

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2022

Commission file number: 000-52765

iCoreConnect Inc.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

13-4182867

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

529 E. Crown Point Road, Suite 250 Ocoee, FL 34761

(Address of principal executive offices) (Zip Code)

(888) 810-7706

(Registrant's Telephone Number, Including Area Code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
<u>Common Stock, \$.001 par value</u>	<u>ICCT</u>	<u>The OTCQB Venture Market</u>

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 12, 2022 there were 172,216,323 shares of the registrant's common stock outstanding.

iCoreConnect Inc.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2022

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iCoreConnect Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2022 (UNAUDITED) AND DECEMBER 31, 2021

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Cash and cash equivalents	\$ 810,075	\$ 71,807
Accounts receivable, net	715,701	629,047
Prepaid expenses and other current assets	390,386	312,286
Total current assets	<u>1,916,162</u>	<u>1,013,140</u>
Property and equipment, net	91,686	92,562
Right of use lease asset - operating	1,078,739	99,054
Software development costs, net	561,925	592,781
Acquired technology, net	160,034	277,966
Customer relationships, net	2,890,001	3,069,874
Goodwill	1,484,966	1,484,966
Total long-term assets	<u>6,267,351</u>	<u>5,617,203</u>
TOTAL ASSETS	<u>\$ 8,183,513</u>	<u>\$ 6,630,343</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 1,243,273	\$ 1,641,750
Operating lease liability, current portion	1,046,423	66,738
Notes payable, current portion	1,776,168	2,325,339
Deferred revenue	33,374	20,419
Total current liabilities	<u>4,099,238</u>	<u>4,054,246</u>
Long-term debt, net of current maturities	3,683,206	1,538,488
Operating lease liability, net of current portion	32,316	32,318
Total long-term liabilities	<u>3,715,522</u>	<u>1,570,806</u>
TOTAL LIABILITIES	<u>\$ 7,814,760</u>	<u>\$ 5,625,052</u>
STOCKHOLDERS' EQUITY		
Preferred Stock, par value \$0.001; 10,000,000 shares authorized; Issued and Outstanding:0 as of March 31, 2022 and December 31, 2021.	-	-
Common Stock par value \$0.001; 600,000,000 shares authorized; Issued and Outstanding:172,216,323 as of March 31, 2022 and 167,493,479 as of December 31, 2021	172,216	167,493
Additional paid-in-capital	84,534,035	83,633,061
Accumulated deficit	(84,337,498)	(82,795,263)
TOTAL STOCKHOLDERS' EQUITY	<u>368,753</u>	<u>1,005,291</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 8,183,513</u>	<u>\$ 6,630,343</u>

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

iCoreConnect Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)

	March 31, 2022	March 31, 2021
Revenue	\$ 2,043,889	\$ 704,001
Cost of sales	634,230	240,033
Gross profit	<u>1,409,659</u>	<u>463,968</u>
Expenses		
Selling, general and administrative	1,950,441	856,388
Depreciation and amortization	455,771	252,697
Total operating expenses	<u>2,406,212</u>	<u>1,109,085</u>
Loss from operations	(996,553)	(645,117)
Other expense		
Interest expense	(155,689)	(167,797)
Finance Fee	(300,000)	-
Other expense	(89,993)	-
Total other expense	<u>(545,682)</u>	<u>(167,797)</u>
Net loss	<u>\$ (1,542,235)</u>	<u>\$ (812,914)</u>
Net loss per share available to common stockholders, basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares, basic and diluted	<u>171,087,892</u>	<u>115,776,822</u>

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

iCoreConnect Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DEFICIT)
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)

	<u>Common stock</u>		<u>Additional Paid In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>			
Balances at January 1, 2021	90,081,336	\$ 90,081	\$ 77,112,060	\$ (77,831,081)	\$ (628,940)
Stock issued for cash	22,504,600	22,505	1,394,808	-	1,417,313
Stock issued for conversion of fees for services payable	7,948,502	7,948	473,975	-	481,923
Stock compensation expense	3,968,795	3,969	114,827	-	118,796
Net loss	-	-	-	(812,914)	(812,914)
Balances at March 31, 2021	124,503,233	\$ 124,503	\$ 79,095,670	\$ (78,643,995)	\$ 576,178
Balances at January 1, 2022	167,493,497	\$ 167,493	\$ 83,633,061	\$ (82,795,263)	\$ 1,005,291
Stock issued for cash	4,722,844	4,723	345,277	-	350,000
Finance fee on convertible debt	-	-	300,000	-	300,000
Stock compensation expense	-	-	255,697	-	255,697
Net loss	-	-	-	(1,542,235)	(1,542,235)
Balances at March 31, 2022	172,216,323	\$ 172,216	\$ 84,534,035	\$ (84,337,498)	\$ 368,753

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

iCoreConnect Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)

	March 31, 2022	March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,542,235)	\$ (812,914)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	63,814	684
Amortization expense	391,957	252,013
Stock compensation expense	255,697	118,796
Finance fee	300,000	-
Non-cash interest expense	94,589	26,858
Changes in assets and liabilities:		
Accounts receivable	(86,654)	(50,486)
Prepaid expenses and other current assets	(78,100)	(28,469)
Right of use asset, net of lease liability	(62,940)	(10,356)
Accounts payable and accrued expenses	(398,477)	(220,677)
Deferred revenue	12,955	9,382
NET CASH USED IN OPERATING ACTIVITIES	(1,049,394)	(715,169)
INVESTING ACTIVITIES		
Additions to capitalized software	(63,296)	(48,682)
NET CASH USED IN INVESTING ACTIVITIES	(63,296)	(48,682)
FINANCING ACTIVITIES		
Net proceeds from debt	2,000,000	-
Payments on debt	(499,042)	(489,641)
Proceeds from issuance of common stock	350,000	1,417,313
Conversion of accounts payable into common stock		22,734
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,850,958	950,406
NET CHANGE IN CASH	738,268	186,555
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	71,807	7,619
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 810,075	\$ 194,174
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$ 32,909	\$ 140,939
Stock issued for conversion of accounts payable	\$ -	\$ 481,923

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

iCoreConnect Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2022

1. NATURE OF OPERATIONS

iCoreConnect Inc., (the “Company”), a Nevada Corporation, is a market leading cloud-based software and technology company focused on increasing workflow productivity and customer profitability through its enterprise platform of applications and services.

Business Combinations

During 2021 the Company completed three asset acquisitions which were accounted for as business combinations; On April 23, 2021, the Company acquired substantially all the assets of Heyns Unlimited LLC doing business as Advantech; On May 31, 2021, the Company acquired substantially all the assets of BCS Tech Center, Inc.; and on September 1, 2021, the Company acquired substantially all the assets of Spectrum Technology Solutions, LLC.

Going Concern and Liquidity

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

For the three months period ended March 31, 2022, the Company generated an operating loss of \$96,553. In addition at March 31, 2022, the Company has an accumulated deficit, and net working capital deficit of \$84,337,498 and \$2,183,076, respectively. The Company’s activities were primarily financed through private placements of equity securities and issuance of debt. The Company intends to raise additional capital through the issuance of debt and/or equity securities to fund its operations. The Company is reliant on future fundraising to finance operations in the near future. The financing may not be available on terms satisfactory to the Company, if at all. In light of these matters, there is substantial doubt that the Company will be able to continue as a going concern for a period of 12 months from the issuance date of these financial statements.

Currently, management intends to develop a vastly improved healthcare communications system and intends to develop alliances with strategic partners to generate revenues that will sustain the Company. While management believes in the viability of its strategy to increase revenues and in its ability to raise additional funds, there can be no assurances to that effect. Management’s ability to continue as a going concern is ultimately dependent upon its ability to continually increase the Company’s customer base and realize increased revenues from signed contracts. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Presentation and Principles of Consolidations

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

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The accompanying unaudited condensed financial statements should be read in conjunction with the Company's Annual Report on Form 10-K as filed with the SEC on April 18, 2022. The interim results for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any future periods.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). ASC 820 established a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement) as follows:

Level 1 – Observable inputs that reflect quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market corroborated inputs.

Level 3 – Unobservable inputs for which there is little, if any, market activity for the asset or liability being measured. These inputs may be used with standard pricing models or other valuation or internally-developed methodologies that result in management's best estimate of fair value.

As allowed by applicable FASB guidance, the Company has elected not to apply the fair value option for financial assets and liabilities any of its currently eligible financial assets or liabilities. The Company's financial instruments consist of cash, accounts receivable, accounts payable and notes payable. The Company has determined that the book values of its financial instruments as of March 31, 2022 and December 31, 2021, approximated their fair value due to their short-term nature.

Cash and Cash Equivalents

The Company classifies highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents. At March 31, 2022 and December 31, 2021, the Company had no cash equivalents. The Company maintains cash balances at various financial institutions. Balances at United States banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are customer obligations due under normal trade terms. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the potential inability of certain customers to make required future payments on amounts due. Management determines the adequacy of this allowance by periodically evaluating the aging and past due nature of individual customer accounts receivable balances and considering the customer's current financial situation as well as the existing industry economic conditions and other relevant factors that would be useful in assessing the risk of collectability. If the future financial condition of the Company's customers were to deteriorate, resulting in their inability to make specific required payments, additions to the allowance for doubtful accounts may be required. In addition, if the financial condition of customers improves and collections of amounts outstanding commence or are reasonably assured, then the Company may reverse previously established allowances for doubtful accounts. The Company has estimated and recorded an allowance for doubtful accounts of approximately \$36,000 at March 31, 2022 and December 31, 2021.

