shares of Series F Preferred Stock outstanding, and an accrued dividend balance of $574.

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 March 31, 2021, the Company had 2,597 shares of Series G Preferred Stock outstanding.

Series H Preferred

On March 18, 2021, the Company designated 1,000 shares of its preferred stock as Series H Preferred Stock. 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. As of March 31, 2021, the Company had 1,000 shares of Series H Preferred Stock outstanding and held by Andrew Van Noy, the Chief Executive Officer of the Company. The 1,000 shares of Series H Preferred stock will be redeemed 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. For the quarter ended March 31, 2021, the Company estimated the value of the Series H Preferred shares to be $5,000,000, which was included in SG&A expenses on the Income Statement and in cash flows from operating activities on the statement of cash flows. We will adjust the value based on a third-party calculation during the quarter ended June 30, 2021.

Registered Direct Offering

On February 23, 2021, the Company closed a registered direct offering pursuant to which the Company issued and sold 85,000,000 shares of common stock, 57,857,143 prefunded warrants to purchase common stock (at an exercise price of $0.001), and 142,857,143 warrants to purchase common stock for gross proceeds of $10,000,000 ($9,942,143 received February 23, 2021 and $57,857 upon exercise of the prefunded warrants), On March 5, 2021, we and the purchaser entered into an amendment agreement to the purchase agreement for the registered direct offering to reduce the exercise price of the warrants from $0.07 to $0.0454 per share of common stock. We also agreed to issue an additional 28,571,421 warrants to the purchaser. The Company also issued 10,714,286 warrants (at an exercise price of $0.0875) to the designees of the placement agent in connection with this transaction. After transaction costs, the Company received net proceeds of $8,500,493, which is being used for operations.

11. STOCK OPTIONS AND WARRANTS

Stock Options

On August 1, 2017, we granted non-qualified stock options to purchase up to 10,000,000 shares of our common stock to a key employee, at an exercise price of $0.01 per share. The stock options vest equally over a period of 36 months and expire August 1, 2022. These options may be exercised on a cashless basis, resulting in no cash payment to the company upon exercise. If the optionee exercises the options on a cashless basis, then the above water value (difference between the option price and the fair market price at the time of exercise) is used to purchase shares of common stock. Under this method, the number of shares of common stock issued will be less than the number of options used to obtain those shares of common stock. During the quarter ended September 30, 2018, the employee exercised, on a cashless basis, 3,324,201 options, resulting in the issuance of 1,233,509 shares of common stock.

On September 18, 2017, we granted non-qualified stock options to purchase up to 1,800,000 shares of our common stock to three key employees, at an exercise price of $0.05 per share. The stock options vest equally over a period of 36 months and expire September 18, 2022These options were exercisable on a cashless basis, resulting in no cash payment to the company upon exercise. During the year ended December 31, 2019, two of the employees who held 1,200,000 options, collectively, left the company and the options were forfeited, and during the period ended June 30, 2020, a key employee who held 600,000 options left the Company and the options were forfeited.

On January 3, 2018, we granted non-qualified stock options to purchase up to 20,000,000 shares of our common stock to a key employees, at an exercise price of $0.04 per share. The stock options vest equally over a period of 36 months and expire January 3, 2023These options were exercisable on a cashless basis, resulting in no cash payment to the Company upon exercise. During the year ended December 31, 2020, the key employee left the Company, and the options were forfeited.

On January 17, 2020, we granted non-qualified stock options to purchase up to 283,000,000 shares of our common stock to ten key employees and three directors, at an exercise price of $0.0019 per share. The stock options vest equally over a period of 36 months and expire January 17, 2025These options allow the optionee to exercise on a cashless basis, resulting in no cash payment to the Company upon exercise, anytime after January 17, 2021.

On June 2, 2020, we granted non-qualified stock options to purchase up to 17,000,000 shares of our common stock to a director, at an exercise price of $0.0018 per share. The stock options vest equally over a period of 36 months and expire June 2, 2025These options are exercisable on a cashless basis, resulting in no cash payment to the Company upon exercise, anytime after June 2, 2021.

