PARK CITY GROUP INC
Form 10-K/A
October 09, 2015

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

FORM 10-K/A
(Amendment No. 1)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2015
or

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

001-34941
(Commission file number)

PARK CITY GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada State or other jurisdiction of incorporation	37-1454128 (IRS Employer Identification No.)
299 South Main Street, Suite 2370 Salt Lake City, Utah 84111 (Address of principal executive offices)	(435) 645-2000 (Registrant's telephone number, including area code)

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

Title of each Class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.01 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
[ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

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. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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

Large accelerated filer	[ ]	Accelerated filer	[X]
Non-accelerated filer (Do not check if a smaller reporting company)	[ ]	Smaller reporting company	[ ]

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the issuer as of December 31, 2014, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately $114,182,000 (at a closing price of $9.02 per share).

As of September 11, 2015, 19,064,108 shares of the Company's $0.01 par value common stock were outstanding.

EXPLANATORY NOTE

Park City Group, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to amend its Annual Report on Form 10-K for the fiscal year ended June 30, 2015, as filed with the Securities and Exchange Commission (the “SEC”) on September 14, 2015 (the “Original 10-K”). The purpose of this Amendment is to amend Note 1 to the Company’s consolidated financial statement in Part II, “Item 8. Financial Statement and Supplementary Data” solely to correct certain figures in the unaudited pro-forma results of operations for the years ended June 30, 2015 and 2014, with regards to the Company’s acquisition of ReposiTrak, Inc.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment also includes currently dated certifications from the Company’s Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certification exhibits have been revised accordingly.

This Amendment should be read in conjunction with the Original 10-K and the Company’s other filings made with the SEC subsequent to the filing of the Original 10-K on September 14, 2015. This Amendment is not intended to, nor does it, reflect events occurring after the filing of the Original 10-K, and does not modify or update the disclosures therein in any way other than as required to reflect the changes described above.

TABLE OF CONTENTS TO AMENDMENT NO. 1 TO
ANNUAL REPORT ON FORM 10-K/A OF PARK CITY GROUP, INC.
FOR THE YEAR ENDED JUNE 30, 2015

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. The words or phrases “would be,” “will allow,” “intends to,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” or similar expressi intended to identify “forward-looking statements.” Actual results could differ materially from those projected in the forward looking statements as a result of a number of risks and uncertainties, including the risk factors set forth below and elsewhere in this Report. See “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations.” Statements made herein are as of the date of the filing of this Form 10-K with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

PART II

ITEM 8. FINANCIAL STATEMENTS

The information required hereunder in this Annual Report on Form 10-K is set forth in the financial statements and the notes thereto beginning on Page F-1.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits, Financial Statements and Schedules

Exhibit Number	Description
2.1	Agreement and Plan of Merger and Reorganization, Dated August 28, 2008 (1)
2.2	Form of Stock Purchase Agreement (1)
2.3	Form of Stock Voting Agreement (1)
2.4	Form of Promissory Note (2)
3.1	Articles Of Incorporation (3)
3.2	Certificate Of Amendment (4)
3.3	Certificate of Amendment (5)
3.4	Bylaws (3)
4.1	Certificate of Designation of the Series A Convertible Preferred Stock (6)
4.2	Certificate of Designation of the Series B Convertible Preferred Stock (7)
10.1	Subordinated Promissory Note, dated April 1, 2009, issued to Riverview Financial Corporation (8)
10.2	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated September 15, 2009 (9)
10.3	Term Loan Agreement, by and between U.S. Bank National Association and the Company, dated May 5, 2010 (10)
10.4	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated May 5, 2010 (10)
10.5	Promissory Note, dated August 25, 2009, issued to Baylake Bank (10)
10.6	ReposiTrak Omnibus Subscription Agreement (11)
10.7	ReposiTrak Promissory Note (11)
10.8	Fields Employment Agreement(14)
10.9	Services Agreement(14)
10.10	Form of Securities Purchase Agreement (15)
14.1	Code of Ethics and Business Conduct (12)
21	List of Subsidiaries (13)
23	Consent of HJ & Associates, LLC, dated October 9, 2015 *
31.1	Certification of Principal Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
31.2	Certification of Principal Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 *

(1) Incorporated by reference from our Form 8-K dated September 3, 2008.
(2) Incorporated by reference from our Form 8-K dated September 15, 2008.
(3) Incorporated by reference from our Form DEF 14C dated June 5, 2002.
(4) Incorporated by reference from our Form 10-QSB for the year ended Sept 30, 2005.
(5) Incorporated by reference from our Form 10-KSB dated September 29, 2006.
(6) Incorporated by reference from our Form 8-K dated June 27, 2007.
(7) Incorporated by reference from our Form 8-K dated July 21, 2010.
(8) Incorporated by reference from our Form 8-K dated September 30, 2009.
(9) Incorporated by reference from our Form 8-K dated October 1, 2009.
(10) Incorporated by reference from our Form 8-K dated August 25, 2009.
(11) Incorporated by reference from our Annual Report on Form 10-K dated September 23, 2014.
(12) Incorporated by reference from our Form 10-KSB dated September 30, 2008.
(13) Incorporated by reference from our Form 10-K dated September 13, 2011.
(14) Incorporated by reference from our Form 10-K dated September 11, 2014.
(15) Incorporated by reference from our Form 8-K dated May 13, 2015
* Filed herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARK CITY GROUP, INC.
(Registrant)

Date:	October 9, 2015	By:	/s/ Randall K. Fields
			Principal Executive Officer, Chairman of the Board and Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Park City Group, Inc.
Salt Lake City, Utah

We have audited the accompanying consolidated balance sheets of Park City Group, Inc. and Subsidiaries as of June 30, 2015 and 2014, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park City Group, Inc. and Subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Park City Group, Inc. and Subsidiaries' internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated September 14, 2015 expressed an unqualified opinion on the effectiveness of Park City Group, Inc.'s internal control over financial reporting.