Property, Equipment and Depreciation

Property, equipment, and leasehold improvements are recorded at their historical cost, less accumulated depreciation and amortization. Depreciation and amortization have been determined using the straight-line method over the estimated useful lives of the assets which are for computers and office equipment (3 years) and for office furniture and fixtures (7 years). The cost of repairs and maintenance is charged to operations in the period incurred.

Software Development Costs and Acquired Software

The Company accounts for software development costs, including costs to develop software products or the software component of products to be sold to external users. In accordance with ASC 985-730, Computer Software Research and Development, research and planning phase costs are expensed as incurred and development phase costs including direct materials and services, payroll and benefits and interest costs are capitalized.

The Company has determined that technological feasibility for its products to be marketed to external users was reached before the release of those products. As a result, the development costs and related acquisition costs after the establishment of technological feasibility were capitalized as incurred. Capitalized costs for software to be sold to external users and software acquired in a business combination are amortized based on current and projected future revenue for each product with an annual minimum equal to the straight-line amortization over three years.

Long-Lived Assets and Goodwill

The Company accounts for long-lived assets in accordance with the provisions of ASC 360-10-35, *Property, Plant and Equipment, Impairment or Disposal of Long-lived Assets*. This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of March 31, 2022 and December 31, 2021 there was no impairment of Long-lived Assets.

The Company accounts for goodwill and intangible assets in accordance with ASC 350, *Intangibles – Goodwill and Other*. Goodwill represents the excess of the purchase price of an entity over the estimated fair value of the assets acquired and liabilities assumed. ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. During the fourth quarter of 2020, the Company adopted ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This guidance simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. Goodwill impairment will now be the amount by which the carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. As of March 31, 2022 and December 31, 2021 there was no impairment of the Company's Goodwill.

Revenue Recognition

We have 5 primary sources of revenue

1. Electronic Prescription Software
2. Insurance Verifications
3. ICD-10 Medical Coding Software
4. Encrypted and HIPAA Compliant Secure email
5. MSaaS software

1) Electronic Prescription software services are provided an annual subscription basis using the software as a service ('SaaS') model with revenue recognized ratably over the contract term.

- 2) Insurance verification services are provided on an annual subscription basis using SaaS model with revenue recognized ratably over the contract term.
- 3) ICD-10 Medical Coding services are provided on an annual subscription basis using the software as a SaaS model with revenues recognized ratably over the contract term.
- 4) Encrypted and HIPAA compliant and secure email services are provided on an annual subscription basis using the SaaS model with revenues recognized ratably over the contract term.
- 5) MSaaS software services are provided on an annual subscription basis using the SaaS model with revenue recognized ratably over the contract term.

The Company accounts for revenue from contracts with customers in accordance with ASU No. 2017-09, Revenue from Contracts with Customers and a series of related accounting standard updates (collectively referred to as “Topic 606”). This guidance sets forth a five-step revenue recognition model which replaced the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance and to require more detailed disclosures. The five steps of the revenue recognition model are: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

At contract inception, the Company assesses the goods and services promised in the contract with customers and identifies a performance obligation for each. To determine the performance obligation, the Company considers all products and services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. The timing of satisfaction of the performance obligation is not subject to significant judgment. The Company measures revenue as the amount of consideration expected to be received in exchange for transferring goods and services. Revenue is recognized net of any taxes collected from customers that are subsequently remitted to governmental authorities.

We recognize revenue for our service in accordance with accounting standard ASC 606. Our customers are acquired through our own salesforce and through the referrals from our many state association marketing partners. We primarily generate revenue from multiple software as a service (SaaS) offerings, which typically include subscriptions to our online software solutions. The Company’s secondary source of revenue is professional services and other revenue related to customer onboarding, IT services and equipment sales that often precede a subscription service offering purchased by the customer. Approximately 90% of our revenue is subscription based with the remainder being professional services and other IT related revenue. The geographic concentration of our revenue is 100% in North America.

Management has determined that it has the following performance obligations related to its products and services: multiple SaaS offerings, which typically include subscriptions to our online software solutions. Revenue from Software as a Service, hardware, service repairs, and support & maintenance are all recognized at a point in time when control of the goods is transferred to the customer, generally occurring upon shipment or delivery dependent upon the terms of the underlying contract, or services is completed. Our customers do not have the right to take possession of the online software solution. Revenue from subscriptions, including additional fees for items such as incremental contacts, is recognized ratably over the subscription period beginning on the date the subscription is made available to customers. Substantially all subscription contracts are one year. We recognize revenue from on-boarding services and equipment as the services are provided. Amounts billed that have not yet met the applicable revenue recognition criteria are recorded as deferred revenue.

For contracts with customers that contain multiple performance obligations, the Company accounts for the promised performance obligations separately as individual performance obligations if they are distinct. In determining whether performance obligations meet the criteria for being distinct, the Company considers several factors, including the degree of interrelation and interdependence between obligations and whether or not the good or service significantly modifies or transforms another good or service in the contract. After identifying the separate performance obligations, the transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company generally determines the standalone selling prices based on the prices charged to customers. Judgment may be used to determine the standalone selling prices for items that are not sold separately, including taking into consideration either historical pricing practices or an adjusted market assessment. Unsatisfied and partially unsatisfied performance obligations as of the end of the reporting period primarily consist of products and services for which customer purchase orders have been accepted and that are in the process of being delivered.

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Transaction price is calculated as the selling price less any variable consideration, consisting of rebates and discounts. Discounts provided to customers are known at contract inception. Rebates are calculated on the “expected value” method where the Company (1) estimates the probability of each rebate amount which could be earned by the distributor, (2) multiplies each estimated amount by its assigned probability factor, and (3) calculates a final sum of each of the probability-weighted amounts calculated in step (2). The sum calculated in step (3) is the rebate amount, which along with discounts reduces the amount of revenue recognized.

The Company has elected to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment cost rather than as an additional promised service. As a result, the Company accrues the costs of shipping and handling when the related revenue is recognized. Costs incurred for shipping and handling are included in costs of goods sold on the Consolidated Statements of Operations. Amounts billed to a customer for shipping and handling are reported as revenue on the Consolidated Statements of Operations.

Advertising Costs

Advertising costs are reported in selling, general and administrative expenses and include advertising, marketing and promotional programs and are charged as expenses in the year in which they are incurred. Advertising costs were \$132,094 and \$56,376 for the three months ended March 31, 2022 and 2021, respectively.

Accounting for Derivative Instruments

The Company accounts for derivative instruments in accordance with ASC 815 “Derivatives and Hedging”, which requires additional disclosures about the Company’s objectives and strategies for using derivative instruments, how the derivative instruments and related hedged items are accounted for, and how the derivative instruments and related hedging items affect the financial statements.

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risk. Terms of convertible debt and preferred stock instruments are reviewed to determine whether or not they contain embedded derivative instruments that are required under ASC 815 to be accounted for separately from the host contract and recorded on the balance sheet at fair value. The fair value of derivative liabilities, if any, is required to be revalued at each reporting date, with corresponding changes in fair value recorded in current period operating results.

Freestanding warrants issued by the Company in connection with the issuance or sale of debt and equity instruments are considered to be derivative instruments. Pursuant to ASC 815, an evaluation of specifically identified conditions is made to determine whether the fair value of warrants issued is required to be classified as equity or as a derivative liability.

Financial Instruments With Down Round Features

The Company follows the guidance of FASB ASU 2017-11, “Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); and Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features. ASU 2017-11 simplifies the accounting for certain financial instruments with down round features, a provision in an equity-linked financial instrument (or embedded feature) that provides a downround adjustment of the current exercise price based on the price of the future equity offerings. The standard requires companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for the purposes of determining liability of equity classification. Companies that provide earning per share (“EPS”) data will adjust their diluted EPS calculation for the effect of the feature when triggered (i.e. when the exercise price of the related equity-linked financial instrument is adjusted downward because of the down round feature) and will also recognize the effect of the trigger within equity.

Income Taxes

The Company follows the asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are measured based on differences between the financial reporting and tax bases of assets and liabilities measured using enacted tax rates and laws that are expected to be in effect when differences are expected to reverse. Valuation allowances are established when it is necessary to reduce deferred income tax assets to the amount, if any, expected to be realized in future years.

ASC 740, Accounting for Income taxes ("ASC 740"), requires that deferred tax assets be evaluated for future realization and reduced by a valuation allowance to the extent we believe a portion more likely than not will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent cumulative loss experience and expectations of future taxable income by taxing jurisdictions, the carry forwarding periods available to us for tax reporting purposes and other relevant factors.