On January 5, 2021, we granted non-qualified stock options to purchase up to 368,000,000 shares of our common stock to six key employees and three directors, at an exercise price of $0.0068 per share. The stock options vest equally over a period of 36 months and expire January 5, 2026These options are exercisable on a cashless basis, resulting in no cash payment to the Company upon exercise, anytime after January 5, 2022.

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 three months ending March 31, 2021 and 2020, were determined using the Black Scholes method with the following assumptions:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Risk free interest rate	0.4%	1.86%
Stock volatility factor	337%	272%
Weighted average expected option life	5 years	5 years
Expected dividend yield	0%	0%

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

	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding - beginning of period	429,675,799	$ 0.0052	150,275,799	$ 0.016
Granted	368,000,000	0.0068	283,000,000	0.002
Exercised	(10,442,467)	0.0080	—	—
Forfeited	—	—	—	—
Outstanding - end of period	787,233,332	$ 0.0058	433,275,799	$ 0.007
Exercisable at the end of period	265,946,574	$ 0.0074	163,134,246	$ 0.014
Weighted average fair value of options granted during the period		$ 2,502,400		$ 509,400

As of March 31, 2021, and December 31, 2020, the intrinsic value of the stock options was approximately $25,365,347 and $1,366,650, respectively. Stock option expense for the three months ended March 31, 2021, and 2020 were $238,634 and $111,248, 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 March 31, 2021 was as follows:

Exercise prices	Number of options outstanding	Weighted Average remaining contractual life (years)
$ 0.0150	35,000,000	1.40
$ 0.0131	60,000,000	0.85
$ 0.0130	15,000,000	0.97
$ 0.0068	368,000,000	4.77
$ 0.0053	10,000,000	1.37
$ 0.0019	283,233,332	3.80
$ 0.0018	17,000,000	4.18
	787,233,332	

Warrants

During the fiscal year ended December 31, 2020 the Company issued 20,912,852 warrants through four agreements, related to borrowings, which are exercisable immediately on a cashless basis at prices ranging from $0.005 to $0.0118 per share. As of March 31, 2021 and December 31, 2020, there were 10,912,852 and 20,912,852 warrants outstanding, respectively.

The fair value of warrants granted during the three months ended March 31, 2021 and 2020, were determined using the Black Scholes method with the following assumptions:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Risk free interest rate	0.40%	—
Stock volatility factor	337%	—
Weighted average expected warrant life	5 years	—
Expected dividend yield	0%	—

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

	Three months ended March 31, 2021		Year Ended December 31, 2020	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Outstanding - beginning of period	20,912,852	$ 0.007	10,000,000	$ 0.007
Issued	240,000,001	$ 0.037	10,912,852	$ 0.007
Exercised	(10,000,000)	$ 0.007	—	$ —
Forfeited	—	$ —	—	$ —
Outstanding - end of period	250,912,853	$ 0.035	20,912,852	$ 0.007
Exercisable at the end of period	250,912,853	$ 0.035	20,912,852	$ 0.007
Weighted average fair value of warrants granted during the period		$ 983,571		$ 98,343

Warrant expense for the three months ended March 31, 2021, and 2020 were $983,571 and zero, respectively.

12. RELATED PARTIES

Our Chief Financial Officer is also the President of Bountiful Capital, LLC. On January 17, 2020, notes payable owed to Bountiful Capital amounting to $240,500 and accrued interest of $19,758 were converted into 2,597 shares of Series G preferred stock. On February 17, 2021, the Company entered into an Unsecured Promissory Note (the "February 17, 2021 Term Note"), in the aggregate principal amount of $840,000, with Bountiful Capital, LLC for gross proceeds of $840,000. The investor is a related party. The note bore interest at a rate of 5% per year and was not convertible into shares of common stock of the Company. Principal and interest under the note were due and payable upon maturity on January 28, 2022, and a prepayment of the note was permitted. On March 4, 2021, the Company paid off the February 17, 2021 Term Note in full in the amount of $840,000. Also on February 17, 2021, the Company entered into an Unsecured Promissory Note (the "February 17, 2021 Refinance Note") with Bountiful Capital to refinance ten Unsecured Promissory Notes dated between August 3, 2017 and January 3, 2018, with a total principal balance of $683,100 and accrued interest of $113,626. The February 17, 2021 Refinance Note bears interest of 5% per year and is not convertible into shares of common stock of the Company. Principal and interest under the note are due and payable upon maturity on August 31, 2021, and a prepayment of the note is permitted. On February 17, 2021, the Company issued Bountiful Capital 25,000,000 shares of common stock in connection with the issuances of the February 17, 2021 Term Note and the February 17, 2021 Refinance Note, which the Company valued at $2,820,000. We included $2,820,000 in interest expense related to the 25,000,000 shares. At March 31, 2021 and December 31, 2020, principal on the Bountiful Notes and accrued interest totaled $800,657 and $792,235.