/s/ HJ & Associates, LLC
HJ & Associates, LLC
Salt Lake City, Utah
September 14, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Park City Group, Inc.
Salt Lake City, Utah

We have audited Park City Group, Inc. and Subsidiaries' internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Park City Group, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c)provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Park City Group, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Park City Group, Inc. and Subsidiaries and our report dated September 14, 2015 expressed an unqualified opinion.

/s/ HJ & Associates, LLC
HJ & Associates, LLC
Salt Lake City, Utah
September 14, 2015

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PARK CITY GROUP, INC.
Condensed Consolidated Balance Sheets

Assets		June 30, 2015		June 30, 2014
Current Assets:				
Cash and cash equivalents	$	11,325,572	$	3,352,559
Receivables, net of allowance of $94,000 and $70,000 at June 30, 2015 and 2014, respectively		1,640,591		2,857,983
Prepaid expense and other current assets		463,427		250,855
Total current assets		13,429,590		6,461,397
Property and equipment, net		764,442		740,753
Other assets:				
Deposits and other assets		14,866		14,866
Note receivable		-		2,996,664
Customer relationships		2,006,951		1,918,019
Goodwill		20,190,935		4,805,933
Total other assets		22,212,752		9,735,482
Total assets	$	36,406,784	$	16,937,632
Liabilities and Stockholders' Equity (Deficit)				
Current liabilities:				
Accounts payable	$	817,119	$	738,289
Accrued liabilities		2,521,111		1,801,355
Deferred revenue		2,331,920		1,840,811
Line of credit		2,500,000		1,200,000
Note payable		227,301		226,900
Total current liabilities		8,397,451		5,807,355
Long-term liabilities:				
Notes payable, less current portion		349,192		422,248
Other long-term liabilities		75,518		88,948
Total liabilities		8,822,161		6,318,551
Commitments and contingencies				
Stockholders' equity:				
Series B Preferred stock, $0.01 par value, 700,000 shares authorized; 625,375 and 411,927 shares issued and outstanding at June 30, 2015 and 2014, respectively		6,254		4,119
Series B-1 Preferred stock, $0.01 par value, 300,000 shares authorized; 74,200 and 0 shares issued and outstanding at June 30, 2015 and 2014, respectively		742		-
		188,759		169,280

Common stock, $0.01 par value, 50,000,000 shares authorized; 18,875,586 and 16,928,025 issued and outstanding at June 30, 2015 and 2014, respectively		
Additional paid-in capital	70,296,496	46,792,736
Accumulated deficit	(42,907,628)	(36,347,054)
Total stockholders’ equity	27,584,623	10,619,081
Total liabilities and stockholders’ equity	$ 36,406,784	$ 16,937,632

See accompanying notes to condensed consolidated financial statements.

PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	For the Years Ended June 30, 2015	2014	2013
Revenue	$ 13,648,715	$ 11,928,416	$ 11,318,574
Operating expenses:			
Cost of revenue and product support	5,256,251	5,087,973	4,490,438
Sales and marketing	5,941,349	4,741,574	3,054,361
General and administrative	4,279,641	3,812,265	2,474,169
Depreciation and amortization	768,165	879,329	901,407
Impairment of intangibles	1,495,703	-	-
Total operating expense	17,741,109	14,521,141	10,920,375
(Loss) income from operations	(4,092,394)	(2,592,725)	398,199
Other (expense) income:			
Interest income (expense), net	242,621	102,580	(140,712)
(Loss) income before income taxes	(3,849,773)	(2,490,145)	257,487
Provision for income taxes	-	-	-
Net (loss) income	(3,849,773)	(2,490,145)	257,487
Dividends on preferred stock	(568,821)	(617,891)	(911,580)
Restructuring of Series B Preferred	(2,141,980)	-	-
Net loss applicable to common shareholders	$ (6,560,574)	$ (3,108,036)	$ (654,093)
Weighted average shares, basic and diluted	17,375,000	16,710,000	13,246,000
Basic and diluted loss per share	$ (0.38)	$ (0.19)	$ (0.05)

See accompanying notes to condensed consolidated financial statements.

PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Deficit)

	Series A Convertible Preferred Stock Shares	Amount	Series B Convertible Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	T
Balance, June 30, 2012	685,671	$ 6,857	411,927	$ 4,119	12,087,431	$ 120,874	$ 37,763,196	$ (32,584,925)	$ 5,
Conversion of Preferred stock	(733,605)	(7,336)	-	-	2,445,371	24,454	(17,118)	-	
Redemption of Preferred stock	(2,172)	(22)	-	-	-	-	(21,698)	-	
Stock issued for:									
Compensation	-	-	-		276,988	2,770	783,573	-	
Cash	-	-	-		1,288,096	12,881	4,306,780	-	4,
Dividends	50,106	501	-		-	-	500,559	-	
Preferred Dividends-Declared	-	-	-	-	-	-	-	(911,580)	(9
Exercise of Options/Warrants	-	-	-	-	30,644	306	(306)	-	
Net income	-	-	-	-	-	-	-	257,487	
Balance June 30, 2013	-	-	411,927	4,119	16,128,530	161,285	43,314,986	(33,239,018)	10,
Stock issued for:									
Compensation	-	-	-	-	312,364	3,124	1,089,574	-	1,
Cash	-	-	-	-	277,092	2,771	1,659,922	-	1,
Charitable Contribution	-	-	-	-	15,000	150	96,750	-	
Preferred Dividends-Declared	-	-	-	-	-	-	-	(617,891)	(
Exercise of Options/Warrants	-	-	-	-	195,039	1,950	631,504	-	
Net loss	-	-	-	-	-	-	-	(2,490,145)	(2,
Balance, June 30, 2014	-	$ -	411,927	$ 4,119	16,928,025	$ 169,280	$ 46,792,736	$ 36,347,054	10,

PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(continued)