The Company has not recognized a liability for uncertain tax positions. A reconciliation of the beginning and ending amount of unrecognized tax benefits or penalties has not been provided since there has been no unrecognized benefit or penalty. If there were an unrecognized tax benefit or penalty, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company files U.S. Federal income tax returns and various returns in state jurisdictions. The Company's open tax years subject to examination by the Internal Revenue Service and the state Departments of Revenue generally remain open for three years from the date of filing.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of Common Stock outstanding for the period. Diluted net loss per share reflects the potential dilution of securities by adding other Common Stock equivalents, including stock options, shares issuable on exercise of warrants, convertible preferred stock and convertible notes in the weighted average number of common shares outstanding for a period, if dilutive. Common stock equivalents that are anti-dilutive were excluded from the computation of diluted earnings per share which consisted of all outstanding common stock options and warrants.

Stock-Based Compensation

The Company accounts for share-based compensation costs in accordance with ASC 718, Compensation – Stock Compensation. ASC 718 requires companies to measure the cost of awards of equity instruments, including stock options and restricted stock awards, based on the grant-date fair value of the award and to recognize it as compensation expense over the employee's requisite service period or the non-employee's vesting period. An employee's requisite service period is the period of time over which an employee must provide service in exchange for an award under a share-based payment arrangement and generally is presumed to be the vesting period. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in additional paid in capital, is recorded as an increase to share capital.

The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option pricing model. The Company estimates the fair value of its common stock using the closing stock price of its common stock on the option grant date. The Company estimates the volatility of its common stock at the date of grant based on its historical stock prices. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. The fair value of shares of restricted stock issued are determined by the Company based on the estimated fair value of the Company's common stock.

Beneficial Conversion Features and Warrants

The Company evaluates the conversion feature of convertible debt instruments to determine whether the conversion feature was beneficial as described in ASC 470-30, Debt with Conversion and Other Options. The Company records a beneficial conversion feature (“BCF”) related to the issuance of convertible debt that has conversion features at fixed or adjustable rates that are in-the-money when issued and records the relative fair value of any warrants issued with those instruments. The BCF for the convertible instruments is recognized and measured by allocating a portion of the proceeds to the warrants and as a reduction to the carrying amount of the convertible instrument equal to the intrinsic value of the conversion features, both of which are credited to additional paid-in capital. The Company calculates the fair value of warrants with the convertible instruments using the Black-Scholes valuation model.

Under these guidelines, the Company first allocates the value of the proceeds received from a convertible debt transaction between the convertible debt instrument and any other detachable instruments included in the transaction (such as warrants) on a relative fair value basis. A BCF is then measured as the intrinsic value of the conversion option at the commitment date, representing the difference between the effective conversion price and the Company’s stock price on the commitment date multiplied by the number of shares into which the debt instrument is convertible. The allocated value of the BCF and warrants are recorded as a debt discount and accreted over the expected term of the convertible debt as interest expense. If the intrinsic value of the BCF is greater than the proceeds allocated to the convertible debt instrument, the amount of the discount assigned to the BCF is limited to the amount of the proceeds allocated to the convertible debt instrument.

Leases

The Company adopted ASU No. 2016-02, Leases and a series of related Accounting Standards Updates that followed (collectively referred to as “Topic 842”). Topic 842 requires organizations to recognize right-of-use (“ROU”) lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The FASB retained the distinction between finance leases and operating leases, leaving the effect of leases in the statement of comprehensive income and the statement of cash flows largely unchanged from previous U.S. GAAP. The Company utilized the transition method allowed under ASU 2018-11 in which an entity initially applies the new lease standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, if any.

The Company determines, at contract inception, whether or not an arrangement contains a lease and evaluates the contract for classification as an operating or finance lease. For all leases, ROU assets and lease liabilities are recognized based on the present value of lease payments, including annual rent increases, over the lease term at commencement date. If the Company’s lease does not provide an implicit rate in the contract, the Company uses its incremental, secured borrowing rate based on lease term information available as of the adoption date or lease commencement date in determining the present value of lease payments. Any renewal periods are considered in the analysis of each lease to the extent that the Company considers them to be reasonably certain of being exercised.

Related Party Transactions

The Company accounts for related party transactions in accordance with FASB ASC 850, *Related Party Disclosures*. A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries’ controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

Reportable Segments

U.S. GAAP establishes standards for reporting financial and descriptive information about a company's reportable segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The chief operating decision maker is the Company's Chief Executive Officer, who currently reviews the financial performance and the results of operations of the Company's operating subsidiaries on a consolidated basis when making decisions about allocating resources and assessing performance of the Company. Accordingly, the Company currently considers itself to be in a single reporting segment for reporting purposes focused on the North American market.

Recently Issued Accounting Pronouncements

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) (ASU 2021-04). This guidance clarifies an issuer's accounting for certain modifications of freestanding equity-classified written call options and provides a "principles-based" framework to determine whether an issuer should recognize the modification or exchange and an adjustment to equity or an expense. The Company is currently evaluating the potential impact ASU 2021-04 will have on our Consolidated Financial Statements.

In August 2020, the FASB issued ASU 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This guidance simplifies the accounting for certain convertible instruments and contracts in an entity's own equity. As a smaller reporting entity, this standard will become effective for fiscal years beginning after December 15, 2023, including interim periods within those years. The Company is currently evaluating the potential impact ASU 2020-06 will have on the Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). This guidance provides optional guidance related to reference rate reform, which provides practical expedients for contract modifications and certain hedging relationships associated with the transition from reference rates that are expected to be discontinued. This guidance is applicable for borrowing instruments that use LIBOR as a reference rate and is effective upon issuance through December 31, 2022. The Company has performed an evaluation of and will continue to evaluate, through December 31, 2022, the impact of this ASU. This ASU does not currently and is not expected to have in the future, a material effect on the Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13) and also issued subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-11 (collectively, Topic 326). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. This standard will become effective for interim and annual periods beginning after December 15, 2022 and earlier adoption is permitted. The Company is currently evaluating the potential impact the adoption of this ASU will have on the Condensed Consolidated Financial Statements.

3. NOTES PAYABLE

Notes Payable

1. In April 2021, the Company signed a \$150,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$50,000 from a finance company (the "Investor" or "Holder"). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company's Common Stock at fixed conversion price \$0.10 per common share. The Company has a right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 80,000 restricted shares of the Company's Common Stock and 2,600,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common Stock under this Warrant is \$0.20 per share for the first 1,300,000 Warrant Shares and \$0.25 for the next 1,300,000 Warrant Shares.
2. In April 2021, the Company signed a \$350,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$50,000 from the same finance company (the "Investor" or "Holder"). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company's Common Stock at a fixed conversion price of \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time.
3. In April 2021, the Company signed a \$500,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$00,000 from a second finance company (the "Investor" or "Holder"). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company's Common Stock at a fixed conversion price of \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 88,000 restricted shares of the Company's Common Stock and 2,600,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.20 per share for the first 1,300,000 Warrant Shares and \$0.25 for the next 1,300,000 Warrant Shares. During the year ended December 31, 2021 the Investor converted \$125,000 of outstanding principal and interest into 1,250,000 shares of the Company's common stock.
4. In April 2021, the Company signed a \$250,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$45,000 from a third finance company (the "Investor" or "Holder"). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company's Common Stock at fixed conversion price \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 89,000 restricted shares of the Company's Common Stock and 1,300,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.20 per share for the first 650,000 Warrant Shares and \$0.25 for the next 650,000 Warrant Shares. During the year ended December 31, 2021 the Investor converted \$35,000 of outstanding principal and interest into 350,000 shares of the Company's common stock.
5. In April 2021, the Company signed a \$250,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$30,000 net of fees from a fourth finance company (the "Investor" or "Holder"). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company's Common Stock at fixed conversion price \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 390,000 restricted shares of the Company's Common Stock and 1,300,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.20 per share for the first 650,000 Warrant Shares and \$0.25 for the next 650,000 Warrant Shares. During the year the year ended December 31, 2021, the Investor converted \$28,846 of outstanding principal and interest into 288,463 shares of the Company's common stock.
6. In May 2021, the Company signed a \$250,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$48,000 net of fees from a fourth finance company (the "Investor" or "Holder"). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company's Common Stock at fixed conversion price \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 390,000 restricted shares of the Company's Common Stock and 1,300,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.20 per share for the first 650,000 Warrant Shares and \$0.25 for the next 650,000 Warrant Shares.

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7. In August 2021, the Company signed a \$1,000,000 and \$500,000 promissory note with a maturity date 24 months after issuance from an existing finance company in April 2021 (the “Investor” or “Holder”). An Interest charge of 15% per annum shall accrue and be paid monthly. The Company also issued to the Holder 1,000,000 restricted shares of the Company’s Common Stock and 1,500,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.25 per share.
8. In November 2021, the Company signed a \$40,071 equipment finance agreement with a maturity date 60 months after issuance from a third-party financing company. Payments of principle and interest of \$791 are due monthly.
9. In February 2022, the Company signed a \$2,000,000 secured promissory note with a maturity date 48 months after issuance and received in exchange \$1,970,000 net of fees. An Interest charge of 17.5% per annum shall accrue, with interest only payments being made for the first six months after which both interest and principle will be due. The Company has right of prepayment subject to certain minimum interest payments being made. The Prepayment Fee shall be (i) equal to 6 months’ interest that would have accrued with regard to the prepaid principal, if prepaid prior to the 2nd anniversary of the date of the Initial Advance or Subsequent Advance, as applicable, and (ii) equal to 3 months’ interest that would have accrued with regard to the prepaid principal, if prepaid on or after the 2nd anniversary and prior to the 3rd anniversary of the date of the Initial Advance or Subsequent Advance, as applicable. Additionally, the Company has the following covenant requirements; maintaining a minimum cash balance of \$150,000 in its combined bank accounts as well as entering into a Deposit Account Control Agreement; monthly financial reporting requirements and certifications; obtaining other indebtedness without consent; merge, consolidate or transfer assets; pledge assets as collateral; or guarantee without consent of the Lender. The Company is in compliance with its covenants as of March 31, 2022.