Brad Parscale served on the board of directors of the Company from the acquisition of Parscale Creative on August 1, 2017 until his resignation on December 10, 2019. Mr. Parscale is also the owner of Parscale Strategy, LLC. During the three months ended March 31, 2021 and 2020, the Company earned zero and $194,492, respectively, in revenue from providing services to Parscale Strategy, and as of March 31, 2021 and December 31, 2020, Parscale Strategy had an outstanding accounts receivable of zero and zero, respectively.

On August 1, 2017, Parscale Digital signed a lease with Giles-Parscale, Inc., a related party, to provide a workplace for the employees of Parscale Digital. Giles-Parscale, Inc., is wholly owned by Jill Giles, an employee of the Company. Details on this lease are included in Note 15.

On August 1, 2017, Parscale Digital signed a lease with Parscale Strategy for computer equipment and office furniture. Parscale Strategy is wholly owned by Brad Parscale. Details of this lease are included in Note 15.

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 will be redeemed 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.

13. CONCENTRATIONS

For the three months ended March 31, 2021 and 2020, the Company had four and one major customers who represented approximately 54% and 36% of total revenue, respectively. At March 31, 2021 and December 31, 2020, accounts receivable from four and two customers, represented approximately 60% and 32% 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.

14. 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. As of March 31, 2021, the company recognized ROU assets of $146,227 and lease liabilities of $146,227.

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, 2017, Parscale Digital signed a lease agreement with Giles-Parscale, Inc., a related party, which commenced on August 1, 2017, for approximately 8,290 square feet, at 321 Sixth Street, San Antonio, TX 78215, for $9,800 per month, plus a pro rata share of the common building expenses. The lease expires on July 31, 2022. As of March 31, 2021, it is unclear whether we will attempt to extend this lease beyond the July 31, 2022 expiration date. However, because the lease expiration is greater than twelve months, the lease liability is 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 January 1, 2019, 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 March 31, 2021, the ROU asset and liability balances of this lease were $146,227 and $146,227, respectively.

Total operating lease expense for the three months ended March 31, 2021 and 2020 was $37,042 and $29,400, respectively. The Company is also required to pay its pro rata share of taxes, building maintenance costs, and insurance in according to the lease agreement.

On May 21, 2014, the Company entered into a settlement agreement with the landlord of our previous location at 6500 Hollister Ave., Goleta, CA, to make monthly payments on past due rent totaling $227,052. Under the terms of the agreement, the Company will make monthly payments of $350 on a reduced balance of $40,250. Upon payment of $40,250, the Company will record a gain on extinguishment of debt of $186,802. As of March 31, 2021, the Company recorded the outstanding balance under this settlement agreement as a long-term accrued expense, with the current portion of the debt recorded in accrued expenses. As of March 31, 2021, and December 31, 2020, the Company owed $11,550 and $12,600 on the outstanding reduced payment terms, respectively.

Finance Leases

On August 1, 2017, Parscale Digital signed a lease agreement with Parscale Strategy, a related party, for the use of office equipment and furniture. The lease provides for a term of thirty-six (36) months, at a monthly payment of $3,000, and an option to purchase all items at the end of the lease for one dollar. This lease expired on July 31, 2020 and has a remaining balance owed of $10,517, included in Related Party Accounts Payable. It is certain that the Company will exercise this purchase option. We have evaluated this lease in accordance with ASC 840-30 and determined that it meets the definition of a finance lease.

The following is a schedule of the net book value of the finance lease.

