

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

FORM 10-K

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

For the fiscal year ended June 30, 2019
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	37-1454128
State or other jurisdiction of incorporation	(IRS Employer Identification No.)
5282 South Commerce Drive, Suite D292 Murray, Utah 84107	(435) 645-2000
(Address of principal executive offices)	(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</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 Par Value	PCYG	NASDAQ Capital Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 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 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. 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 (§ 229.405 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 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, 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 checked="" type="checkbox"/>
Non-accelerated filer	<input 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 Act).
 Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the issuer as of December 31, 2018 which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$64,653,279 (at a closing price of \$5.97 per share).

As of September 11, 2019, 19,821,188 shares of the Company's common stock, par value \$0.01 per share ("Common Stock"), were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13 and 14 of Part III incorporate by reference certain information from Park City Group, Inc.'s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before October 28, 2019.

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ON FORM 10-K
YEAR ENDED JUNE 30, 2019

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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 expressions are 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.

ITEM I BUSINESS

Overview

Park City Group, Inc. (the “*Company*”) is a Software-as-a-Service (“*SaaS*”) provider, and the parent company of ReposiTrak Inc., which operates a business-to-business (“*B2B*”) e-commerce, compliance, and supply chain management platform that partners with retailers, wholesalers, and product suppliers to help them source, vet, and transact with their suppliers in order to accelerate sales, control risks, and improve supply chain efficiencies.

The Company’s supply chain and MarketPlace services provide its customers with greater flexibility in sourcing products by enabling them to choose new suppliers and integrate them into their supply chain faster and more cost effectively, and it helps them to more efficiently manage these relationships, enhancing revenue while lowering working capital, labor costs and waste. The Company’s food safety and compliance solutions help reduce a company’s potential regulatory, legal, and criminal risk from its supply chain partners by providing a way for them to ensure these suppliers are compliant with food safety regulations, such as the Food Safety Modernization Act of 2011 (“*FSMA*”).

The Company’s services are grouped in three application suites: (i) ReposiTrak MarketPlace, encompassing the Company’s supplier discovery and B2B e-commerce solutions, which helps the Company’s customers find new suppliers, (ii) ReposiTrak Compliance and Food Safety solutions, which help the Company’s customers vet suppliers to mitigate the risk of doing business with these suppliers, and (iii) ReposiTrak’s Supply Chain solutions, which help the Company’s customers to more efficiently manage their various transactions with their suppliers.

The Company’s services are delivered through proprietary software products designed, developed, marketed and supported by the Company. These products provide visibility and facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving backwards to suppliers and eventually to raw material providers. The Company provides cloud-based applications and services that address e-commerce, supply chain, food safety and compliance activities. The principal customers for the Company’s products are household name multi-store food retail chains and their suppliers, branded food manufacturers, food wholesalers and distributors, and other food service businesses.

The Company has a hub and spoke business model. The Company is typically engaged by retailers and wholesalers (“*Hubs*”), which in turn require their suppliers (“*Spokes*”) to utilize the Company’s services.

The Company is incorporated in the state of Nevada and has three principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned); Park City Group, Inc., a Delaware corporation (100% owned); and ReposiTrak, Inc., a Utah corporation (100% owned). All intercompany transactions and balances have been eliminated in the Company’s consolidated financial statements, which contain the operating results of the operations of Park City Group, Inc. (Delaware) and ReposiTrak, Inc. Park City Group, Inc. (Nevada) has no business operations separate from the operations conducted through its subsidiaries.

The Company's principal executive offices are located at 5282 South Commerce Drive, Suite D292, Murray, Utah 84107. Its telephone number is (435) 645-2000. Its website address is <http://www.parkcitygroup.com>, and ReposiTrak's website address is <http://repositrak.com>.

Company History

The Company's technology has its genesis in the operations of Mrs. Fields Cookies co-founded by Randall K. Fields, the Company's Chief Executive Officer. The Company began operations utilizing patented computer software and profit optimization consulting services to help its retail clients reduce their inventory and labor costs.

On January 13, 2009, the Company acquired 100% of Prescient Applied Intelligence, Inc., a Delaware corporation ("*Prescient*"), a provider of solutions for retailers which, amongst other things, captured information about transactions between retailers and their suppliers.

In February 2014, Prescient changed its name to Park City Group, Inc. As a result, both the parent-holding company (Nevada) and its operating subsidiary (Delaware) were named Park City Group, Inc.

In June 2015, the Company elected to exercise an option to acquire a 75% interest in ReposiTrak from Leavitt Partners, LP for a cash payment and negotiated the purchase of the remaining 25% with an exchange of shares of the Company. As a result, ReposiTrak became a wholly owned subsidiary of the Company.

As of June 30, 2019, the Company substantially completed the convergence of its Supply Chain and Compliance, Food Safety, MarketPlace supplier discovery and B2B e-commerce solution. As a result, the Company is now largely capable of delivering its services through a single ReposiTrak branded user interface.

Target Industries Overview

The Company develops its software and services for multi-store retail chains, wholesalers and distributors, and their suppliers. The bulk of the Company's customers are in the U.S. consumer retail sector for food and general merchandise, although the Company's software and services are not sold exclusively to this customer base, and the Company believes that its software and services are also applicable to a wide variety of other potential customers domestically and abroad.

Backdrop

The U.S. consumer retail sector in general, and food and general merchandise retailers more acutely, are facing pressure from several significant forces. These include (i) increased competitive pressures from the rise of online retailers, (ii) increased regulatory and tort risks, particularly for food retailers, as a result of the passage of the Food Safety Modernization Act ("*FSMA*") which placed greater responsibility for the safety of products on the participants in the food supply chain, and (iii) the pressure from consumers to increase product diversity, and in particular, the number of smaller, localized vendors

Solutions and Services

The Company's software and services are designed to address the business problems faced by our customers. These solutions are delivered via a cloud-based infrastructure and grouped in three product application suites that mirror the workflow of the Company's customers as they manage the activities of their supply chain.