4. COMMON STOCK

Stock Issuances

During the three months ended March 31, 2022 the Company issued 4,722,844 shares of common stock for cash of \$350,000.

Stock Options

Certain employees and executives have been granted options or warrants that are compensatory in nature. A summary of option activity for the three months ended March 31, 2022 are presented below:

<u>2022 Options Outstanding</u>	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term in Years</u>	<u>Aggregate Intrinsic Value</u>
Balance Outstanding - January 1, 2022	32,275,000	\$ 0.12	9.8	\$ -
Granted	300,000	\$ 0.11	9.8	
Exercised	-	\$ -		
Forfeited	-	\$ -		
Balance Outstanding - March 31, 2022	32,575,000	\$ 0.12	9.5	\$ -
Exercisable - March 31, 2022	1,395,000	\$ 0.24	6.4	\$ -

2022 Nonvested Options	Number of Options	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested - January 1, 2022	30,880,000	\$ 9.9	2.6
Granted	300,000	\$ 9.8	2.7
Vested		\$ -	
Forfeited/expired	-		
Nonvested - March 31, 2022	31,180,000	\$ 9.6	2.6

Restricted Stock Compensation

On March 29, 2021, the Company's Board of Directors approved the grant of 1,300,000 restricted shares of common stock to the Chief Executive Officer for bonus related to 2020 service.

Warrants

The Company typically issues warrants to individual investors and institutions to purchase shares of the Company's Common Stock in connection with public and private placement fundraising activities. Warrants may also be issued to individuals or companies in exchange for services provided for the Company. The warrants are typically exercisable six months after the issue date, expire in five years, and contain a cash exercise provision and registration rights.

During the three months ending March 31, 2022, the Company issued no Common Stock Warrants.

As of March 31, 2022, the number of shares issuable upon exercise of the Common Stock Warrants were 10,600,000 shares.

Type	Issue Date	Shares	Exercise Price	Expiration
Investors	4/19/2021	1,300,000	\$ 0.20	4/19/2026
Investors	4/19/2021	1,300,000	\$ 0.25	4/19/2026
Investors	4/22/2021	1,300,000	\$ 0.20	4/22/2026
Investors	4/22/2021	1,300,000	\$ 0.25	4/22/2026
Investors	4/30/2021	650,000	\$ 0.20	4/30/2026
Investors	4/30/2021	650,000	\$ 0.25	4/30/2026
Investors	5/4/2021	650,000	\$ 0.20	5/4/2026
Investors	5/4/2021	650,000	\$ 0.25	5/4/2026
Investors	5/19/2021	650,000	\$ 0.20	5/19/2026
Investors	5/19/2021	650,000	\$ 0.25	5/16/2026
Investors	8/31/2021	1,500,000	\$ 0.25	8/31/2026
Total		10,600,000		

2022 Warrants Outstanding	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding – December 31, 2021	10,600,000	\$ 0.23	4.40	\$ 715,223
Granted				
Forfeited/expired	-	\$ -		
Outstanding – March 31, 2022	10,600,000	\$ 0.23	4.10	\$ 715,223

Equity Line of Credit

In January 2021 the Company and one of its Convertible Debt Holders entered into a Purchase Agreement for up to \$5,000,000 shares of the Company's common stock for 24 months. The purchase price of the stock will be at 75% of the lowest individual daily weight average price of the past five (5) trading days with the amount to be drawn down as the lesser of \$250,000 or 300% of the average shares traded for the ten (10) days prior to the Closing Request Date with a minimum \$25,000 put allowance. As part of the agreement, the Company issued 250,000 shares of common stock as a commitment fee.

In January 2022 the Company exercised its equity line of credit of an aggregate amount of \$50,000 in exchange for 4,772,844 shares of common stock. The balance available as of March 31, 2022 to draw on the equity line of credit after the draw was \$4,650,000 and \$5,000,000 as of December 31, 2021.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table sets forth the changes in the carrying amount of goodwill for the three months ended March 31, 2022 and year ended December 2021:

	Total
Balance at December 31, 2021	\$ 1,484,966
2022 Acquisitions	-
Balance at March 31, 2022	\$ 1,484,966

The following table sets forth the gross carrying amounts and accumulated amortization of the Company's intangible assets as of March 31, 2022 and December 31, 2021:

	Gross Carrying Amount	Impairment	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:				
Capitalized software	\$ 2,724,678	\$ -	\$ (2,131,897)	\$ 592,781
Customer relationships	3,713,434	-	(643,560)	3,069,874
Acquired technology	1,527,186	-	(1,249,220)	277,966
Total definite-lived intangible assets at December 31, 2021	<u>7,965,297</u>	<u>-</u>	<u>(4,024,677)</u>	<u>3,940,621</u>
Capitalized software	2,787,974	-	(2,226,049)	561,925
Customer relationships	3,713,434	-	(823,433)	2,890,001
Acquired technology	1,527,186	-	(1,367,152)	160,034
Total definite-lived intangible assets at March 31, 2022	<u>\$ 8,028,594</u>	<u>\$ -</u>	<u>\$ (4,416,634)</u>	<u>\$ 3,611,960</u>

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Amortization expense of intangible assets was \$391,957 for the three months ended March 31, 2022. The Company's amortization is based on no residual value using the straight-line amortization method as it best represents the benefit of the intangible assets.

6. COMMITMENTS AND CONTINGENCIES

(A) LEASE COMMITMENTS

On November 15, 2017, the Company signed a three-year lease agreement for approximately 4,100 square feet of office space located in Winter Garden, Florida in which the Company has its headquarters. The lease provided for a one-year renewal term at the option of the Company that the company exercised. An amendment to this lease was signed on October 26, 2020 which extended the lease term through October 31, 2021. On September 10, 2021, an additional seven-month extension was signed extending the lease term to May 30, 2022.

On September 22, 2021, the Company signed a six year and one month lease agreement for approximately 7,650 square feet for its new headquarters commencing on January 1, 2022, located in Ocoee, Florida. The lease provides for a five-year renewal term at the option of the Company.

The company signed a three-year lease agreement for approximately 2,100 square feet of office space located in Concord, NC on July 16, 2020.

With the acquisition of Advantech, the Company signed a two-year lease on May 12, 2021, for an office in Scottsdale, AZ.

As of March 31, 2022, undiscounted future lease obligations for the office spaces are as follows:

Lease Commitments as of 03/31/2022			
Less than 1 year	1-3 years	3-5 years	Total
\$ 288,086	\$ 755,353	\$ 482,328	\$ 1,525,767

Lease costs for the three months ended March 31, 2022 were \$52,867 and cash paid for amounts included in the measurement of lease liabilities for the three months ended March 31, 2022 were \$27,944. As of March 31, 2022, the following represents the difference between the remaining undiscounted lease commitments under non-cancelable leases and the lease liabilities:

Undiscounted minimum lease commitments	\$ 1,525,767
Present value adjustment using incremental borrowing rate	(447,028)
Lease liabilities	\$ 1,078,739

B) EMPLOYMENT AGREEMENTS WITH NAMED EXECUTIVE OFFICERS

On December 16, 2021, Robert McDermott, the President and Chief Executive Officer of the Company, entered into an employment agreement with the Company pursuant to which the Company employed Mr. McDermott for a term of three years. Mr. McDermott received a starting annual base salary of \$295,000 per annum which increased to \$317,500 per annum on December 16, 2022 and will increase to \$348,000 per annum on December 31, 2023. In addition, Mr. McDermott is eligible to receive incentive bonus compensation pursuant to an executive bonus plan approved by the Board of Directors or the Compensation Committee of the Board of Directors of up to 30% of base salary. Mr. McDermott was awarded an option to purchase 18,000,000 shares of the Company's Common Stock of which 25% (4,500,000) shares vest on December 16, 2022, another 25% (4,500,000) shares vest on December 16, 2023, another 25% (4,500,000) shares vest on December 16, 2024, and the remaining 25% (4,500,000) shares vest on December 16, 2025. In the event of termination of Mr. McDermott's employment due to a change in control, by reason of his death or disability or by the Company without cause, his stock options that have not already vested will fully vest on the date of termination and any restrictions on any restricted stock owned by Mr. McDermott shall be lifted. Further, in the event of the termination of Mr. McDermott's employment (i) due to a change in control Mr. McDermott will continue to receive his base salary and his annual bonus computed at 100% of his base salary for the 24 month period following the date of termination, (ii) due to death or disability Mr. McDermott or his estate will continue to receive his base salary during the six month period following the date of termination and (iii) by the Company without cause Mr. McDermott will continue to receive his base salary for the 18 month period following the date of termination or through the end of the employment period, whichever is longer. For the year ended December 31, 2020, Mr. McDermott received an award 600,000 restricted shares in early 2021 which has been reflected as compensation expense in the accompanying 2020 Consolidated Statements of Operations. For the year ended December 31, 2021, Mr. McDermott received an award of 1,600,000 restricted shares in early 2022 which has been reflected in compensation expense in the accompanying 2021 Consolidated Statements of Operations.