Assets	March 31, 2021	December 31, 2020
Leased equipment under finance lease,	$ 100,097	$ 100,097
less accumulated amortization	(91,045)	(84,837)
Net	$ 9,052	$ 15,260

Liabilities	March 31, 2021	December 31, 2020
Obligations under finance lease (current)	$ —	$ —
Obligations under finance lease (noncurrent)	—	—
Total	$ —	$ —

Below is a reconciliation of leases to the financial statements.

	ROU Operating Leases	Finance Leases
Leased asset balance	$ 146,227	$ 9,052
Liability balance	146,227	—
Cash flow (non-cash)	—	—
Interest expense	$ 10,573	$ —

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
2021	88,200	9,052
2022	68,600	—
2023	—	—
Thereafter	—	—
Total	$ 156,800	$ 9,052
Less imputed interest	(10,573)	—
Total liability	$ 146,227	$ 9,052

Other information related to leases is as follows:

Lease Type	Weighted Average Remaining Term	Weighted Average Discount Rate (1)
Operating Leases	16 months	10%
Finance Leases	0 months	10%

(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.

15. SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

During the three months ended March 31, 2021, there were the following non-cash activities

- Certain lenders converted a total of $183,131 of principal, interest and fees, into 18,313,074 common shares.
- The values of the ROU operating leases assets and liabilities each declined $25,322, netting to zero on the statement of cash flows.
- The holders of 10,000 shares of Series A Preferred stock converted all shares into 100,000,000 shares of common stock.
- The holders of 3,666,668 stock options exercised their options into 3,528,955 shares of common stock.
- The holders of 10,000,000 warrants exercised their warrants into 8,556,034 shares of common stock.

During the three months ended March 31, 2020, there were the following non-cash activities.

- Certain lenders converted a total of $89,022 of principal, interest and fees, into 78,857,470 common shares. As a result of these conversions, we recorded a reduction to the derivative liability of $80,357.
- The values of the ROU operating leases assets and liabilities each declined $22,291, netting to zero on the statement of cash flows.
- Recorded an initial derivative discount for notes that became convertible during the period, in the amount of $87,816, which was converted and eliminated.
- A related party lender exchanged $259,698 of principal and interest for 2,597 shares of Series G Preferred Stock.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events according to ASC TOPIC 855 as of the date of the financial statements and has determined that the following subsequent events are reportable.

- On April 14, 2021, Andrew Van Noy, the holder of the majority of the voting power of the shareholders of the Company, and the Company's chief executive officer and chairman, approved by written consent an amendment to the Company's articles of incorporation, to increase the number of authorized shares of the Company's common stock to 10,000,000,000. The Company will file such amendment with the Secretary of State of Nevada, approximately (but not less than) 20 days after the definitive information statement relating to such amendment is mailed to shareholders.

- On April 6, 2021, the Company issued 47,857,143 shares of common stock to a lender who exercised prefunded warrants at an exercise price of $0.001 per shares. The company received proceeds of $47,857 from this exercise.
- On April 9, 2021 and April 15, 2021, the Company issued 5,205,359 and 97,625 shares of common stock as a result of the exercise of stock options, respectively.
- On April 21, 2021, the Company issued 5,558,823 shares of common stock as a result of the cashless exercise of warrants.
- On May 7, 2021, the Company issued 1,895,536 shares of common stock as a result of the cashless exercise of warrants.

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 31,2020, 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

CloudCommerce, Inc. ("CloudCommerce," "we," "us," "our," or the "Company") is a leading provider of digital advertising solutions. Our flagship solution, SWARM, analyzes a robust mix of audience data to help businesses find who to talk to, what to say to them, and how to market to them. We do this by applying advanced data science, behavioral science, artificial intelligence, and market research techniques to discover, develop and create custom audiences for highly targeted digital marketing campaigns. CloudCommerce was Ranked Number 300th Fastest Growing Company in North America on Deloitte's 2020 Technology Fast 500™.

Core Services

CloudCommerce can deliver end-to-end marketing solutions through a range of services and capabilities. SWARM implementations can include some or all of these capabilities. We believe our products and 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. To better serve our customers and create value for our shareholders, we strategically acquire profitable cloud commerce solutions providers with strong management teams.