Key Application Suites

- **ReposiTrak MarketPlace** is the Company's supplier discovery and B2B e-commerce solution. MarketPlace provides the Company's customers with greater flexibility in sourcing products by enabling them to screen and choose suppliers based on a wide variety of criteria, including, but not limited to, predetermined compliance characteristics, and then to integrate these suppliers into their supply chain faster and more cost effectively. MarketPlace helps the Company's customers respond to competitive pressures from online retailers by providing them with greater capabilities to increase local sourcing, tailor their product offering to local market tastes, and stock their stores appropriately for local events. MarketPlace is also beneficial to suppliers connected to ReposiTrak's platform in that they can use MarketPlace to highlight the products that they sell to generate incremental sales. The business model for MarketPlace is evolving as the Company's customers help to develop new use cases for the application. In some situations, the Company acts as an agent for suppliers or provides supply chain technology services. In other situations, at the customer's request, the Company may act as the supplier for certain products.
- **ReposiTrak Compliance and Food Safety Solutions** help the Company's customers reduce potential regulatory and legal risk from their supply chain partners. The Company does this by providing a way of gathering the array of documents that may be needed for the customer to determine that its suppliers are compliant with a wide variety of criteria including, but not limited to, food safety regulations, such as those required by the FMSA and general business compliance standards such as adequate liability insurance. The Company's Compliance and Food Safety solutions currently include four main applications: Vendor Validation, Compliance Management, Quality Management Systems ("QMS") and Track & Trace. ReposiTrak also hosts and is integrated with the food safety audit database of the Safe Quality Food Institute ("SQFI"). SQFI is one of the leading schemas for certifying that a food retailer's suppliers are compliant with Global Food Safety Initiative ("GFSI") standards, which many food retailers require of their suppliers as a condition of doing business. SQFI is owned and operated by the Food Marketing Institute ("FMI"), one of the food industry's largest trade associations.
- **ReposiTrak Supply Chain Solutions** help the Company's customers to more efficiently manage relationships with suppliers so that they can "stock less and sell more" by reducing inventory, labor costs and waste while also increasing revenue. The Company is a leader in helping its customers to manage their relationship with Direct Store Delivery ("DSD") suppliers. The Company has observed that its customers are shifting a greater percentage of their product mix to DSD suppliers to lower their operating costs. Through a process known as Scan Based Trading ("SBT") the Company enables its customers to sell products from DSD suppliers on a consignment basis, which lowers their working capital requirements by shifting the financial burden of the inventory to the supplier. Other Supply Chain solutions include ScoreTracker, Vendor Managed Inventory, Store Level Ordering and Replenishment, Enterprise Supply Chain Planning, Fresh Market Manager and ActionManager®, all of which are designed to aid the Company's customer in managing inventory, product mix and labor while improving sales through the reduction of out of stocks by improving visibility and forecasting.

Professional Services

The Company has two professional services groups: (i) the Business Analytics Group offers business-consulting services to suppliers and retailers in the grocery, convenience store and specialty retail industries, and (ii) the Professional Services Group provides consulting services to ensure that our solutions are seamlessly integrated into our customers' business processes as quickly and efficiently as possible.

Technology, Development and Operations

Product Development

The Company's product development strategy is focused on creating common technology elements that can be leveraged in multiple applications across our core markets. To remain competitive, the Company is currently designing, coding and testing new products and developing expanded functionality of its current products.

Operations

We currently serve our customers from a third-party data center hosting facility. Along with the Company's Statement on Standards for Attestation Engagements ("SSAE") No. 16 certification Service Organization Control ("SOC2"), the third-party facility is also a SSAE No. 16 – SOC2 certified location and is secured by around-the-clock guards, biometric screening and escort-controlled access, and is supported by on-site backup generators in the event of a power failure.

Customers

The Company is currently engaged primarily by food related consumer goods retailers, wholesalers, and their suppliers. The bulk of the Company's customers are in the U.S. consumer retail sector for food and general merchandise. However, the Company is opportunistic and will offer its solutions to a wide variety of other potential customers. Target Corporation accounted for approximately 8.5% of the Company's total revenue in the fiscal year ended June 30, 2019.

Sales, Marketing and Customer Support

Sales and Marketing

Through a focused and dedicated sales effort designed to address the requirements of each of its solutions, the Company believes it is well positioned to understand its customers' businesses, trends in the marketplace, competitive products and opportunities for new product development.

The Company's primary marketing objectives have been to increase awareness of our solutions, generate sales leads and develop new customer relationships. To this end, the Company attends industry trade shows, conducts direct marketing programs, publishes industry trade articles, participates in interviews and selectively advertises in industry publications.

In fiscal 2016 the Company embarked on a process of repurposing the Company's supply chain applications so that they can be delivered via ReposiTrak's highly scalable online infrastructure and launching its MarketPlace supplier discovery and B2B e-commerce solution on this same infrastructure. As a result, the Company is now largely capable of delivering its services through a single ReposiTrak branded user interface.

With the convergence of the Company's solutions to a single delivery platform, the Company also reorganized its sale force and reoriented its marketing efforts. This process involved streamlining the sales force to enable cross-selling by reducing regional account managers and shifting our sales emphasis towards the Company's inside sales team located at its corporate headquarters in Murray, Utah.

Customer Support

The Company's global customer support group responds to both business and technical inquiries from its customers relating to how to use its solutions and is available to customers by telephone and email. Basic customer support during business hours is available to customers. Premier customer support includes extended availability and additional services and is available along with additional support services such as developer support and partner support for an additional fee.

Competition

The Company competes with a myriad of software vendors, developers and integrators, business-to-business exchanges, consulting firms, focused solution providers, and business intelligence technology platforms. Although our competitors are often considerably larger companies in size with larger sales forces and marketing budgets, the Company believes that its deep industry knowledge, the breadth and depth of our offerings, and our relationships with key industry, wholesaler, and other trade groups and associations, gives it a competitive advantage.

Patents and Proprietary Rights

The Company relies on a combination of trademark, copyright, trade secret and patent laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology and our name. We also enter into confidentiality agreements with our employees, consultants and other third parties and control access to software, documentation and other proprietary information.

The Company has been awarded nine U.S. patents, eight U.S. registered trademarks and has 37 U.S. copyrights relating to its software technology and solutions. The Company's patent portfolio has been transferred to an unrelated third party, although the Company retains the right to use the licensed patents in connection with its business. The Company's policy is to continue to seek patent protection for all developments, inventions and improvements that are patentable and have potential value to the Company and to protect its trade secrets and other confidential and proprietary information, and the Company intends to defend its intellectual property rights to the extent its resources permit.

The Company is not aware of any patent infringement claims against it; however, there are no assurances that litigation to enforce patents issued to the Company to protect proprietary information, or to defend against the Company's alleged infringement of the rights of others will not occur. Should any such litigation occur, the Company may incur significant litigation costs, and it may result in resources being diverted from other planned activities, which may have a materially adverse effect on the Company's operations and financial condition.