	Series B Preferred Stock		Series B-1 Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, June 30, 2014	411,927	$ 4,119	-	$ -	16,928,025	$ 169,280	$ 46,792,736	$ (36,347,054)	$ 10,619,
Series B Restructure	214,198	2,142	-	-	-	-	2,139,838	(2,141,980)	
Series B Redemption	(750)	(7)	-	-	-	-	(7,493)	-	(7,
Stock issued for:									
Accrued compensation	-	-	30,000	300	366,033	3,664	2,156,229	-	2,160,
Cash	-	-	-	-	693,090	6,931	7,802,664	-	7,809,
Charitable Contribution	-	-	-	-	15,000	150	157,800	-	157,
Preferred Dividends-PIK	-	-	44,200	442	-	-	441,560	-	442,
Acquisition	-	-	-	-	873,438	8,734	10,813,162	-	10,821,
Preferred Dividends-Declared								(568,821)	(568,
Net loss	-	-	-	-	-	-	-	(3,849,773)	(3,849,
Balance, June 30, 2015	625,375	$ 6,254	74,200	$ 742	18,875,586	$ 188,759	$ 70,296,496	$ (42,907,628)	$ 27,584,

See accompanying notes to condensed consolidated financial statements.

PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	For the Years Ended June 30, 2015	2014	2013
Cash Flows from Operating Activities:			
Net (loss) income	$ (3,849,773)	$ (2,490,145)	$ 257,487
Adjustments to reconcile net (loss) income to net cash used in by operating activities:			
Depreciation and amortization	768,165	879,329	901,407
Impairment of intangibles	1,495,703	-	-
Bad debt expense	186,780	186,740	144,617
Stock compensation expense	2,760,329	1,719,375	843,645
Stock issued for charity	157,950	96,900	-
Decrease (increase) in:			
Trade receivables	710,302	(661,357)	(1,859,987)
Prepaids and other assets	(501,957)	(20,747)	(226,552)
Increase (decrease) in:			
Accounts payable	(49,296)	84,634	102,809
Accrued liabilities	136,517	49,252	(8,357)
Deferred revenue	(107,123)	63,485	(304,133)
Net cash provided by (used in) operating activities	1,707,597	(92,534)	(149,064)
Cash Flows From Investing Activities:			
Payments received on notes receivable	300,000	-	-
Net cash received in acquisition	22,119	-	-
Purchase of property and equipment	(369,536)	(459,230)	(445,744)
Cash advanced on Note Receivable	(2,559,460)	(1,200,000)	-
Cash from sale of property & equipment	-	6,505	-
Net cash used in investing activities	(2,606,877)	(1,652,725)	(445,744)
Cash Flows From Financing Activities:			
Proceeds from issuance of stock	7,606,384	1,493,818	4,162,920
Net increase in lines of credit	1,300,000	-	-
Proceeds from employee stock plans	203,211	153,875	156,741
Proceeds from issuance of note payable	172,795	338,287	176,797
Proceeds from exercises of options and warrants	-	633,454	-
Preferred stock redemption	(7,500)	-	(21,720)
Dividends paid	(157,147)	(586,999)	(503,311)
Payments on notes payable and capital leases	(245,450)	(551,202)	(866,210)
Net cash provided by financing activities	8,872,293	1,481,233	3,105,217
Net increase (decrease) in cash and cash equivalents	7,973,013	(264,026)	2,510,409
Cash and cash equivalents at beginning of period	3,352,559	3,616,585	1,106,176

Cash and cash equivalents at end of period	$ 11,325,572	$ 3,352,559	$ 3,616,585
Supplemental Disclosure of Cash Flow Information			
Cash paid for income taxes	$ -	$ 6,634	$ -
Cash paid for interest	$ 80,534	$ 75,343	$ 142,491
Supplemental Disclosure of Non-Cash Investing and Financing Activities			
Preferred Stock to pay accrued liabilities	$ 300,000	$ -	$ -
Common Stock to pay accrued liabilities	$ 1,860,191	$ 1,107,698	$ 786,343
Dividends accrued on preferred stock	$ 568,821	$ 617,891	$ 911,580
Dividends paid with preferred stock	$ 442,002	$ -	$ 501,060
Conversion of accounts receivable into notes receivable	$ -	$ -	$ 1,622,863
Series B restructure	$ 2,141,980	$ -	$ -

See accompanying notes to condensed consolidated financial statements.

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Supplemental Disclosure of Non-Cash Investing and Financing Activities, continued

On June 30, 2015, the Company purchased 100% of the outstanding common stock of ReposiTrak, Inc. The fair values of ReposiTrak's assets and liabilities at the date of acquisition and the consideration paid, net of cash acquired, are as follows:

Receivables	$ 152,340
Prepaid expenses	17,500
Customer relationships	2,006,951
Goodwill	15,385,002
Accounts payable	(128,126)
Deferred revenue	(598,232)
Net assets acquired	16,835,435
Common stock issued	10,821,897
Receivables eliminated in consolidation	6,035,657
Cash received in acquisition	$ 22,119

PARK CITY GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2015 and June 30, 2014

NOTE 1. DESCRIPTION OF BUSINESS AND ACQUISITION OF REPOSITRAK, INC.

Summary of Business

The Company is incorporated in the state of Nevada. The Company has three subsidiaries, PC Group, Inc. (formerly, Park City Group, Inc.), a Utah Corporation (98.76% owned), and Park City Group, Inc., (formerly, Prescient Applied Intelligence, Inc.), a Delaware Corporation (100% owned) and ReposiTrak, Inc., a Utah corporation (100% owned). All intercompany transactions and balances have been eliminated in consolidation.

The Company designs, develops, markets and supports proprietary software products. These products are designed for businesses having multiple locations to assist in the management of business operations on a daily basis and communicate results of operations in a timely manner. In addition, the Company has built a consulting practice for business improvement that centers on the Company’s proprietary software products. The principal markets for the Company's products are multi-store retail and convenience store chains, branded food manufacturers, suppliers and distributors, and manufacturing companies, which have operations in North America, Europe, Asia and the Pacific Rim.

Acquisition of ReposiTrak, Inc.