On December 16, 2021, David Fidanza, the Chief Information Officer of the Company, entered into an employment agreement with the Company, pursuant to which the Company employed Mr. Fidanza for a term of three years. Mr. Fidanza received a starting annual base salary of \$165,000 per annum which increases to \$176,555 per annum on December 16, 2022, and to \$190,000 per annum on December 16, 2023. Mr. Fidanza was awarded an option to purchase 3,000,000 shares of the Company's Common Stock. 25% of the option award (750,000 shares) vest on December 16, 2022, another 25% (750,000 shares) vest on December 16, 2023, another 25% (750,000 shares) vest on December 16, 2024, and the remaining 25% (750,000 shares) vest on December 16, 2025. In the event of termination of Mr. Fidanza's employment due to a change in control, by reason of his death or disability or by the Company without cause, the stock option will become fully vested on the date of termination and any restrictions on any restricted stock owned by Mr. Fidanza shall be lifted. Further, in the event of the termination of Mr. Fidanza's employment (i) due to a change in control Mr. Fidanza will continue to receive his base salary and his annual bonus computed at 100% of his base salary for the six month period following the date of termination, (ii) due to death or disability Mr. Fidanza or his estate will continue to receive his base salary during the six month period following the date of termination and (iii) by the Company without cause Mr. Fidanza will continue to receive his base salary for the six month period following the date of termination or through the end of the employment period, whichever is longer.

On December 16, 2021, Muralidar Chakravarthi, the Chief Technology Officer of the Company, entered into an employment agreement with the Company, pursuant to which the Company employed Mr. Chakravarthi for three years. Mr. Chakravarthi is to receive an annual base salary of \$165,000 per annum which increases to \$176,555 per annum on December 16, 2022, and to \$190,000 per annum on December 16, 2023. Mr. Chakravarthi was awarded an option to purchase 3,000,000 shares of the Company's Common Stock. 25% of the option award (750,000 shares) vest on December 16, 2022, another 25% (750,000 shares) vest on December 16, 2023 another 25% (750,000 shares) vest on December 16, 2024 and the remaining 25% (750,000 shares) vest on December 16, 2025. In the event of termination of Mr. Chakravarthi's employment due to a change in control, by reason of his death or disability or by the Company without cause, the stock option will become fully vested on the date of termination and any restrictions on any restricted stock owned by Mr. Chakravarthi shall be lifted. Further, in the event of the termination of Mr. Chakravarthi's employment (i) due to a change in control Mr. Chakravarthi will continue to receive his base salary and his annual bonus computed at 100% of his base salary for the six month period following the date of termination, (ii) due to death or disability Mr. Chakravarthi or his estate will continue to receive his base salary during the six month period following the date of termination and (iii) by the Company without cause Mr. Chakravarthi will continue to receive his base salary for the six month period following the date of termination or through the end of the employment period, whichever is longer.

On December 16, 2021, Mr. Jeffrey Stellinga was promoted to Chief Operating Officer of the Company and entered into an employment agreement with the Company, pursuant to which the Company employed Mr. Stellinga for two years. Mr. Stellinga is to receive an annual base salary of \$ 150,000 per annum which increases to \$157,500 per annum on December 16, 2022. Mr. Stellinga was awarded an option to purchase 2,000,000 shares of the Company's Common Stock. 33% of the option award (666,666 shares) vest on December 16, 2022, another 33% (666,666 shares) vest on December 16, 2023 and the remaining 34% (666,668 shares) vest on December 16, 2024. In the event of termination of Mr. Stellinga's employment due to a change in control, by reason of his death or disability or by the Company without cause, the stock option will become fully vested on the date of termination and any restrictions on any restricted stock owned by Mr. Stellinga shall be lifted. Further, in the event of the termination of Mr. Stellinga's employment (i) due to a change in control Mr. Stellinga will continue to receive his base salary and his annual bonus computed at 100% of his base salary for the six month period following the date of termination, (ii) due to death or disability Mr. Stellinga or his estate will continue to receive his base salary during the six month period following the date of termination and (iii) by the Company without cause Mr. Stellinga will continue to receive his base salary for the six month period following the date of termination or through the end of the employment period, whichever is longer.

On August 18, 2021, Mr. Archit Shah, Chief Financial Officer of the Company entered into an employment agreement with the Company, pursuant to which the Company employed Mr. Shah for three years. Mr. Shah is to receive an annual base salary of \$232,500 per annum beginning September 7, 2021 which increases to \$242,500 per annum on September 7, 2022 and increases to \$255,000 on September 7, 2023. Mr. Shah was awarded an option to purchase 2,880,000 shares of the Company's Common Stock. 33% of the option award (960,000 shares) vest on September 7, 2022, another 33% (960,000 shares) vest on September 7, 2023, and the remaining 34% (960,000 shares) vest on September 7, 2024. In the event of termination of Mr. Shah's employment due to reason of his death or disability or by the Company without cause, the stock option will become fully vested on the date of termination and any restrictions on any restricted stock owned by Mr. Shah shall be lifted. Further, in the event of the termination of Mr. Shah's employment due to death or disability Mr. Shah or his estate will continue to receive his base salary during the six-month period following the date of termination and (iii) by the Company without cause Mr. Shah will continue to receive his base salary for the six-month period following the date of termination or through the end of the employment period, whichever is longer.

(C) LITIGATION

On August 18, 2021, the Company received a Notice of Disposition of Collateral under section 9-611 of the Uniform Commercial Code ("UCC") (Arizona Revised Statutes 47-611) purporting to set a foreclosure sale, under the UCC, of the Company's assets that were previously pledged as security to a Lender. On August 24, 2021 the Company received a Default Notice from the Lender asserting that the Company was obligated to pay \$863,274. The Lender alleged that it had made certain loans and other financial accommodations in the form of guaranties to our Company beginning approximately in March of 2009 that was secured by all of the assets our Company. We initiated an investigation into the matter and concluded that we had repaid all of the loans (including tendering payment of \$28,577.82 for various credit card obligations with JP Morgan Chase Bank which the Lender rejected on August 4, 2021) and any loans that had not been repaid were released under the terms of a Recapitalization Agreement dated November 1, 2016. We then retained Arizona counsel to prepare an Emergency Application for Temporary Restraining Order and Preliminary Injunction against the Lender in order to stop the foreclosure sale. We are currently in negotiations with Lender to resolve the dispute. We believe the claims of the Lender are without merit and intend to vigorously defend the matter.

On June 15, 2021, the Company received a Complaint filed with the Circuit Court of the Ninth Judicial Circuit for Orange County, Florida. The Complaint alleges a breach of a previously entered into 2018 Settlement Agreement for which payments have not been made. The Complainant agreed to begin arbitration on August 31, 2021. We believe these claims are without merit.

7. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and trade accounts receivables. The Company places its cash with high-credit-quality financial institutions. At times, such cash may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance coverage limit of \$250,000 per depositor. As a result, there could be a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company has not experienced any losses due to these excess deposits and believes the risk is not significant. With respect to trade receivables, management routinely assesses the financial strength of its customers and, as a consequence, believes that the receivable credit risk exposure is limited.

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The Company has historically provided financial terms to customers in accordance with what management views as industry norms. Access to the Company's software products usually requires immediate payment but can extend several months under certain circumstances. Management periodically and regularly reviews customer account activity in order to assess the adequacy of allowances for doubtful accounts, considering such factors as economic conditions and each customer's payment history and creditworthiness. If the financial condition of our customers were to deteriorate, or if they were otherwise unable to make payments in accordance with management's expectations, we might have to increase our allowance for doubtful accounts, modify their financial terms and/or pursue alternative collection methods.

The Company has no significant customers (greater than 10% of total revenue) in its three-month 2022 revenue. The Company has accounts receivable concentration with three customers in 2022 representing 51% of total accounts receivables outstanding as of March 31, 2022, and one customer that represented 33% of accounts receivable outstanding as of December 31, 2021.

8. SEGMENT INFORMATION

The Company views its operations and manages its business as one operating segment which is the business of providing subscription-based software as a service (SaaS) and Managed IT (MSP/MSaaS) services and related non-recurring professional IT and other services. The Company aggregates its operating segments based on similar economic and operating characteristics of its operations.

The Company's SaaS and Managed IT offerings are sold under monthly recurring revenue contracts are included in the Subscription software and services segment. Professional services and other revenue segment consists of non-recurring revenue, including the periodic sale and installation of IT related hardware and custom IT projects. Professional services and other revenue is recognized when services are performed.

Revenue Segment

Net sales by revenue type were as follows:

	For the Three Months Ended March 31				
	2022	%	2021	%	% Change
Revenue:					
Subscription software and services	\$ 1,856,595	91%	\$ 587,851	84%	216%
Professional services and other	187,294	9%	116,150	16%	61%
	<u>\$ 2,043,889</u>	<u>100%</u>	<u>\$ 704,001</u>	<u>100%</u>	<u>190%</u>

9. RELATED PARTY TRANSACTIONS

The Company incurred related party transactions of \$497,309 for the three months ended March 31, 2022 and \$78,520 for the three months ended March 31, 2021 in relation to payments of interest and principle on a Note Payable with its Chief Executive Officer. This note was fully repaid in February 2022.