Employees

As of June 30, 2019, the Company employed a total of 74 employees. Of these employees, 7 are located overseas. The Company plans to continue expanding its offshore workforce to augment its analytics services offerings, expand its professional services and to provide additional programming resources. The employees are not represented by any labor union.

Reports to Security Holders

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"). Accordingly, it files annual, quarterly and other reports and information with the Securities and Exchange Commission ("*SEC*"). The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Copies of these reports, proxy and information statements and other information may be obtained by electronic request at the following e-mail address: publicinfo@sec.gov.

Government Regulation and Approval

Like all businesses, the Company is subject to numerous federal, state and local laws and regulations, including regulations relating to patent, copyright, and trademark law matters.

Cost of Compliance with Environmental Laws

The Company currently has no costs associated with compliance with environmental regulations and does not anticipate any future costs associated with environmental compliance; however, there can be no assurance that it will not incur such costs in the future.

ITEM 1A. RI

K FACTORS

An investment in our common stock is subject to many risks. You should carefully consider the risks described below, together with all of the other information included in this Annual Report on Form 10-K, including the financial statements and the related notes, before you decide whether to invest in our common stock. Our business, operating results and financial condition could be harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you could lose all or part of your investment.

Risks Related to the Company

We have incurred losses in the past and there can be no assurance that we will operate profitably in the future.

Our marketing strategy emphasizes sales of subscription-based services, instead of annual licenses, and contracting with suppliers (“Spokes”) to connect to our clients (“Hubs”). This strategy has resulted in the development of a foundation of retail and wholesale Hubs to which suppliers can be “connected,” thereby accelerating future growth. If, however, this marketing strategy fails, revenue and operations will be negatively affected. We had net income of \$3,902,406 for the year ended June 30, 2019, compared to a net income of \$3,408,783 for the year ended June 30, 2018. Although we generated net income in the year ended June 30, 2019, there can be no assurance that we will achieve profitability in future periods. We cannot provide assurance that we will continue to generate revenue or have sustainable profits. If we do not operate profitably in the future, our current cash resources will be used to fund our operating losses. Continued losses would have an adverse effect on the long-term value of our Common Stock and any investment in the Company.

Although our cash resources are currently sufficient, our long-term liquidity and capital requirements may be difficult to predict, which may adversely affect our long-term cash position.

Historically, we have been successful in raising capital when necessary, including through private placements, a registered direct offering, and stock issuances to our officers and directors, including our Chief Executive Officer, to pay our indebtedness and fund our operations, in addition to cash flow from operations. If we are required to seek additional financing in the future in order to fund our operations, retire our indebtedness and otherwise carry out our business plan, there can be no assurance that such financing will be available on acceptable terms, or at all, and there can be no assurance that any such arrangement, if required or otherwise sought, would be available on terms deemed to be commercially acceptable and in our best interests.

Our business is dependent upon the continued services of our founder and Chief Executive Officer, Randall K. Fields. Should we lose the services of Mr. Fields, our operations will be negatively impacted.

Our business is dependent upon the expertise and continued service of our founder and Chief Executive Officer, Randall K. Fields. Mr. Fields is essential to our operations. Accordingly, an investor must rely on Mr. Fields’ management decisions that will continue to control our business affairs. We currently maintain key man insurance on Mr. Fields’ life in the amount of \$5,000,000; however, that coverage would be inadequate to compensate for the loss of his services. The loss of the services of Mr. Fields would have a materially adverse effect upon our business.

Risk Relating to Business Operations

Quarterly and annual operating results may fluctuate, which makes it difficult to predict future performance.

Management expects a significant portion of our revenue stream to come from the sale of subscriptions, and to a lesser extent, transactions processed through MarketPlace, license sales, maintenance and professional services charged to new customers. These amounts will fluctuate and are uncertain because predicting future sales is difficult and involves speculation. In addition, we may potentially experience significant fluctuations in future operating results caused by a variety of factors, many of which are outside of our control, including:

- our ability to retain and increase sales to existing customers, attract new customers and satisfy our customers’ requirements;
- the renewal rates for our subscriptions and other services;
- changes in our pricing policies, whether initiated by us or as a result of competition;
- the cost, timing and management effort for the introduction of new services, including new features to our existing services;
- the rate of expansion and productivity of our sales force;
- new product and service introductions by our competitors;

- variations in the revenue mix of editions or versions of our service;
- technical difficulties or interruptions in our service;
- general economic conditions that may adversely affect either our customers' ability or willingness to purchase additional subscriptions or upgrade their services, or delay a prospective customer's purchasing decision, or reduce the value of new subscription contracts or affect renewal rates;
- timing of additional expenses and investments in infrastructure to support growth in our business;
- regulatory compliance costs;
- consolidation in the food industry;
- the timing of customer payments and payment defaults by customers;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- the impact of new accounting pronouncements;
- the timing of stock awards to employees and the related financial statement impact; and
- system or service failures, security breaches or network downtime.

Future operating results may fluctuate because of the foregoing factors, making it difficult to predict operating results. Period-to-period comparisons of operating results are not necessarily meaningful and should not be relied upon as an indicator of future performance. In addition, a large portion of our expense will be fixed in the short-term, particularly with respect to facilities and personnel making future operating results sensitive to fluctuations in revenue.

We face threats from competing and emerging technologies that may affect our profitability, as well as competitors that are larger and have greater financial and operational resources that may give them an advantage in the market.

Markets for our type of software products and that of our competitors are characterized by development of new software, software solutions or enhancements that are subject to constant change; rapidly evolving technological change; and unanticipated changes in customer needs. Because these markets are subject to such rapid change, the life cycle of our products is difficult to predict. As a result, we are subject to the following risks: whether or how we will respond to technological changes in a timely or cost-effective manner; whether the products or technologies developed by our competitors will render our products and services obsolete or shorten the life cycle of our products and services; and whether our products and services will achieve market acceptance.

Moreover, many of our competitors are larger and have greater financial and operational resources than we do. This may allow them to offer better pricing terms to customers in the industry, which could result in a loss of potential or current customers or could force us to lower prices. Our competitors may have the ability to devote more financial and operational resources to the development of new technologies that provide improved operating functionality and features to their product and service offerings. If successful, their development efforts could render our product and service offerings less desirable to customers, again resulting in the loss of customers or a reduction in the price we can demand for our offerings. Any of these actions could have a significant effect on revenue.

We face risks associated with new product introductions.