On June 30, 2015, the Company consummated the acquisition of 100% of the outstanding capital stock of ReposiTrak, Inc. As a result of this acquisition, the Company gained control of ReposiTrak a 100% owned subsidiary of the Company. The accompanying audited consolidated financial statements of the Company as of and for the year ended June 30, 2015 contain the results of operations of ReposiTrak from June 30, 2015. We issued 873,438 shares of our common stock for this acquisition which expands the service we can offer to our customer base.

We have accounted for the acquisition as the purchase of a business. The assets acquired and the liabilities assumed of ReposiTrak have been recorded at their respective fair values. The excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. Goodwill is attributed to buyer-specific value resulting from expected synergies, including long-term cost savings, as well as industry relationships which are not included in the fair values of assets. Goodwill will not be amortized.

The purchase price consisted of the 873,438 shares of Park City Group common stock. The fair value of the shares issued was $10,821,897 and was determined using the closing price of our common stock on June 30, 2015. The price paid to acquire ReposiTrak was $10,830,897, approximately $9,000 of which was for direct transaction costs associated with the issuance of equity. The net acquisition cost of $10,799,778 which excludes $31,119 of cash acquired from ReposiTrak were allocated based on their estimated fair value of the assets acquired and liabilities assumed, as follows:

Receivables	$ 152,340
Prepaid expenses	17,500
Customer relationships*	2,006,951
Goodwill*	15,385,002
Accounts payable	(128,126)
Deferred revenue	(598,232)
Net assets acquired	16,835,435

Common stock issued		10,821,897
Receivables eliminated in consolidation		6,035,657
Cash received in acquisition	$	22,119

* Customer relationship and goodwill are provisional estimates pending completion of a 3rd party valuation of the acquired enterprise. Due to the fact that the acquisition took place on the last day of the fiscal year there has not been adequate time for the analysis to be done.

Unaudited pro-forma results of operations for the twelve months ended June 30, 2015 and 2014, as though ReposiTrak had been acquired as of July 1, 2013, are as follows:

	Three Months Ended					
	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Year Ended 2015	Year Ended 2014
Revenue	$ 2,826,813	$ 2,932,825	$ 2,870,646	$ 2,941,511	$ 11,571,795	$ 9,777,431
Loss from Operations	(1,046,986)	(1,290,524)	(1,302,437)	(3,222,538)	(6,862,485)	(5,232,552)
Net Loss	(1,049,834)	(1,317,510)	(1,317,858)	(3,241,545)	(6,926,747)	(5,303,773)
Net Loss Applicable to Common Shareholders	(1,204,307)	(1,471,983)	(3,595,537)	(3,365,721)	(9,637,548)	(5,921,664)
Basic and Diluted EPS	(0.07)	(0.08)	(0.20)	(0.18)	(0.53)	(0.34)

Recent Developments

Acquisition of ReposiTrak

During the year ended June 30, 2015, the Company entered into agreements with each of the stockholders of ReposiTrak, Inc. (“ReposiTrak”), including Leavitt Partners, LP and LP Special Asset 4, LLC, to acquire all of the outstanding capital stock of ReposiTrak (the “ReposiTrak Shares”) in exchange for shares of the Company’s common stock (the “ReposiTrak Acquisition”). On June 30, 2015, the Company completed the ReposiTrak Acquisition and issued an aggregate total of 873,438 shares of its common stock in exchange for the ReposiTrak Shares. Immediately following the completion of the ReposiTrak Acquisition, ReposiTrak became a wholly owned subsidiary of the Company.

Registered Direct Offering

On April 15, 2015, the Company offered and sold 572,500 shares of its common stock in a registered direct offering at a price of $12.50 per share. The Company received total net proceeds from the registered direct offering of approximately $6.7 million after deducting placement agent fees and other offering expenses.

Creation of Series B-1 Preferred

On March 31, 2015, the Company filed with the Nevada Secretary of State the Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock (the “Series B-1 Certificate of Designation”) in order to designate 300,000 shares of the Company’s preferred stock as non-voting, non-convertible shares of Series B-1 Preferred Stock (“Series B-1 Preferred”). Each share of Series B-1 Preferred accrued dividends at a rate of 7% per annum if paid by the Company in cash, and 9% per annum if paid by the Company in additional shares of Series B-1 Preferred.

Series B Restructuring

On February 4, 2015, holders of the Company’s Series B Convertible Preferred Stock (“Series B Preferred”), consisting of the Company’s Chief Executive Officer, his spouse, and a director (the “Holders”), entered into a restructuring agreement (the “Restructuring Agreement”), pursuant to which the Holders consented to the filing of an amendment (the “Series B Amendment”) to the Certificate of Designation of the Relative Rights, Powers and Preference of the Series B Preferred (the “Series B Certificate of Designation”), pursuant to which (i) the rate at which the Series B Preferred accrues dividends was lowered to 7% per annum if paid by the Company in cash, or 9% if paid by the Company in PIK Shares (as defined below), (ii) the Company may now elect to pay accrued dividends on outstanding shares of

Series B Preferred in either cash or by the issuance of additional shares of Series B Preferred ("PIK Shares"), (iii) the conversion feature of the Series B Preferred was eliminated, and (iv) the number of shares of the Company's preferred stock designated as Series B Preferred was increased from 600,000 to 900,000 shares (the "Series B Restructuring"). In consideration for the Series B Restructuring, the Company proposed to issue to the Holders: (y) an aggregate of 214,198 additional shares of Series B Preferred, which shares had a stated value equal to the amount that, but for the Series B Restructuring, would have been paid to the Holders as dividends over the next five years ("Additional Shares"), and (z) five-year warrants to purchase an aggregate of 1,085,068 shares of common stock for $4.00 per share ("Series B Warrants"), an amount and per share purchase price equal to what the Holders would otherwise be entitled to receive upon conversion of their shares of Series B Preferred ("Warrant Shares").