10. SUBSEQUENT EVENTS

In April 2022, the Company signed a \$300,000 unsecured promissory note with a maturity date 6 months after issuance. An interest charge of 14.0% per annum shall accrue, with all interest and principle payments being made on maturity.

In April 2022, the Company signed a \$50,000 unsecured promissory note with a maturity date 6 months after issuance. An interest charge of 14.0% per annum shall accrue, with all interest and principle payments being made on maturity.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements made in this Quarterly Report on Form 10-Q, including without limitation this Management's Discussion and Analysis of Financial Condition and Results of Operations, other than statements of historical information, are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by such words as "may," "will," "expect," "anticipate," "believe," "estimate" and "continue" or similar words. We believe it is important to communicate our future expectations to investors. However, these forward-looking statements involve many risks and uncertainties, including the risk factors disclosed under the heading "Risk Factors" included in the Company's Form 10-K filed with the Securities and Exchange Commission ("SEC") on April 18, 2022 and under the heading entitled "Going Concern" in the "Notes to Condensed Consolidated Financial Statements" in Part I of this Quarterly Report on Form 10-Q. Our actual results could differ materially from those indicated in such forward-looking statements as a result of certain factors. We are under no duty to update any of the forward-looking statements after the date of this Report on Form 10-Q to conform these statements to actual results, other than to comply with the federal securities laws.

About the Company

Company History

iCoreConnect Inc., (the "Company"), a Nevada Corporation, is a market leading cloud-based software and technology company focused on increasing workflow productivity and customer profitability through its enterprise platform of applications and services.

Software as a Service (SaaS) Offerings

The Company currently markets secure Health Insurance Portability and Accountability Act (HIPAA) compliant cloud-based software as a service (SaaS) offering under the names of iCoreRx, iCorePDMP, iCoreEPCS, iCoreVerify, iCoreHuddle, iCoreHuddle+, iCoreCodeGenius, iCoreExchange, iCoreCloud, iCorePay, iCoreSecure, and iCoreIT. The Company's software is sold under annual recurring revenue subscriptions.

iCoreRx – iCoreRx is a HIPAA compliant electronic prescription SaaS solution that integrates with popular practice management and electronic health record systems. It saves time by selecting exact medications at available doses with built-in support from a drug directory and provides full support for Electronic Prescriptions for Controlled Substances (iCoreEPCS). It protects both the patient and provider by viewing the patient's complete medication history. It also speeds up the process by allowing the doctor to create a "favorites" list for commonly used medication sets. iCorePDMP is an add-on for iCoreRx that seamlessly integrates with state databases to automate prescription drug monitoring. Providers in many states are required to check the patient's Prescription Drug Monitoring Program (PDMP) history before prescribing controlled substances. This service provides a one-click real-time access to the state databases without the need to manually enter data. This tool also generates patient risk scores and an interactive visualization of usage patterns to help the prescriber identify potential risk factors. The prescriber can then use this report to make decisions on objective insight into potential drug misuse or abuse which will ultimately lead to improved patient safety and better patient outcomes.

iCoreVerify - iCoreVerify is a HIPAA compliant SaaS solution that allows practices to verify patient insurance benefits automatically and on-demand using our real time technology. It provides the practice with the ability to check available patient benefits directly from the payer's in real-time. The system returns results typically in less than one second for most responses. This substantially reduces the phone calls and labor hours for the practice. This tool integrates with most popular practice management systems.

iCoreHuddle and iCoreHuddle+ – iCoreHuddle is a powerful HIPAA compliant SaaS solution to instantly reveal the revenue potential of each patient. The service connects to most popular practice management and electronic health record systems to optimize revenue realization. It provides the practice with a dashboard containing various metrics, analytics, and Key Performance Indicators ("KPIs"). iCoreHuddle provides a daily view of patient schedules, including their outstanding balances, unscheduled treatment plans, recall information, procedure information and the amount of remaining insurance benefits. The software also provides one-click access to each patient's insurance eligibility, including a detailed benefits and deductibles report. This tool aims to increase the workflow efficiency of the dentist's practice by reducing the number of required lookups and clicks for each patient. iCoreHuddle+ offers enhanced analytical tools for practices to optimize their revenue generation process and workflows.

iCoreCodeGenius – iCoreCodeGenius is a medical coding reference SaaS solution that provides the coding standards for the 10th revision of the International Classification of Diseases and Related Health Problems (ICD-10), a medical classification list published by the World Health Organization (WHO). It contains codes for diseases, signs and symptoms, abnormal findings, complaints, social circumstances, and external causes of injury and diseases. iCoreCodeGenius includes a full ICD-10 code lookup and guidance, automatic prompting of comorbidities and Hierarchical Condition Category's (HCC) to aid in obtaining the appropriate reimbursement with a high degree of accuracy, and the ability to reduce or eliminate queries and denials.

iCoreExchange – iCoreExchange provides a secure, HIPAA compliant SaaS email solution using the Direct Protocol that allows doctors to send and receive secure email with attachments to and from other healthcare professionals in the network. iCoreExchange also provides a secure email mechanism to communicate with users outside the exchange e.g., patients and referrals. Users have the ability to build a community, access other communities and increase referrals and collaboration. Users can email standard office documents, JPEG, PDF as well as patient files with discrete data, which can then be imported and accessed on most Electronic Health Record (EHR) and Practice Management (PM) systems in a HIPAA compliant manner.

iCoreCloud - iCoreCloud offers customers the ability to backup their on-premise servers and computers to the cloud. iCoreCloud is a fully HIPAA compliant and automated backup solution. The data backed up is encrypted both in transit and while at rest. In case of full data loss, the mirrored data in the cloud can be seamlessly restored back to the practice on a new computer or a server. The data is stored encrypted in HIPAA compliant data centers with multiple layers of redundancy. The data centers are physically secure with restricted personnel and biometric access. The locations are also guarded by security 24 hours a day, 365 days a year.

iCorePay – iCorePay offers seamless patient payment processing solutions for customers. iCorePay integrates into the practice workflow for payment and revenue cycle tracking.

iCoreSecure – Recent newscasts have been replete with reporting regarding many breaches of consumer personal information. We used our expertise and development capabilities from our HIPAA compliant iCoreExchange and developed iCoreSecure, an encrypted email solution for anyone that needs encrypted email to protect personal and financial data. iCoreSecure is a secure SaaS solution that solves privacy concerns in the insurance, real estate, financial and many other industry sectors that have a need for secure encrypted email.

iCoreIT - The trend in IT Services companies for over a decade has been to move away from a “Break/Fix “ model to a “Managed Service Provider (MSP)” and “Managed Software as a Service (MSaaS)” model with recurring revenue.

The MSP/MSaaS approach, by using preventative measures, keeps computers and networks up and running while data is accessible and safeguarded. Installation of critical patches and updates to virus protection are automated. Systems are monitored and backed up in real-time. They are fixed or upgraded before they cause a service disruption. A Unified Threat Management solution is deployed to protect against virus, malware, SPAM, phishing and ransomware attacks. Remote technical support is a click away. All support is delivered at a predictable monthly cost.

Going forward, by leveraging MSP/MSaaS with our expertise in cloud computing, our customers can easily scale their business without extensive capital investment or disruption in services.

The Company is competitively positioned to address the growing need for MSaaS: Our current and future customers need managed IT services, along with cloud computing, storage and HIPAA compliant backup and encryption; Managed service providers that can support the migration to cloud computing are in high demand; The decision makers for our current technology and those for managed services are, in many cases, the same person or group of people; Our management team has decades of experience operating successful IT companies; and The MSaaS revenue model matches our SaaS and MRR models.

We derive most of our revenue from subscriptions to our cloud-based SaaS and MSaaS offerings. Subscription revenue related to SaaS and MSaaS offerings account for 91% and 84% of our total revenue for the three months ended March 31, 2022 and 2021. We sell multiple offerings at different base prices on a subscription basis to meet the needs of the customers we serve. Most of our customers' subscriptions are one year or less in duration.

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Professional services and other revenue account for 9% and 16% of our total revenue for the three months ended March 31, 2022, and 2021. Professional services and other revenue include hardware, software, labor and other revenues related to customer onboarding for SaaS/MSaaS services or one-time, non-recurring services. We expect professional services and other margins to range from moderately positive to break-even.

COVID-19 Business Update

In the first quarter of 2021, we began to see the impact of the COVID-19 pandemic on our business, as local and national actions, such as stay at home mandates and business closures, took effect. Our core customers, medical and dental businesses, significantly curtailed business operations, impacting the Company's sales and near-term new business prospects.

In May 2021 the Company received loan proceeds of \$328,000 relating to the Paycheck Protection Program (PPP) as part of the CARES Act created by Congress to financially support companies during the COVID-19 pandemic. The PPP Loan carried interest at 1%. The principal and accrued interest were forgiven on June 14, 2021 after completing and submitting a PPP Loan Forgiveness Application with the financial institution associated with the SBA loan.