Our future revenue is dependent upon the successful and timely development of new and enhanced versions of our products and potential product offerings suitable to the customers' needs. If we fail to successfully upgrade existing products and develop new products, and those new products do not achieve market acceptance, our revenue will be negatively impacted.

It may be difficult for us to assess risks associated with potential new product offerings:

- It may be difficult for us to predict the amount of service and technological resources that will be needed by customers of new offerings, and if we underestimate the necessary resources, the quality of our service will be negatively impacted, thereby undermining the value of the product to the customer;
- technological issues between us and our customers may be experienced in capturing data necessary for new product offerings, and these technological issues may result in unforeseen conflicts or technological setbacks when implementing these products, which could result in material delays and even result in a termination of the engagement;
- a customer's experience with new offerings, if negative, may prevent us from having an opportunity to sell additional products and services to that customer;
- if customers do not use our products as recommends and/or fail to implement any needed corrective action(s), it is unlikely that customers will experience the business benefits from these products and may, therefore, be hesitant to continue the engagement as well as acquire any other products from us; and
- delays in proceeding with the implementation of new products for a new customer will negatively affect our cash flow and our ability to predict cash flow.

We cannot accurately predict renewal or upgrade rates and the impact these rates may have on our future revenue and operating results.

Our customers have no obligation to renew their subscriptions for our service after the expiration of their initial subscription period. Our renewal rates may decline or fluctuate as a result of factors, including customer dissatisfaction with our service, customers' ability to continue their operations and spending levels, consolidation, and deteriorating general economic conditions. If our customers do not renew their subscriptions for our service or reduce the level of service at the time of renewal, our revenue will decline, and our business will suffer.

Our future success also depends in part on our ability to increase rates, sell additional features and services, or addition subscriptions to our current customers. This may also require increasingly sophisticated and costly sales and marketing efforts that are targeted at senior management. If these strategies fail, we will need to refocus our efforts toward other solutions, which could lead to increased development and marketing costs, delayed revenue streams, and otherwise negatively affect our operations.

If our Compliance and Food Safety solutions do not perform as expected, whether as a result of operator error or otherwise, it could impair our operating results and reputation.

Our success depends on the food safety market's confidence that we can provide reliable, high-quality reporting for our customers. We believe that our customers are likely to be particularly sensitive to product defects and operator errors, including if our systems fail to accurately report issues that could reduce the liability of our clients in the event of a product recall. In addition, our reputation and the reputation of our products can be adversely affected if our systems fail to perform as expected. However, if our customers or potential customers fail to implement and use our systems as suggested by us, they may not be able to deal with a recall as effectively as they could have. As a result, the failure or perceived failure of our products to perform as expected, could have a material adverse effect on our revenue, results of operations and business.

If a customer is sued because of a recalled product we could be joined in that suit, the defense of which would impair our operating results.

We believe our Compliance and Food Safety solutions would be helpful in the event of a recall. However, their ultimate usefulness is dependent on how the customer uses our products, which is in many ways out of our control. Similarly, a customer which is a defendant in a product liability case could claim that had our services performed as represented the extent of potential liability would have been minimized and therefore, we should have some contributory liability in the case. Defending such a claim could have a material adverse effect on our revenue, results of operations and business.

The deployment of our services, or consultation provided by our personnel, could result in litigation naming us as a party, which litigation could result in a material and adverse effect on us, and our results of operations.

Our Compliance and Food Safety solutions are marketed to potential customers based, in part, on our service's ability to reduce a company's potential regulatory, legal, and criminal risk from its supply chain partners. In the event litigation is commenced against a customer based on issues caused by a constituent in the supply chain, or consultation provided by our personnel, we could be joined or named in such litigation. As a result, we could face substantial defense costs. In addition, any adverse determination resulting in such litigation could have a material and adverse effect on us, and our results of operations.

We face risks relating to the sale and delivery of merchandise to customers.

We depend on a number of other companies to perform functions critical to our ability to deliver products to our customers, including maintaining inventory, preparing merchandise for shipment to our customers and delivering purchased merchandise on a timely basis. We also depend on the delivery services that we and they utilize. We also depend on our partners to ensure proper labelling of products. Issues or concerns regarding, product safety, labelling, content or quality could result in consumer or governmental claims. In limited circumstances, we sell merchandise that we have purchased. In these instances, we assume the risks related to inventory.

We face risks associated with proprietary protection of our software.

Our success depends on our ability to develop and protect existing and new proprietary technology and intellectual property rights. We seek to protect our software, documentation and other written materials primarily through a combination of patents, trademarks, and copyright laws, trade secret laws, confidentiality procedures and contractual provisions. While we have attempted to safeguard and maintain our proprietary rights, there are no assurances that we will be successful in doing so. Our competitors may independently develop or patent technologies that are substantially equivalent or superior to ours.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. In some types of situations, we may rely in part on 'shrink wrap' or 'point and click' licenses that are not signed by the end user and, therefore, may be unenforceable under the laws of certain jurisdictions. Policing unauthorized use of our products is difficult. While we are unable to determine the extent to which piracy our software exists, software piracy can be expected to be a persistent problem, particularly in foreign countries where the laws may not protect proprietary rights as fully as the United States. We can offer no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not reverse engineer or independently develop similar technology.

We may discover software errors in our products that may result in a loss of revenue, injury to our reputation or subject us to substantial liability.

Non-conformities or bugs (“errors”) may be found from time to time in our existing, new or enhanced products after commencement of commercial shipments, resulting in loss of revenue or injury to our reputation. In the past, we have discovered errors in our products and as a result, have experienced delays in the shipment of products. Errors in our products may be caused by defects in third-party software incorporated into our products. If so, we may not be able to fix these defects without the cooperation of these software providers. Because these defects may not be as significant to the software provider as they are to us, we may not receive the rapid cooperation that may be required. We may not have the contractual right to access the source code of third-party software, and even if we do have access to the code, we may not be able to fix the defect. In addition, our customers may use our service in unanticipated ways that may cause a disruption in service for other customers attempting to access their data. Since our customers use our products for critical business applications, any errors, defects or other performance problems could hurt our reputation and may result in damage to our customers’ business. If that occurs, customers could elect not to renew, delay or withhold payment to us, we could lose future sales or customers may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation. These potential scenarios, successful or otherwise, would likely be time consuming and costly.

Interruptions or delays in service from our third-party data center hosting facility could impair the delivery of our service and harm our business.