The terms of the Series B Restructuring were amended on March 31, 2015 as follows: (i) the Series B Certificate of Designation was further amended (the "Second Series B Amendment") to (x) reduce the number of shares of the Company's preferred stock designated thereunder from 900,000 to 600,000, which number was subsequently increased to 700,000, (y) require that, should the Company pay dividends on the Series B Preferred in PIK Shares, shares Series B-1 Preferred will be issued, rather than shares of Series B Preferred, and (z) in the event any Holder elects to exercise a Series B Warrant, one share of Series B Preferred will be automatically converted into one share of Series B-1 Preferred for every 2.5 Warrant Shares received by such Holder; and (ii) the Restructuring Agreement was amended to substitute the Additional Shares for shares of Series B-1 Preferred. The Second Series B Amendment was filed with the Nevada Secretary of State on March 31, 2015.

Private Placement

On January 26, 2015, we accepted subscription agreements from certain accredited investors, including certain members of the Company's Board of Directors, to purchase an aggregate total of 95,302 shares of the Company's common stock for $9.48 per share, and five year warrants to purchase an aggregate total of 23,737 shares of common stock for $10.00 per share. The Company received gross proceeds of approximately $900,000 from this private placement.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements presented herein reflect the consolidated financial position of Park City Group, Inc. and subsidiaries, including ReposiTrak and Prescient. All inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that materially affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results it reports in its financial statements. The Securities and Exchange Commission has defined the most critical accounting policies as those that are most important to the portrayal of the Company's financial condition and results, and require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company's most critical accounting policies include: income taxes, goodwill and other long-lived asset valuations, revenue recognition, stock-based compensation, and capitalization of software development costs.

Cash and Cash Equivalents

The Company considers all short-term instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk and Significant Customers

The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which when realized have been within the range of management's expectations. The Company does not require collateral from its customers.

The Company's accounts receivable are derived from sales of products and services primarily to customers operating multi-location retail and grocery stores. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

During the years ended June 30, 2015, 2014 and 2013, the Company had one customer that accounted for greater than 10% of total revenue.

Receivables

Trade account and notes receivable are stated at the amount the Company expects to collect. Receivables are reviewed individually for collectability. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, allowances may be required. Interest income on current notes receivable is recognized on an accrual basis at a stated interest rate of 8%.

Allowance for Doubtful Accounts Receivable

The Company offers credit terms on the sale of the Company's products to a significant majority of the Company's customers and requires no collateral from these customers. The Company performs ongoing credit evaluations of customers' financial condition and maintains an allowance for doubtful accounts receivable based upon the Company's historical experience and a specific review of accounts receivable at the end of each period. As of June 30, 2015, 2014 and 2013, the allowance for doubtful accounts was $94,000, $70,000, and $190,000, respectively.

Depreciation and Amortization

Depreciation and amortization of property and equipment is computed using the straight line method based on the following estimated useful lives:

	Years
Furniture and fixtures	5-7
Computer Equipment	3
Equipment under capital leases	3
Leasehold improvements	See below

Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the improvements.

Amortization of intangible assets are computed using the straight line method based on the following estimated useful lives:

	Years
Customer relationships	10
Acquired developed software	5
Developed software	3
Goodwill	See below

Goodwill and intangible assets deemed to have indefinite lives are subject to annual impairment tests. Other intangible assets are amortized over their useful lives. See Note 7 regarding impairment charges for the year ended

June 30, 2015.

Warranties

The Company offers a limited warranty against software defects. Customers who are not completely satisfied with their software purchase may attempt to be reimbursed for their purchases outside the warranty period. For the years ending June 30, 2015, 2014 and 2013, the Company did not incur any expense associated with warranty claims.

Revenue Recognition

We recognize revenue when all of the following conditions are satisfied: (i) there is persuasive evidence of an arrangement, (ii) the service has been provided to the customer, (iii) the collection of our fees is probable and (iv) the amount of fees to be paid by the customer is fixed or determinable.

We recognize subscription and hosting revenue ratably over the length of the agreement beginning on the commencement dates of each agreement or when revenue recognition conditions are satisfied based on their relative fair values. For a fee, subscriptions provide the customer with access to the software and data over the Internet, or on demand, and provide technical support services, premium analytical services and software upgrades when and if available. Under subscriptions, customers do not have the right to take possession of the software and such arrangements are considered service contracts. Accordingly, we recognize professional services as incurred based on their relative fair values. In situations where we have contractually committed to an individual customer specific technology, we defer all of the revenue for that customer until the technology is delivered and accepted. Once delivery occurs, we then recognize the revenue ratably over the remaining contract term. When subscription service or hosting service is paid in advance, deferred revenue is recognized and revenue is recorded ratably over the term as services are consumed.

Set up fees paid by customers in connection with subscription services are deferred and recognized ratably over the life of the applicable agreement.

Premium support and maintenance service revenue is derived from services beyond the basic services provided in standard arrangements. We recognize premium service and maintenance revenue ratably over the contract terms beginning on the commencement dates of each contract or when revenue recognition conditions are satisfied. Instances where these services are paid in advance, deferred revenue is recognized and revenue is recorded ratably over the term as services are consumed.

Professional services revenue consists primarily of fees associated with application and data integration, data cleansing, business process re-engineering, change management and education and training services. Fees charged for professional services are recognized when delivered. We believe the fees for professional services qualify for separate accounting because: (i) the services have value to the customer on a stand-alone basis, (ii) objective and reliable evidence of fair value exists for these services and (iii) performance of the services is considered probable and does not involve unique customer acceptance criteria.

The Company's revenue, to a lesser extent, is earned under license arrangements. Licenses generally include multiple elements that are delivered up front or over time. Vendor specific objective evidence of fair value of the hosting and support elements is based on the price charged at renewal when sold separately, and the license element is recognized into revenue upon delivery. The hosting and support elements are recognized ratably over the contractual term.