Data Analytics

To deliver the highest Return on Investment ("ROI") for our customers' digital marketing campaigns, we utilize sophisticated data science to identify the correct universes to target relevant audiences. Our ability to understand and translate data drives every decision we make. By listening to and analyzing our customers' data we are able to make informed decisions that positively impact our customers' business. We leverage industry-best tools to aggregate and visualize data across multiple sources, and then our data and behavioral scientists segment and model that data to be deployed in targeted marketing campaigns. We have data analytics expertise in retail, wholesale, distribution, logistics, manufacturing, political, and several other industries.

Digital Marketing

We help our customers get their message out, educate their market and tell their story. We do so creatively and effectively by deploying powerful call-to-action digital campaigns with national reach, and boosting exposure and validation with coordinated advertising in print media. Our fully-developed marketing plans are founded on sound research methodologies, brand audits and exploration of the competitive landscape. Whether our customer is a challenger brand, a political candidate, or a well-known household name, our strategists are skillful at leveraging data and creating campaigns that move people to make decisions.

Branding and Creative Services

We approach branding from a "big picture" perspective, establishing a strong identity and then building on that to develop a comprehensive branding program that tells our customer's story, articulates what sets our customer apart from their competitors and establishes our customer in their market.

Development and Managed Infrastructure Support

Commerce-focused, user-friendly digital websites and apps elevates our customers marketing position and draw consumers to their products and services. Our platform-agnostic approach allows us to architect and build solutions that are the best fit for each customer. Once the digital properties are built, our experts will help manage and protect the website or app and provide the expertise needed to scale the infrastructure needed as our customer's business grows.

As we noted in our 10-K filed for the year ended December 31, 2020, we are subject to risks associated with a global pandemic, such as the current Covid-19 pandemic, which could adversely affect the Company. Although the Company's business and revenue could be adversely affected by the Covied-19 pandemic, we have and plan to continue our operations through remote working arrangements, through our workplace technology solutions, which allow employees to work effectively and remain connected.

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 Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our Consolidated 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 Consolidated Financial Statements.

Among the significant judgments made by management in the preparation of ourConsolidated 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.

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.

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 December 31, 2020 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 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 offerings 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.

In accordance with its policies, the Company performed a qualitative assessment of indefinite lived intangibles and goodwill at December 31, 2020 and determined there was impairment of indefinite lived intangibles and goodwill from our WebTegrity acquisition. Accordingly, all intangible assets and goodwill related to the WebTegrity acquisition have been written off, amounting to $560,000. This amount was included in Operating Expenses on the Income Statement, for the year ended December 31, 2020.

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 March 31, 2021 and December 31, 2019, 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.

Off-Balance Sheet Arrangements

None

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 March 31, 2021, and no pronouncements were adopted during the period.

Management reviewed accounting pronouncements issued during the year ended December 31, 2020, and the following pronouncements were adopted during the period.

In January 2017, the FASB issued 2017-04, Intangibles- *Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Instead, under this pronouncement, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment change for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects will be considered, if applicable. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Due to the limited amount of goodwill and intangible assets recorded at December 31, 2020, the impact of this ASU on its consolidated financial statements and related disclosures was immaterial.

Recently Issued Accounting Pronouncements Not Yet Adopted

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. We are currently in the process of evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

In January 2017, the FASB issued 2017-04, Intangibles- *Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. The amendments in this ASU simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test and eliminating the requirement for a reporting unit with a zero or negative carrying amount to perform a qualitative assessment. Instead, under this pronouncement, an entity would perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and would recognize an impairment change for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized is not to exceed the total amount of goodwill allocated to that reporting unit. In addition, income tax effects will be considered, if applicable. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

Results of Operations for the Three Months Ended March 31, 2021, compared to the Three Months Ended March 31, 2020.

REVENUE

Total revenue for the three months ended March 31, 2021 decreased by $1,579,887 to $1,624,520, compared to $3,204,407 for the three months ended March 31, 2020. The decrease was primarily due to a reduction of digital marketing services from a primary client.

COST OF REVENUE

Cost of revenue for the three months ended March 31, 2021 decreased by $1,293,616 to $970,383, compared to $2,263,999 for the three months ended March 31, 2020. The decrease was primarily due to the decrease in digital marketing ad costs and salaries.