We currently serve our customers from a third-party data center hosting facility located in the United States. Any damage to, or failure of, our systems generally could result in interruptions in our service. As we continue to add capacity, we may move or transfer our data and our customers’ data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Further, any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our renewal rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable.

As part of our current disaster recovery arrangements, our production environment and all of our customers’ data is currently replicated in near real-time in a separate facility physically located in a different region of the United States. We do not control the operation of these facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted.

If our security measures are breached and unauthorized access is obtained to a customer’s data, our data or our information technology systems, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.

Our service involves the storage and transmission of customers’ proprietary information, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. These security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise during transfer of data to additional data centers or at any time, and result in someone obtaining unauthorized access to our customers’ data or our data, including our intellectual property and other confidential business information, or our information technology systems. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information, such as user names, passwords or other information in order to gain access to our customers’ data or our data, including our intellectual property and other confidential business information, or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any security breach could result in a loss of confidence in the security of our service, damage our reputation, disrupt our business, lead to legal liability and negatively impact our future sales.

Weakened global economic conditions may adversely affect our industry, business and results of operations.

The rate at which our customers purchase new or enhanced services depends on several factors, including general economic conditions. The United States and other key international economies have experienced in the past a downturn in which economic activity was impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty with respect to the economy. These conditions affect the rate of information technology spending and could adversely affect our customers’ ability or willingness to purchase our enterprise cloud computing services, delay prospective customers’ purchasing decisions, reduce the value or duration of their subscription contracts or affect renewal rates, all of which could adversely affect our operating results.

Risks Relating to Our Common Stock

Our quarterly results of operations may fluctuate in the future, which could result in volatility in our stock price.

Our quarterly revenue and results of operations have varied in the past and may fluctuate as a result of a variety of factors. If our quarterly revenue or results of operations fluctuate, the price of our Common Stock could decline substantially. Fluctuations in our results of operations may be due to several factors, including, but not limited to, those listed and identified throughout this “Risk Factors” section.

The limited public market for our stock may adversely affect an investor’s ability to liquidate an investment in us.

Although our Common Stock is currently quoted on the NASDAQ Capital Market, there is limited trading activity. We can give no assurance that an active market will develop, or if developed, that it will be sustained. If an investor acquires shares of our Common Stock, the investor may not be able to liquidate our shares should there be a need or desire to do so.

Future issuances of our shares may lead to future dilution in the value of our common stock, will lead to a reduction in shareholder voting power and may prevent a change in control.

The shares may be substantially diluted due to the following:

- issuance of Common Stock in connection with funding agreements with third parties and future issuances of common and Preferred Stock by the Board of Directors; and
- the Board of Directors has the power to issue additional shares of Common Stock and Preferred Stock and the right to determine the voting, dividend, conversion, liquidation, preferences and other conditions of the shares without shareholder approval.

Stock issuances may result in reduction of the book value or market price of outstanding shares of Common Stock. If we issue any additional shares of Common or Preferred Stock, proportionate ownership of Common Stock and voting power will be reduced. Further, any new issuance of Common or Preferred Stock may prevent a change in control or management.

Our officers and directors have significant control over us, which may lead to conflicts with other stockholders over corporate governance.

Our officers and directors, including our Chief Executive Officer, Randall K. Fields, control approximately 41% of our Common Stock. Mr. Fields, individually controls 33% of our Common Stock. Consequently, Mr. Fields individually, and our officers and directors, as stockholders acting together, can significantly influence all matters requiring approval by our stockholders, including the election of directors and significant corporate transactions, such as mergers or other business combination transactions.

Our corporate charter contains authorized, unissued “blank check” Preferred Stock issuable without stockholder approval with the effect of diluting then current stockholder interests.

Our articles of incorporation currently authorize the issuance of up to 30,000,000 shares of ‘blank check’ Preferred Stock with designations, rights, and preferences as may be determined from time to time by our Board of Directors, of which 700,000 shares are currently designated as Series B Convertible Preferred Stock (“Series B Preferred”) and 550,000 shares are designated as Series B-1 Preferred Stock (“Series B-1 Preferred”). As of June 30, 2019, a total of 625,375 shares of Series B Preferred and 212,402 shares of Series B-1 Preferred were issued and outstanding.

Our Board of Directors is empowered, without stockholder approval, to issue one or more additional series of Preferred Stock with dividend, liquidation, conversion, voting, or other rights that could dilute the interest of, or impair the voting power of, our Common Stockholders. The issuance of an additional series of Preferred Stock could be used as a method of discouraging, delaying or preventing a change in control.

We have not paid dividends on our Common Stock, and investors should consider the potential for us to pay dividends on our Common Stock as a factor when determining whether to invest in us.

We have not paid dividends on our Common Stock and do not anticipate the declaration of any dividends pertaining to our Common Stock in the foreseeable future. We intend to retain earnings, if any, to finance the development and expansion of our business. Our Board of Directors will determine our future dividend policy at their sole discretion, and future dividends will be contingent upon future earnings, if any, obligations of the stock issued, our financial condition, capital requirements, general business conditions and other factors. Future dividends may also be affected by covenants contained in loan or other financing documents, which we may executed in the future. Therefore, there can be no assurance that dividends will ever be paid on our Common Stock.

Our officers and directors have limited liability and indemnification rights under our organizational documents, which may impact our results.

Our officers and directors are required to exercise good faith and high integrity in the management of our affairs. Our articles of incorporation and bylaws, however, provide that the officers and directors shall have no liability to the stockholders for losses sustained or liabilities incurred which arise from any transaction in their respective managerial capacities unless they violated their duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend or stock repurchase or derived an improper benefit from the transaction. As a result, an investor may have a more limited right to action than he would have had if such a provision were not present. Our articles of incorporation and bylaws also require us to indemnify our officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate our business or conduct our internal affairs, provided that the officers and directors reasonably believe such actions to be in, or not opposed to, our best interests, and their conduct does not constitute gross negligence, misconduct or breach of fiduciary obligations.

ITEM 2. PROP

RTIES

Our principal place of business operations is located at 5282 South Commerce Drive, Suite D292, Murray, Utah 84107. We lease approximately 10,000 square feet at this corporate office location, consisting primarily of office space, conference rooms and storage areas. Our telephone number is (435) 645-2000. Our website address is <http://www.parkcitygroup.com>

ITEM 3. LEGAL PROCEEDINGS

We are, from time to time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. There are no pending or threatened material legal proceedings at this time.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Share Price History

Our Common Stock is traded on the NASDAQ Capital Market under the trading symbol “PCYG.” The following table sets forth the high and low sales prices of our Common Stock for the periods indicated.