Software Development Costs

The Company accounts for research costs of computer software to be sold, leased or otherwise marketed as expense until technological feasibility has been established for the product. Once technological feasibility is established, all software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. We have determined that technological feasibility for our software products is reached shortly after a working prototype is complete and meets or exceeds design specifications including functions, features, and technical performance requirements. Costs incurred after technological feasibility is established have been and will continue to be capitalized until such time as when the product or enhancement is available for general release to customers.

During 2015, 2014 and 2013 capitalized development costs of $0, $73,082, and $146,166 respectively, were amortized into expense. The Company amortizes its developed and purchased software on a straight-line basis over three and five years, respectively.

Research and Development Costs

Research and development costs include personnel costs, engineering, consulting, and contract labor and are expensed as incurred for software that has not achieved technological feasibility.

Advertising Costs

Advertising is expensed as incurred. Advertising costs were approximately $21,000, $14,000, and $20,000 for the years ended June 30, 2015, 2014 and 2013, respectively.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

Earnings Per Share

Basic net income or loss per common share ("Basic EPS") excludes dilution and is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income or loss per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue shares of common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income (loss) per common share.

For the year ended June 30, 2015, 2014 and 2013 warrants to purchase 1,426,178, 317,373 and 436,110 shares of common stock, respectively, were not included in the computation of diluted EPS due to the anti-dilutive effect. Warrants to purchase shares of common stock were outstanding at prices ranging from $3.50 to $10.00 per share at June 30, 2015.

1,029,818 and 1,029,818 shares of common stock issuable upon conversion of the Company's Series B Preferred were not included in the diluted EPS calculation for the years ended June 30, 2014 and 2013, respectively, as the effect would have been anti-dilutive. Series B Preferred was no longer convertible to common stock for the year ended June 30, 2015.

	Year ended June 30, 2015	Year ended June 30, 2014	Year ended June 30, 2013
Dilutive effect of options and warrants	-	-	-
Weighted average shares outstanding assuming dilution	17,375,000	16,710,000	13,246,000

Stock-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. The Company records compensation expense on a straight-line basis. The fair value of options granted are estimated at the date of grant using a Black-Scholes option pricing model with assumptions for the risk-free interest rate, expected life, volatility, dividend yield and forfeiture rate.

The following table summarizes information about fixed stock warrants outstanding at June 30, 2015:

	Warrants Outstanding at June 30, 2015			Warrants Exercisable at June 30, 2015	
Range of exercise prices	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 3.50 – 4.00	1,325,697	4.25	$ 3.92	1,325,697	$ 3.92
$ 6.45 – 10.00	100,481	3.49	$ 7.29	100,481	$ 7.29
	1,426,178	4.20	$ 4.16	1,426,178	$ 4.16

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, cash equivalents, receivables, payables, accruals and notes payable. The carrying amount of cash, cash equivalents, receivables, payables and accruals approximates fair value due to the short-term nature of these items. The notes payable also approximate fair value based on evaluations of market interest rates.

Reclassifications

Certain prior-year amounts have been reclassified to conform with the current year's presentation.

NOTE 3. LIQUIDITY AND WORKING CAPITAL

Historically, the Company has financed its operations through operating revenue, loans from directors, officers, stockholders, loans from the Chief Executive Officer and majority shareholder and private placements of equity securities.

At June 30, 2015, the Company had positive working capital of $5,032,139, as compared with positive working capital of $654,042 at June 30, 2014. This $4,378,097 increase in working capital is principally due to the $7.6 million in proceeds received from the registered direct offering completed in April 2015 and private offering in January 2015, partially offset by the use of cash during the year ended June 30, 2015 caused by the increase in net loss during the period. While no assurances can be given, management currently believes that the Company will increase its working capital position in future periods as a result of the projected increase in subscription revenue, among other factors, as well as reduce its indebtedness in subsequent periods utilizing existing cash resources and projected cash flow from operations. In addition, management may also refinance or restructure certain of the Company's indebtedness to extend the maturities of such indebtedness to address its short- and long-term working capital requirements. Management believes that these initiatives will enable us to address our debt service requirements during the next twelve months, as well as fund our currently anticipated operations and capital spending requirements. The financial statements do not reflect any adjustments should cash flow from operations be insufficient to meet our spending and debt service requirements, and we are otherwise unable to refinance or restructure our indebtedness.

NOTE 4. RECEIVABLES

Accounts receivable consist of the following:

	2015	2014
Accounts receivable	$ 1,734,591	$ 2,927,983
Allowance for doubtful accounts	(94,000)	(70,000)
	$ 1,640,591	$ 2,857,983

Accounts receivable consist of trade accounts receivable and unbilled amounts recognized as revenue during the year for which invoices were sent subsequent to year-end. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and consist of the following at June 30:

	2015	2014
Computer equipment	$ 3,269,403	$ 2,899,867
Furniture and fixtures	260,574	260,574
Leasehold improvements	231,782	231,782
	3,761,759	3,392,223
Less accumulated depreciation and amortization	(2,997,317)	(2,651,470)
	$ 764,442	$ 740,753

Depreciation expense for the years ended June 30, 2015 and 2014 was $345,847 and $383,930, respectively.

NOTE 6. CAPITALIZED SOFTWARE COSTS

Capitalized software costs consist of the following at June 30:

	2015	2014
Capitalized software costs	$ 2,443,128	$ 2,443,128
Less accumulated amortization	(2,443,128)	(2,443,128)
	$ -	$ -

Amortization expense for the years ended June 30, 2015 and 2014 was $0 and $73,082, respectively.

NOTE 7. CUSTOMER RELATIONSHIPS

Customer relationships consist of the following at June 30:

	2015	2014
Customer relationships	$ 6,230,112	$ 4,223,161
Less accumulated amortization	(2,727,458)	(2,305,142)
Less impairment charge	(1,495,703)	-
	$ 2,006,951	$ 1,918,019

Amortization expense for the years ended June 30, 2015 and 2014 was $422,316 and $422,316, respectively.