SALARIES AND OUTSIDE SERVICES

Salaries and outside services for the three months ended March 31, 2021 increased by $748,108 to $1,427,099, compared to $678,991 for the three months ended March 31, 2020. The increase was primarily due to increases in salary expense, payments to contractors and professional services.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative ("SG&A") expenses for the three months ended March 31, 2021 increased by $5,998,235 to $6,455,970 compared to $457,735 for the three months ended March 31, 2020. The increase was primarily due to an increase in warrant and stock option expense, as well as the issuance of shares of Series H Preferred stock to Andrew Van Noy.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses for the three months ended March 31, 2021 decreased by $21,080 to $10,749 compared to $31,829 for thethree months ended March 31, 2020. The decrease was primarily due to the impairment of goodwill and intangible assets, as of December 31, 2020, which eliminated additional amortization of intangible assets in the current period.

OTHER INCOME AND EXPENSE

Total other expense for the three months ended March 31, 2021 increased by $3,365,967 to net other expense of $3,266,640 compared to net other income of $99,237 for the three months ended March 31, 2020. The increase in net other expense was primarily due to an increase in finance charges and compensation expense related to the issuance of shares of common stock to a related party, partially offset by forgiveness of debt.

NET LOSS

The net loss for the three months ended March 31, 2021 was $10,506,321, compared to the net loss of $128,820 for the three months ended March 31, 2020. The increase in net loss for the period was primarily due to an increase in warrant and stock option expenses, and decrease in third party revenue.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a net working capital surplus (i.e. the difference between current assets and current liabilities) of$3,888,528 at March 31, 2021 compared to a net working capital deficit of ($4,784,105) at fiscal year ended December 31, 2020.

Cash flow used in operating activities was $3,350,555 for the three months ended March 31, 2021, compared to cash flow used in operating activities of $1,147,206 for the three months ended March 31, 2020. The increase in cash flow used in operating activities of $2,203,349 was primarily due to an increase in net loss, partially offset by finance charges and the issuance of Series H preferred stock.

Cash flow used in investing activities was $10,930 for the three months ended March 31, 2021, compared to cash flow used in investing activities of zero for the three months ended March 31, 2020. The increase in cash flow used in investing activities of $10,930 was primarily due to the purchase of computers and videography equipment.

Cash flow provided by financing activities was $9,345,190 for the three months ended March 31, 2021, compared to cash flow provided by financing activities of $353,972 for the three months ended March 31, 2020. The increase in cash flow provided by financing activities of $8,991,218 was due to sale of our common stock, partially offset by debt repayments.

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 March 31, 2021, the Company had short-term borrowing relationships with two lenders. During the current period, one lender provides short-term financing under a stock purchase arrangement disclosed in footnote 10. The Company does not have any long-term sources of liquidity. As of March 31, 2021, 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 $600,000. The Company's current cash is sufficient to sustain the Company's operations for approximately 150 days without additional borrowings. To satisfy cash needs, the Company relies on various borrowing mechanisms to fund operations and service debt, as discussed above. We believe that, through our borrowing arrangements, we will have 12 months of cash available.

The 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 we are unable to continue as a going concern. Our independent auditors, in their report on our audited financial statements for the year ended December 31, 2020 expressed substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent upon, among other things, raising additional capital. Management believes that the additional cash needed to meet our obligations as they become due, and which will allow the development of our core business operations, will be received through investments in the Company made by 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.

Off-Balance Sheet Arrangements

None

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, or persons performing similar functions, 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 March 31, 2021, 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 endedMarch 31, 2021 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 March 15, 2021.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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**
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*
EX-101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE*

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CLOUDCOMMERCE, INC.
(Registrant)

Dated: May 17, 2021

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

/s/ *Gregory Boden*
Gregory Boden
Chief Financial Officer and Director
(Principal Financial and 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 17, 2021

By: /s/ Andrew Van Noy
Andrew Van Noy, Chief Executive Officer, President, and Director
(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 17, 2021

By: /s/ *Gregory Boden*
Gregory Boden, Chief Financial Officer and Director
(Principal Financial 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, 2021 (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.

Dated: May 17, 2021

By: /s/ *Andrew Van Noy*

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

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, 2021 (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.

Dated: May 17, 2021

By: /s/ *Gregory Boden*

Gregory Boden, Chief Financial Officer and Director
(Principal Financial Officer)