Fiscal Quarter Ended	Quarterly Common Stock Price Ranges			
	2019		2018	
	High	Low	High	Low
September 30	\$ 10.33	\$ 7.50	\$ 14.80	\$ 10.80
December 31	\$ 10.05	\$ 5.64	\$ 12.50	\$ 9.50
March 31	\$ 8.96	\$ 6.19	\$ 11.70	\$ 8.65
June 30	\$ 5.19	\$ 4.95	\$ 9.70	\$ 6.75

Dividend Policy

Outstanding shares of Series B Preferred and Series B-1 Preferred each accrue dividends at the rate per share 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. Dividends on the Series B Preferred and Series B-1 Preferred are payable quarterly. To date, the Company has not paid dividends on its Common Stock. Our present policy is to retain future earnings (if any) for use in our operations and the expansion of our business.

Holders of Record

At June 30, 2019 there were 652 holders of record of our Common Stock, and 19,793,372 shares were issued and outstanding, three holders of Series B Preferred and 625,375 shares issued and outstanding, and four holders of Series B-1 Preferred and 212,402 shares issued and outstanding. The number of holders of record and shares of Common Stock issued and outstanding was calculated by reference to the books and records of the Company’s transfer agent.

Issuance of Securities

We issued shares of our Common Stock in unregistered transactions during fiscal year 2019. All of the shares of Common Stock issued in non-registered transactions were issued in reliance on Section 3(a)(9) and/or Section 4(a)(2) of the Securities Act and were reported in our Quarterly Reports on Form 10-Q and in our Current Reports on Form 8-K filed with the Securities and Exchange Commission during the fiscal year ended June 30, 2019. 28,188 shares of Common Stock were issued subsequent to June 30, 2019.

Share Repurchase Program

On May 9, 2019, the Board of the Company approved the repurchase of up to \$4.0 million of the Company’s Common Stock, par value \$0.01 per share, over the next 24 months (the “*Share Repurchase Program*”). The following table provides information about the repurchases of our Common Stock registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (“*Exchange Act*”), from the implementation of the Share Repurchase Program for the year ended June 30, 2019.

Period ⁽¹⁾	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Amount Available for Future Share Repurchases Under the Plans or Programs
May 9, 2019 – May 31, 2019:	17,600	\$ 5.65	17,600	\$ 3,897,659
June 1, 2019 – June 30, 2019:	70,000	\$ 5.41	87,600	\$ 3,517,594
May 9, 2019 – June 30, 2019:	87,600	\$ 5.53	87,600	\$ 3,517,594

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

(2) On May 9, 2019, our Board of Directors approved a Share Repurchase Program pursuant to which we are authorized to repurchase our common stock in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices. From time to time, our Board of Directors may authorize increases to our Share Repurchase Program. The total remaining authorization for future Common Share repurchases under our Share Repurchase Program was \$3,517,594 as of June 30, 2019. Under the Share Repurchase Program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable laws and regulations, including Rule 12b-18 of the Exchange Act. The Share Repurchase Program expires 24 months following May 9, 2019, and it may be suspended for periods or discontinued at any time.

ITEM 6. SE

LECTED FINANCIAL DATA

The disclosures in this section are not required because we qualify as a smaller reporting company under federal securities laws.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis is intended to assist the reader in understanding our results of operations and financial condition. Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements beginning on page F-1 of this Annual Report on Form 10-K (the "Annual Report"). This Annual Report includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act. All statements, other than statements of historical fact, included in this Annual Report that address activities, events or developments that we expect, project, believe, or anticipate will or may occur in the future, including matters having to do with expected and future revenue, our ability to fund our operations and repay debt, business strategies, expansion and growth of operations and other such matters, are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. These statements are subject to a number of assumptions, risks and uncertainties, including general economic and business conditions, the business opportunities (or lack thereof) that may be presented to and pursued by us, our performance on our current contracts and our success in obtaining new contracts, our ability to attract and retain qualified employees, and other factors, many of which are beyond our control. You are cautioned that these forward-looking statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in such statements.

Overview

Park City Group, Inc. (the “Company”) is a Software-as-a-Service (SaaS) provider, and the parent company of ReposiTrak Inc., a B2B e-commerce, compliance, and supply chain management platform that partners with retailers, wholesalers, and product suppliers to help them source, vet, and transact with their upstream suppliers in order to accelerate sales, control risks, and improve supply chain efficiencies. The Company’s fiscal year ends on June 30. References to fiscal 2019 refer to the fiscal year ended June 30, 2019.

Sources of Revenue

The principal customers for the Company’s products are multi-store retail chains, wholesalers and distributors, and their suppliers. The Company has a hub and spoke business model. The Company is typically engaged by retailers and wholesalers (“Hubs”), which in turn require their suppliers (“Spokes”) to utilize the Company’s services. The Company derives revenue from five sources: (i) Subscription Fees, (ii) Transaction Based Fees, (iii) Professional Services Fees, (iv) License Fees, and (v) Hosting and Maintenance Fees

A significant portion of the Company’s revenue is generated from its Supply Chain, Compliance and Food Safety solutions in the form of recurring subscription payments from the suppliers. Subscription fees can be based on a negotiated flat fee per supplier, or some volumetric metric, such as the number of stores, or the volume of economic activity between a retailer and its suppliers. Subscription revenue contains arrangements with customers for use of the application, application and data hosting, maintenance of the application, and standard support.

Revenue from the Company’s MarketPlace sourcing solution is transactional, based on the volume of products sourced via the application. MarketPlace revenue can come from several sources depending on the customer’s specific requirements. These include acting as an agent for a supplier, providing supply chain technology services, and enabling a Hub to reduce its number of new suppliers by acting as the supplier for any number of products.

The Company also provides professional consulting services targeting implementation, assessments, profit optimization and support functions for its applications and related products, for which revenue is recognized on a percentage-of-completion or pro rata basis over the life of the subscription, depending on the nature of the engagement. Premier customer support includes extended availability and additional services and is available along with additional support services such as developer support and partner support for an addition fee.

In some instances, the Company will sell its software in the form of a license. License arrangements are a time-specific and perpetual license. Software license maintenance agreements are typically annual contracts, paid in advance or according to terms specified in the contract. When sold as a license, the Company’s software, is usually accompanied by a corresponding Maintenance and/or Hosting agreement to support the service.