The Company recognized a non-cash impairment charge of $1.5 million during the year ended June 30, 2015, due principally to decreased margins on customers acquired in connection with the Prescient acquisition. In management's determination, the carrying value of these relationships exceeded their estimated fair values as determined by future discounted cash flow projections. When projecting the stream of future cash flows for purposes of determining long-lived asset recoverability, management makes assumptions, incorporating market conditions, sales growth rates, and operating expenses.

Estimated aggregate amortization expenses per year are as follows:

Years ending June 30:	
2016	206,695
2017	206,695
2018	206,695
2019	206,695
Thereafter	1,204,171

NOTE 8. ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30, 2015 and 2014:

	2015	2014
Accrued stock-based compensation	$ 1,665,731	$ 1,122,188
Accrued compensation	506,064	352,764
Accrued other liabilities	225,140	171,930
Accrued dividends	124,176	154,473

	$ 2,521,111	$ 1,801,355

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NOTE 9. NOTES PAYABLE

The Company had the following notes payable obligations at June 30, 2015 and 2014:

Notes Payable:	2015	2014
Note payable to a bank, due in monthly installments of $10,355 bearing interest at 3.95% due July 15, 2014. This note was retired effective July 15, 2014.	-	10,490
Note payable to a bank, due in monthly installments of $9,359 bearing interest at 4.9% due September 15, 2014. This note was retired effective September 15, 2014.	-	29,508
Note payable to a bank, due in monthly installments of $10,286 bearing interest at 4.39% due September 20, 2014, this note is a conversion of a multi-advance note payable initially put in place on September 21, 2010, secured by related capital equipment purchases. This note was retired effective September 20, 2014.	-	31,570
Note payable to a bank, due in monthly installments of $7,860 bearing interest at 3.73% due February 9, 2017, this note is a conversion of a multi-advance note payable initially put in place on February 19, 2012, secured by related capital equipment purchases.	152,530	239,293
Note payable to a bank, due in monthly installments of $7,860 bearing interest at 4.17% due August 26, 2018, this note is a conversion of a multi-advance note payable initially put in place on August 26, 2013, secured by related capital equipment purchases.	272,191	338,287
Note payable to a bank, due in monthly installments of $4,932 bearing interest at 4.91% due March 18, 2018, secured by related capital equipment purchases.	151,772	-
	576,493	649,148
Less current portion notes payable	(227,301)	(226,900)
	$ 349,192	$ 422,248

Maturities of notes payable and capital leases at June 30, 2015 are as follows:

Year ending June 30:		
2016	$ 227,292	$ 174,095
2017	$ 205,999	$ 150,047
2018	$ 135,333	$ 91,385
2019	$ 7,873	$ 6,721
2020	$ -	$ -

NOTE 10. LINES OF CREDIT

The Company’s line of credit with a bank has an annual interest rate of 1.71% + the greater of zero percent or LIBOR. The line of credit is scheduled to mature on May 15, 2016. The balance on the line of credit was $2,500,000 at June 30, 2015. The line of credit outstanding at June 30, 2014 for $1,200,000 was retired effective May 15, 2015.

NOTE 11. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30:

	2015	2014
Subscription	$ 1,742,909	$ 855,462
Other	589,011	985,349
	$ 2,331,920	$ 1,840,811

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NOTE 12. INCOME TAXES

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net deferred tax liabilities consist of the following components at June 30:

	2015	2014
Deferred tax assets:		
NOL Carryover	$ 45,886,227	$ 45,484,720
Depreciation	-	-
Amortization	12,115	-
Allowance for Bad Debts	19,500	27,300
Accrued Expenses	649,635	455,041
Deferred Revenue	676,138	283,900
Deferred tax liabilities:		
Depreciation	(140,838)	(120,626)
Amortization	-	(392,137)
Valuation allowance	(47,211,777)	(45,738,198)
Net deferred tax asset	$ -	$ -

The income tax provision differs from the amounts of income tax determined by applying the US federal income tax rate to pretax income from continuing operations for the years ended June 30, 2015 and 2014 due to the following:

	2015	2014
Book Income	$ (1,500,591)	$ (971,157)
Stock for Services	172,502	(21,650)
Stock for Charity	61,601	-
Intangible impairment	583,324	-
Change in Accrual Stock	211,982	255,064
Life Insurance	26,438	30,390
Meals & Entertainment	12,885	12,793
Change in deferred revenue	(41,778)	(112,186)
Change in Allowance for doubtful accounts	(7,800)	(46,800)
Change in depreciation	(137,747)	(52,340)
NOL utilization	-	-
Valuation allowance	619,719	905,886
	$ -	$ -

At June 30, 2015, the Company had net operating loss carry-forwards of approximately $117,657,000 that may be offset against past and future taxable income from the year 2013 through 2035. No tax benefit has been reported in the June 30, 2015 condensed consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

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Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carryforwards for Federal income tax reporting purposes are subject to annual limitations. In January 2009 the Company acquired Prescient Applied Intelligence, Inc., which had significant net operating loss carry-forwards. Due to change in ownership, Prescient's net operating loss carryforwards may be limited as to use in future years. The limitation will be determined on a year-to-year basis.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, the Company measures the tax position to determine the amount to recognize in the financial statements. The Company performed a review of its material tax positions in accordance with these recognition and measurement standards.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are not material amounts of unrecognized tax benefits.

The Company includes interest and penalties arising from the underpayment of income taxes in the condensed consolidated statements of operations in the provision for income taxes. As of June 30, 2015, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before June 30, 2011.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Operating Leases

In September, 2012, the Company entered into an office lease at 299 So. Main Street, Suite 2370, Salt Lake City, Utah, 84111, providing for the lease of approximately 5,300 square feet for a period of seven years, commencing on November 1, 2012. The monthly rent is $13,122.

Minimum future rental payments under the non-cancelable operating leases are as follows:

Year ending June 30:		
2016	$	160,215
2017	$	165,024
2018	$	169,993
2019	$	73,847
2020	$	-

From time to time the Company may enter into or exit from diminutive operating lease agreements for equipment such as copiers, temporary back up servers, etc. These leases are not of a material amount and thus will not in the aggregate have a material adverse effect on our business, financial condition, results of operation or liquidity.