Business activity at our customers is returning to more normalized operating conditions. Our sales efforts and prospects have sequentially improved for several quarters in a row as the pandemic subsided and we have returned to a higher rate of organic growth compared to the first half of 2021. The Company's year over year revenue growth comparisons in the first quarter of 2022 compared to the prior year period that was impacted by COVID closures are favorable.

Financing

We are currently funding our business capital requirements through sales of our common stock and debt arrangements. While we intend to seek additional funding, if revenue increases to a point where we are able to sustain ourselves and increase our budget to match our growth needs, we may significantly reduce the amount of investment capital we seek. The amount of funds raised, and revenue generated, if any, will determine how aggressively we can grow and what additional projects we will be able to undertake. No assurance can be given that we will be able to raise additional capital when needed or at all, or that such capital, if available, will be on terms acceptable to us. If we are unable to, or do not raise additional capital in the near future or if our revenue does not begin to grow as we expect, we will have to curtail our spending and downsize our operations.

In April 2021, the Company signed a \$150,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$150,000 from a finance company (the "Investor" or "Holder"). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company's Common Stock at fixed conversion price \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 780,000 restricted shares of the Company's Common Stock and 2,600,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common Stock under this Warrant is \$0.20 per share for the first 1,300,000 Warrant Shares and \$0.25 for the next 1,300,000 Warrant Shares.

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In April 2021, the Company signed a \$350,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$350,000 from the same finance company (the “Investor” or “Holder”). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company’s Common Stock at a fixed conversion price of \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time.

In April 2021, the Company signed a \$500,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$500,000 from a second finance company (the “Investor” or “Holder”). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company’s Common Stock at a fixed conversion price of \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The company also issued to the Holder 788,000 restricted shares of the Company’s Common Stock and 2,600,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.20 per share for the first 1,300,000 Warrant Shares and \$0.25 for the next 1,300,000 Warrant Shares.

In April 2021, the Company signed a \$250,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$250,000 from a third finance company (the “Investor” or “Holder”). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company’s Common Stock at fixed conversion price \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 390,000 restricted shares of the Company’s Common Stock and 1,300,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.20 per share for the first 650,000 Warrant Shares and \$0.25 for the next 650,000 Warrant Shares.

In April 2021, the Company signed a \$250,000 convertible promissory note with a maturity date twelve months after issuance and received in exchange \$230,000 net of fees from a fourth finance company (the “Investor” or “Holder”). An Interest charge of 12% per annum shall accrue and be paid on the maturity date. The note is convertible into the Company’s Common Stock at fixed conversion price \$0.10 per common share. The Company has right of prepayment. The note holder is limited to receive upon conversion no more than 4.99% of the issued and outstanding Common Stock at the time of conversion at any one time. The Company also issued to the Holder 390,000 restricted shares of the Company’s Common Stock and 1,300,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.20 per share for the first 650,000 Warrant Shares and \$0.25 for the next 650,000 Warrant Shares.

In August 2021, the Company signed a \$1,000,000 and \$500,000 promissory note with a maturity date 24 months after issuance from the preliminary finance company in April 2022 (the “Investor” or “Holder”). An Interest charge of 15% per annum shall accrue and be paid on the maturity date. The Company also issued to the Holder 1,000,000 restricted shares of the Company’s Common Stock and 1,500,000 cash Warrant Shares with a 5-year term. The exercise price per share of Common stock under this Warrant is \$0.25 per share.

In February 2022, the Company signed a \$2,000,000 secured promissory note with a maturity date 48 months after issuance and received in exchange \$1,970,000 net of fees. An Interest charge of 17.5% per annum shall accrue, with interest only payments being made for the first six months after which both interest and principle will be due. The Company has right of prepayment subject to certain minimum interest payments being made. The Prepayment Fee shall be (i) equal to 6 months’ interest that would have accrued with regard to the prepaid principal, if prepaid prior to the 2nd anniversary of the date of the Initial Advance or Subsequent Advance, as applicable, and (ii) equal to 3 months’ interest that would have accrued with regard to the prepaid principal, if prepaid on or after the 2nd anniversary and prior to the 3rd anniversary of the date of the Initial Advance or Subsequent Advance, as applicable. Additionally, the Company has the following covenant requirements; maintaining a minimum cash balance of \$150,000 in its combined bank accounts as well as entering into a Deposit Account Control Agreement; monthly financial reporting requirements and certifications; obtaining other indebtedness without consent; merge, consolidate or transfer assets; pledge assets as collateral; or guarantee without consent of the Lender. The Company is in compliance with its covenants as of March 31, 2022.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based upon the financial statements, which have been prepared in accordance with generally accepted accounting principles as recognized in the United States of America. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the most critical accounting policies relate to revenue recognition, software development capitalization and amortization, income taxes, stock-based compensation, and long-lived assets and goodwill. See Note 2 to the condensed consolidated financial statements.

Executive Summary

Financial Results for the Three Months Ended March 31, 2022

Our total revenue for the three months ended March 31, 2022, increased by 190% to \$2,044 million compared with \$0.704 million during the same period in 2021. An increased number of SaaS and MSP subscriptions drove growth in the quarter gain from both organic growth and through asset acquisitions. The Company ended the quarter with over approximately 24,000 subscriptions on our platform up from approximately 11,000 subscriptions in the prior year period.

The Company views its operations and manages its business as one operating segment which is the business of providing subscription-based software as a service (SaaS), Managed IT (MSaaS) and related non-recurring professional IT and other services. The Company aggregates its operating segments based on similar economic and operating characteristics of its operations.

Gross profit percentage was 69% and 66% for the three months ended March 31, 2022 and 2021, respectively. Gross Profit increased \$0.946 million compared to the same period a year ago. Gross profit margin expansion was driven by a greater growth rate of sales in subscription software and services that carry higher gross margins than Professional Services and other revenue. We expect the growth rate of our SaaS and MSaaS subscription offerings to grow faster than our Professional Services and other revenue over time. We believe the higher growth rate of recurring revenue SaaS and MSaaS offerings should continue to provide a mix shift that will benefit gross margin rate going forward.

Business Highlights and Trends

- **Product Traction.** We continue to benefit from trends toward cloud-based SaaS offerings for improved workflow, productivity, and efficiency gains. As we have expanded our product offerings, we are seeing greater traction for all our software products across the entire platform.
- **Business Development.** The Company has pursued and won contracts with larger enterprise health care businesses and continues to do so. We currently have agreements with large State Associations, Dental Support Organizations (DSOs), Hospitals, and large insurance companies
- **Capital raise.** In the first three months of 2022, the company raised \$350,000 of equity and \$2,000,000 in the form of secured notes to fund operations and growth.

Results of Operations

Overview. The following table sets forth our selected financial data for the periods indicated below and the percentage dollar increase (decrease) of such items from period to period:

	Three Months Ended		
	March 31, 2022	March 31, 2021	% Incr/(Decr)
Revenue	\$ 2,043,889	\$ 704,001	190%
Cost of sales	634,230	240,033	164%
Gross profit	<u>1,409,659</u>	<u>463,968</u>	
Expenses			
Selling, general and administrative	1,950,441	856,388	128%
Depreciation and amortization	455,771	252,697	80%
Total operating expenses	<u>2,406,212</u>	<u>1,109,085</u>	
Loss from operations	<u>(996,553)</u>	<u>(645,117)</u>	
Other expense			
Interest expense	(155,689)	(167,797)	-7%
Financing fee	(300,000)	-	100%
Other expense	(89,993)	-	100%
Total other expense	<u>(545,682)</u>	<u>(167,797)</u>	46%
Net loss	<u>\$ (1,542,235)</u>	<u>\$ (812,914)</u>	53%

The accompanying “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” provides a comparison of the amounts listed above.

Three Month Period Ended March 31, 2022 (“1Q 2022”) Compared to Three Month Period Ended March 31, 2021 (“1Q 2021”)

Revenues. Net revenues of \$2,043,889 for the 1Q 2022 period increased \$1,339,888 or 190% compared to \$704,001 for the 1Q 2021 period. The increase between periods was due to recurring SaaS revenues generated by a rapid growth in subscribers incurred at the back half of 2021 as well as revenues related to the asset acquisitions acquired from May to September of 2021. Revenue from Subscription Software and Services grew 216% to \$1,856,595 compared to \$587,851 during the same period in 2021. Professional Services and Other revenue grew 61% to \$187,294 compared to \$116,150 for the same period in 2021.

Cost of sales. Cost of sales of \$634,230 for the 1Q 2022 period increased \$394,197 or 164% compared to \$240,033 for the 1Q 2021 period. The increase between periods was due primarily to increases in cost of services purchased that are related to our SaaS and MSaaS offerings coupled with the additional costs incurred from an increase in number of customers from both organic and mechanistic growth.

Selling, general and administrative expenses. Selling, general and administrative expenses of \$1,950,441 for the 1Q 2022 period increased \$1,094,053 or 128% compared to \$856,388 for the 1Q 2021 period. The increase between periods was primarily due to an increase in payroll expenses and other general and administrative expense to support a high rate of growth as well as the additional cost incurred to support the asset acquisitions.