Software maintenance agreements provide the customer with access to new software enhancements, maintenance releases, patches, updates and technical support personnel. Our hosting services provide remote management and maintenance of our software and customers’ data, which is physically located in third-party facilities. Customers access ‘hosted’ software and data through a secure internet connection.

Revenue Recognition

Effective July 1, 2018, we adopted the Financial Accounting Standards Board’s Accounting Standards Update 2014-09: *Revenue from Contracts with Customers* (Topic 606), and its related amendments (“ASU 2014-09”). ASU 2014-09 provides a unified model to determine when and how revenue is recognized and enhances certain disclosure around the nature, timing, amount and uncertainty of revenue and cash flows arising from customers.

ASU 2014-09 represents a change in the accounting model utilized for the recognition of revenue and certain expense arising from contracts with customers. We adopted ASU 2014-09 using a “modified retrospective” approach and, accordingly, revenue and expense totals for all periods before July 1, 2018 reflect those previously reported under the prior accounting model and have not been restated.

See Note 2 to our audited Consolidated Financial Statements included in Part I, Item 1 of this Annual Report on Form 10-K for a full description of the impact of the adoption of new accounting standards on our financial statements. Following the adoption of this guidance, the revenue recognition for our sales arrangements remained materially consistent with our historical practice and there have been no material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

Other Metrics – Non-GAAP Financial Measures

To supplement our financial statements, historically we have provided investors with Adjusted EBITDA and non-GAAP income per share, both of which are non-GAAP financial measures. We believe that these non-GAAP measures may provide useful information regarding certain financial and business trends relating to our financial condition and operations. Our management uses these non-GAAP measures to compare the Company's performance to that of prior periods for trend analyses and planning purposes. These measures are also presented to our Board of Directors.

These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with generally accepted accounting principles in the United States of America. These non-GAAP financial measures exclude significant expenses and income that are required by GAAP to be recorded in the Company's financial statements and are subject to inherent limitations. Investors should review the reconciliations of non-GAAP financial measures to the comparable GAAP financial measures that are included in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Critical Accounting Policies

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the reporting period.

On an ongoing basis, management evaluates its estimates and assumptions based on historical experience of operations and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Income Taxes

In determining the carrying value of the Company's net deferred income tax assets, the Company must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions, to realize the benefit of these assets. If these estimates and assumptions change in the future, the Company may record a reduction in the valuation allowance, resulting in an income tax benefit in the Company's statements of operations. Management evaluates quarterly whether to realize the deferred income tax assets and assesses the valuation allowance.

Goodwill and Other Long-Lived Asset Valuations

Goodwill is assigned to specific reporting units and is reviewed for possible impairment at least annually or upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. Management reviews the long-lived tangible and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment.

The carrying value of a long-lived asset is considered impaired when the anticipated cumulative undiscounted cash flows of the related asset or group of assets is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset. Economic useful lives of long-lived assets are assessed and adjusted as circumstances dictate.

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 any 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.

Capitalization of 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.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenue and results of operation, liquidity or capital expenditures.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-15 *Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. The amendments in this update apply to an entity who is a customer in a hosting arrangement accounted for as a service contract. The update requires a customer in a hosting arrangement to capitalize certain implementation costs. Costs associated with the application development stage of the implementation should be capitalized and costs with the other stages should be expensed. For instance, costs for training and data conversion should be expensed. The capitalized implementation costs should be expensed over the term of the hosting arrangement, which is the noncancelable period plus periods covered by an option to extend if the customer is reasonably certain to exercise the option. Impairment of the capitalized costs should be considered similar to other intangibles. The effective date of this update is effective for annual reporting periods beginning after December 15, 2019 for public entities and after December 15, 2020 for all other entities with early adoption permitted. The Company is a customer in a hosting arrangement and may enter into new arrangements in the future. The Company will apply the guidance for implementation costs of new hosting arrangements once adopted.

In August 2018, the FASB issued ASU 2018-13 *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, amends, and adds disclosure requirements for fair value measurements. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Although we are still evaluating the impact of this new standard, we do not believe that the adoption will materially impact our Condensed Consolidated Financial Statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07 *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Prior to this update, equity-based payments to non-employees was accounted for under Subtopic 505-50 resulting in significant differences between the accounting for share-based payments to non-employees as compared to employees. One of the most significant changes is that non-employee share-based awards (classified as equity awards) may be measured at grant-date fair value and not have to be continually revalued until the service/goods are rendered. The update also indicates that share-based awards related to financing and awards granted to a customer in conjunction with selling goods or services are not included in Topic 718. This standard is effective for interim and annual reporting periods beginning after December 15, 2018 for public entities and December 15, 2019 for all other entities. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company anticipates this update may impact its financials for any non-employee grants but the impact is not material.

In May 2014, August 2015, April 2016, May 2016, September 2017 and November 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers*, ASU 2015-14 (ASC Topic 606) *Revenue from Contracts with Customers, Deferral of the Effective Date*, ASU 2016-10 (ASC Topic 606) *Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing*, ASU 2016-12 (ASC Topic 606) *Revenue from Contracts with Customers, Narrow Scope Improvements and Practical Expedients*, ASU 2017-14, *Income Statement - Reporting Comprehensive Income* (ASC Topic 606), *Revenue Recognition* (ASC Topic 606), and *Revenue from Contracts with Customers* (ASC Topic 606): Amendments to SEC Paragraphs pursuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403, respectively. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in these ASUs are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted for annual periods beginning after December 15, 2016. This standard may be applied retrospectively to all prior periods presented, or retrospectively with a cumulative adjustment to retained earnings in the year of adoption. The Company adopted the standard using the modified retrospective method.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*. The amendments in this update simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. An entity should apply the amendments in this update on a prospective basis. The Company notes that this guidance applies to its reporting requirements and has implemented the new guidance accordingly.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. Historically, there has been a diversity in practice in how certain cash receipts/payments are presented and classified in the statement of cash flows under Topic 230. To reduce the existing diversity in practice, this update addresses multiple cash flow issues. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company notes that this guidance applies to its reporting requirements and has implemented the new guidance accordingly.

In February 2016, the FASB issued ASU 2016-02 (ASC Topic 842), *Leases*. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company will implement the new standard July 2019.