NOTE 14. EMPLOYEE BENEFIT PLAN

The Company offers an employee benefit plan under Benefit Plan Section 401(k) of the Internal Revenue Code. Employees who have attained the age of 18 are eligible to participate. The Company, at its discretion, may match employee's contributions at a percentage determined annually by the board of directors. The Company does not currently match contributions. There were no expenses for the years ended June 30, 2015 and 2014.

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NOTE 15. STOCK COMPENSATION PLAN

Officers and Directors Stock Compensation

Effective November 2008, the Board of Directors approved the following compensation for directors who are not employed by the Company:

Annual cash compensation of $10,000 payable at the rate of $2,500 per quarter. The Company has the right to pay this amount in the form of shares of the Company's common stock.

Upon appointment, outside independent directors receive a grant of $150,000 payable in shares of the Company's restricted Common Stock calculated based on the market value of the shares of Common Stock on the date of grant. The shares vest ratably over a five-year period.

Reimbursement of all travel expenses related to performance of Directors' duties on behalf of the Company.

Officers, Key Employees, Consultants and Directors Stock Compensation.

In January 2013, the Board of Directors approved the Second Amended and Restated the 2011 Stock Plan (the "Amended 2011 Plan"), which Amended 2011 Plan was approved by shareholders on March 29, 2013. Under the terms of the Amended 2011 Plan, officers, key employees, consultants and directors of the Company are eligible to participate. The maximum aggregate number of shares of common stock that may be granted under the 2011 Plan was increased from 250,000 shares to 500,000 shares. A Committee of independent members of the Company's Board of Directors administers the 2011 Plan. The exercise price for each share of common stock purchasable under any incentive stock option granted under the 2011 Plan shall be not less than 100% of the fair market value of the common stock, as determined by the stock exchange on which the common stock trades on the date of grant. If the incentive stock option is granted to a shareholder who possesses more than 10% of the Company's voting power, then the exercise price shall be not less than 110% of the fair market value on the date of grant. Each option shall be exercisable in whole or in installments as determined by the Committee at the time of the grant of such options. All incentive stock options expire after 10 years. If the incentive stock option is held by a shareholder who possesses more than 10% of the Company's voting power, then the incentive stock option expires after five years. If the option holder is terminated, then the incentive stock options granted to such holder expire no later than three months after the date of termination. For option holders granted incentive stock options exercisable for the first time during any fiscal year and in excess of $100,000 (determined by the fair market value of the shares of common stock as of the grant date), the excess shares of common stock shall not be deemed to be purchased pursuant to incentive stock options.

A schedule of the options and warrants activity for the years ended June 30, 2015 and 2014 is as follows:

	Number of Options	Number of Warrants	Price per share
Outstanding at June 30, 2012	12,880	50,000	$ 1.50-1.80
Granted	-	424,763	$ 3.50-3.60
Exercised	-	(30,644)	$ 1.80
Cancelled	(580)	(19,356)	$ 1.80-2.50
Expired	-	-	$ -
Outstanding at June 30, 2013	12,300	424,763	$ 1.50-3.60

Granted	-	76,744	$ 6.45
Exercised	(12,300)	(184,134)	$ 1.50-3.60
Cancelled	-	-	$ -
Expired	-	-	$ -
Outstanding at June 30, 2014	-	317,373	$ 3.50-6.45
Granted	-	1,108,805	$ 4.00-10.00
Exercised	-	-	$ -
Cancelled	-	-	$ -
Expired	-	-	$ -
Outstanding at June 30, 2015	-	1,426,178	$ 3.50-10.00

NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This Update clarifies the accounting for equity awards in which the performance target (i.e. an initial public offering) could be achieved after the requisite service period. The guidance require a performance target that affects vesting and that could be achieved after the service period be treated as a performance condition and not be reflected in the fair value of the award. Therefore, the compensation costs will begin to be recognized when it becomes probable that the performance target will be achieved. If the requisite service period is complete, the entire amount of compensation costs should be recognized at that time. This Update is effective for reporting periods beginning after December 15, 2015. The Company currently does not have any stock-based awards meeting the criteria noted so the Company doesn't expect this Update to have a significant impact on its financials. However, it will evaluate new grants and ensure the guidance is followed if these types of grants are made.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customer (Topic 606). This Update provides new revenue recognition guidance that will be applicable for all industries and develops a common revenue standard for GAAP and IFRS. The main purpose of the new guidance is to remove inconsistencies, provide a more robust framework, improve comparability among industries, improve disclosure requirements and reduce the number of requirements to which an entity must refer. The guidance outlines the following five steps that should be followed in recognizing revenue:

1. Identify contract with 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 the performance obligation is satisfied.

The update also provides disclosure requirements requiring entities to provide sufficient information to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This Update is effective for public entities for reporting periods beginning after December 15, 2016 and for all other entities, it is effective for periods beginning after December 15, 2017. Due to the extensive nature of this Update, the Company is evaluating the impact this new guidance will have on its financials.

NOTE 17. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, the Company was a party to a Service Agreement with Fields Management, Inc. ("FMI"), pursuant to which FMI provided certain executive management services to the Company, including designating Mr. Randall K. Fields to perform the functions of President and Chief Executive Officer for the Company. Randall K. Fields, FMI's designated Executive, who also serves as the Company's Chairman of the Board of Directors, controls FMI.

The Company had payables of $37,893 and $37, 051 to FMI at June 30, 2015 and 2014 respectively, under this agreement.

The Company did not have any other related party transactions as of June 30, 2015.

NOTE 18. SUBSEQUENT EVENTS

Subsequent to June 30, 2015, the Company issued 188,522 shares of common stock in connection with issuances under the Company's Employee Stock Purchase Plan and the vesting of employee stock grants.

In accordance with the Subsequent Events Topic of the FASB ASC 855, we have evaluated subsequent events, and noted no subsequent events that are reasonably likely to impact the financial statements.