Depreciation and amortization expenses. Depreciation and amortization expenses of \$455,771 for the 1Q 2022 period increased \$203,074 or 80% compared to \$252,697 for the 1Q 2021 period. The increase between periods was primarily made of the amortization of the asset acquisitions incurred in 2021.

Interest Expense. Interest expense of \$155,689 for the 1Q 2022 period decreased \$12,108 or -7% compared to \$167,797 in the 1Q 2021 period. The decrease between periods was primarily due the Company being able to take on new debt at more attractive rates in later half of 2021.

Financing fee. A financing fee expense of \$300,000 was incurred for 1Q 2022 versus nil for 1Q2021 related to the issuance of convertible debt in Q2 of 2021.

Other expense. Other expense consists of cost related to the payment of sales and use tax filings for prior periods as well as settlement of a prior periods accounts payable.

LIQUIDITY AND CAPITAL

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

For the three-month period ended March 31, 2022 the Company generated an operating loss of \$996,553. In addition, the Company has an accumulated deficit, total stockholders' equity and net working capital deficit of \$84,337,498, \$368,753 and \$2,183,076, respectively, as of March 31, 2022. The Company's activities were primarily financed through private placements of equity securities and issuance of debt. The Company intends to raise additional capital through the issuance of debt and/or equity securities to fund its operations. The Company is reliant on future fundraising to finance operations in the near future.

Management continues to develop strategic partnerships and has ramped up selling into the existing customer base as well as penetrate larger organizations with multiple customers while continuing to scope out additional areas of opportunity. While management believes in the viability of its strategy to increase revenues and in its ability to raise additional funds, there can be no assurances to that effect. Management's ability to continue as a going concern is ultimately dependent upon its ability to continually increase the Company's customer base and realize increased revenues from signed contracts. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The primary factors that influence our liquidity include, but are not limited to, the amount and timing of our equity and debt raises, revenues, cash collections from our clients, capital expenditures, and investments in research and development.

The following table summarizes the impact of operating, investing and financing activities on our cash flows for the three-month periods ended March 31, 2022 and 2021 related to our operations:

	Three Month Ended	
	March 31, 2022	March 31, 2021
Net cash used in operating activities	\$ (1,049,394)	\$ (715,169)
Net cash used in investing activities	(63,296)	(48,682)
Net cash provided by financing activities	1,850,958	950,406
Net change in cash	738,268	186,555
Cash and cash equivalents at beginning of the period	71,807	7,619
Cash and cash equivalents at end of the period	<u>\$ 810,075</u>	<u>\$ 194,174</u>

Operating Activities: Net cash used by operating activities of \$1,049,394, for the three-month period ended March 31, 2022 was \$334,225 more than the \$715,169 cash used by operations for the three-month period ended March 31, 2021. The increase in cash utilized by operating activities compared to the three-month period ended March 31, 2021 was primarily attributable to a \$177,800 decrease in accounts payable and accrued liabilities and to a lesser extent the cash impact of changes in other operating assets and liabilities. Future spending on operating activities is expected to be funded by the sale of and issuance of additional shares of common stock.

Investing Activities: Net cash used by investing activities of \$63,296 for the three-month period ended March 31, 2022 compared to \$48,682 cash used by investing activities for the three-month period ended March 31, 2021. The overall increase was due to a slight increase in capitalized software cost components. Future spending on investing activities is expected to be funded by the sale of and issuance of additional shares of common stock.

Financing Activities: Net cash provided by financing activities of \$1,850,958 for the three-month period ended March 31, 2022 was \$900,552 more than the \$950,406 cash provided by financing activities for the three-month period ended March 31, 2021. The Company issued \$2,000,000 in debt for the three-months ended March 31, 2022 versus nil for the same comparative period in 2021. This was offset by a decrease in common stock issuances in the three-months ended March 31, 2022 of \$350,000 compared to \$1,417,313 for the three months ended March 31, 2021.

Credit Facilities

In January 2021 the Company and one of its Convertible Debt Holders entered into a Purchase Agreement for up to \$5,000,000 shares of the Company's common stock for 24 months. The purchase price of the stock will be at 75% of the lowest individual daily weight average price of the past five (5) trading days with the amount to be drawn down as the lesser of \$250,000 or 300% of the average shares traded for the ten (10) days prior to the Closing Request Date with a minimum \$25,000 put allowance. As part of the agreement, the Company issued 250,000 shares of common stock as a commitment fee. The available balance on the facility as of March 31, 2022 was \$4,650,000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended March 31, 2022, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that during the period covered by this report, our disclosure controls and procedures were not effective, due to the material weakness related to the Company's accounting for complex financial instruments and the material weakness related to our inability to adequately segregate responsibilities over the financial reporting process. In light of these material weaknesses, we performed additional procedures and analyses as deemed necessary to ensure that our financial statements were prepared in accordance with U.S. generally accepted accounting principles.

Notwithstanding the material weaknesses, management has concluded that the financial statements included elsewhere in this Quarterly Report present fairly, in all material respects, our financial position, results of operations and cash flows in conformity with GAAP.

Changes to Internal Control Over Financial Reporting

We have not identified any change in our internal control over financial reporting during our most recently completed fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company from time to time, may be a party to various litigation, claims and disputes, arising in the ordinary course of business. While the ultimate impact of such actions cannot be predicted with certainty, we believe the outcome of these matters, except for that noted below, will not have a material adverse effect on our financial condition or results of operations.

On August 18, 2021, the Company received a Notice of Disposition of Collateral under section 9-611 of the Uniform Commercial Code (“UCC”) (Arizona Revised Statutes 47-611) purporting to set a foreclosure sale, under the UCC, of the Company’s assets that were previously pledged as security to a Lender. On August 24, 2021 the Company received a Default Notice from the Lender asserting that the Company was obligated to pay \$863,274. The Lender alleged that it had made certain loans and other financial accommodations in the form of guaranties to our Company beginning approximately in March of 2009 that was secured by all of the assets our Company. We initiated an investigation into the matter and concluded that we had repaid all of the loans (including tendering payment of \$28,577.82 for various credit card obligations with JP Morgan Chase Bank which the Lender rejected on August 4, 2021) and any loans that had not been repaid were released under the terms of a Recapitalization Agreement dated November 1, 2016. We then retained Arizona counsel to prepare an Emergency Application for Temporary Restraining Order and Preliminary Injunction against the Lender in order to stop the foreclosure sale. We are currently in negotiations with Lender to resolve the dispute. We believe the claims of the Lender are without merit and intend to vigorously defend the matter.

On June 15, 2021, the Company received a Complaint filed with the Circuit Court of the Ninth Judicial Circuit for Orange County, Florida. The Complaint alleges a breach of a previously entered into 2018 Settlement Agreement for which payments have not been made. The Complainant agreed to begin arbitration on August 31, 2021. We believe these claims are without merit.

ITEM 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in this report include the risk factors described in our Annual Report on Form 10-K filed with the SEC. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K filed with the SEC.

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

Information with respect to sales of unregistered shares of the Common Stock of the Company during the fiscal quarter ended March 31, 2022, is set forth in the Condensed Consolidated Statements of Changes in Stockholders’ Equity for the Three-Month Period Ended March 31, 2022 and 2021 (unaudited) contained in Part I Financial Information. All such sales were to accredited investors and were made in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended. The proceeds were used by the Company for working capital purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No	Description
5.6	Lease extension dated March 10, 2021 between iCoreConnect Inc and Lake Butler Plaza Properties LLC
5.7	Lease Agreement dated March 22, 2021 between iCoreConnect Inc and Four Two Nine, Inc.
10.16	Asset Purchase Agreement dated March 1, 2021 between iCoreConnect Inc and Spectrum Technology Solutions an Arizona Corporation*
31.1	CEO Certification pursuant to rule 13a-14(a)
31.2	CFO Certification pursuant to rule 13a-14(a)
32.1	CEO Sarbanes Oxley certification
32.2	CFO Sarbanes Oxley certification
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Incorporated by reference to the Form S-1 filed with the SEC on 10-15-2021.

Notes to exhibits: iCoreConnect Inc. will furnish a copy of any of the exhibits listed above upon payment of \$5.00 per exhibit to cover the cost of the Company furnishing the exhibit.

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.

iCoreConnect, Inc. (Registrant)

Date: May 12, 2022

By: /s/ Robert McDermott
Robert McDermott
Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 2022

By: /s/ Archit Shah
Archit Shah
Chief Financial Officer
(Principal Accounting Officer)

**CERTIFICATION OF THE CEO PURSUANT TO SECURITIES EXCHANGE ACT
RULES 13a-14(a) OR 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert P. McDermott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iCoreConnect 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2022

By: /s/ Robert P. McDermott
Robert P. McDermott
President and Chief Executive Officer

**CERTIFICATION OF THE CFO PURSUANT TO SECURITIES EXCHANGE ACT RULES
13a-14(a) OR 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Archit Shah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of iCoreConnect 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2022

By: /s/ Archit Shah
Archit Shah
Chief Financial Officer

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

In connection with the quarterly report of iCoreConnect Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert McDermott, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 12, 2022

By: /s/ Robert McDermott
Robert McDermott
President and Chief Executive Officer

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

In connection with the quarterly report of iCoreConnect Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Archit Shah, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: May 12, 2022

By: /s/ Archit Shah
Archit Shah
Chief Financial Officer