Results of Operations – Fiscal Years Ended June 30, 2019 and 2018

Revenue

	Year Ended June 30, 2019	\$ Change	% Change	Year Ended June 30, 2018
Revenue	\$ 21,169,608	\$ (866,670)	-4%	\$ 22,036,278

During the fiscal year ended June 30, 2019, the Company had revenue of \$21,169,608 compared to \$22,036,278 for the year ended June 30, 2018, a 4% decrease. This \$866,670 decrease in total revenue was driven by lower one-time license sales, professional services associated with both license and other sales, and a decrease in MarketPlace transactional revenue. The decrease in one-time license sales and MarketPlace was partially offset by recurring maintenance revenue and an increase in recurring subscription revenue.

With the adoption of ASC 606, the Company “unbundles” its service offerings by performance obligation and recognizes revenue accordingly when or as the obligation is satisfied. This may result in fluctuations in quarter to quarter comparisons, and that difference may be material.

Although no assurances are given, the Company believes that focusing on recurring subscription revenue and less one-time revenue will continue to increase its recurring revenue in subsequent periods primarily due to growth in new customers for the Company’s Tier 2 initiative, MarketPlace B2B e-commerce services, and cross-selling existing customers other services.

Cost of Services and Product Support

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Cost of service and product support	\$ 5,830,084	\$ (757,402)	-11%	\$ 6,587,486
Percent of total revenue	28%			30%

Cost of services and product support was \$5,830,084 or 28% of total revenue, and \$6,587,486 or 30% of total revenue for the years ended June 30, 2019 and 2018, respectively, an 11% decrease. This decrease of \$757,402 is primarily attributable to costs related to lower headcount, stock compensation expense, and costs related to lower MarketPlace revenue.

Management expects service and a product support to increase in subsequent periods and notes that new services, while accretive to earnings, may have a negative impact on gross margin.

Sales and Marketing Expense

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Sales and marketing	\$ 6,006,597	\$ (396,746)	-6%	\$ 6,403,343
Percent of total revenue	28%			29%

The Company’s sales and marketing expense was \$6,006,597, or 28% of total revenue, and \$6,403,343, or 29% of total revenue, for the fiscal years ended June 30, 2019 and 2018, respectively, a 6% decrease. This decrease in sales and marketing expense is due to (1) a decrease in commission and other costs associated with lower revenue, and (2) rationalizing trade shows, marketing campaigns and other sales spending that were determined to not yield a return on investment.

Management expects sales and marketing expense to remain flat in absolute value in subsequent periods, but to fall as a percentage of total revenue due to inside sales team and automation of Tier 2 compliance onboarding.

General and Administrative Expense

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
General and administrative	\$ 4,742,205	\$ (152,541)	-3%	\$ 4,894,746
Percent of total revenue	22%			22%

The Company's general and administrative expense was \$4,742,205, or 22% of total revenue, and \$4,894,746 or 22% of total revenue for the years ended June 30, 2019 and 2018, respectively, a 3% decrease. This \$152,541 decrease is primarily attributable to lower rent costs and a decrease in stock-based compensation expense.

Management expects general and administrative expense to increase in absolute value in subsequent periods, but to fall as a percentage of total revenue as it benefits from investments in automation and process optimization.

Depreciation and Amortization Expense

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Depreciation and amortization	\$ 601,433	\$ (32,421)	-5%	\$ 633,854
Percent of total revenue	3%			3%

The Company's depreciation and amortization expense was \$601,433 and \$633,854 for the years ended June 30, 2019 and 2018, respectively, a 5% decrease. This decrease is primarily due to the full depreciation of computer hardware and software occurring during the period.

Other Income and Expense

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Other (expense) and income	\$ 55,287	\$ 57,958	NM	\$ (2,671)
Percent of total revenue	<1%			NM

Other income was \$55,287 compared to expense of \$2,671 for the year ended June 30, 2018. This increase of \$57,958 for the year ended June 30, 2019 when compared to the year ended June 30, 2018 was due to a higher cash balance and an increase in interest income on that cash balance due to higher yields, lower fees on equipment financing, and a loss on a sale of investment, versus the comparable period a year ago.

Preferred Dividends

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Preferred dividends	\$ 586,443	\$ 13,095	2%	\$ 573,348
Percent of total revenue	2%			4%

Dividends accrued on the Company's Series B Preferred and Series B-1 Preferred was \$586,443 for the year ended June 30, 2019, compared to dividends accrued on the Series B Preferred of \$573,348 for the year ended June 30, 2018. This \$13,095 increase was due to the Company's decision to begin paying the dividend related to its Series B-1 Preferred in cash as opposed to shares of Series B-1 Preferred.

Financial Position, Liquidity and Capital Resources

We believe our existing cash and short-term investments, together with funds generated from operations, are sufficient to fund operating and investment requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including our rate of revenue growth and expansion of our sales and marketing activities, the timing and extent of spending required for research and development efforts and the continuing market acceptance of our products.

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Cash and Cash Equivalents	\$ 18,609,423	\$ 3,716,984	25%	\$ 14,892,439

Cash and cash equivalents were \$18,609,423 and \$14,892,439 at June 30, 2019, and June 30, 2018, respectively, a 25% increase. The \$3,716,984 increase during the year ended June 30, 2019 when compared to the year ended June 30, 2018 is principally the result of higher gross margins and ongoing collections.

Net Cash Flows from Operating Activities

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Cash flows provided by operating activities	\$ 4,578,855	\$ 2,399,369	110	\$ 2,179,486

Net cash provided by operating activities is summarized as follows:

	<u>2019</u>	<u>2018</u>
Net income	\$ 3,902,406	\$ 3,408,783
Noncash expense and income, net	1,663,314	1,687,888
Net changes in operating assets and liabilities	(986,865)	(2,917,185)
	<u>\$ 4,578,855</u>	<u>\$ 2,179,486</u>

Non-cash expense in the year ended June 30, 2019 as compared to June 30, 2018 were essentially flat. Net changes in operating assets and liabilities were \$1,930,320 and were the result of higher collections, a decrease in accounts payable, and a decrease in overall operating costs.

Net Cash Flows used in Investing Activities

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Cash flows (used in) investing activities	\$ (969,996)	(654,750)	208%	\$ (315,246)

Net cash flows used in investing activities for the year ended June 30, 2019 was \$969,996 compared to net cash flows used in investing activities of \$315,246 for the year ended June 30, 2018. This \$654,750 increase in cash used in investing activities for the year ended June 30, 2019 when compared to the same period in 2018 was due to the buildout of our new office space, and infrastructure associated with a new data center.

Net Cash Flows from Financing Activities

	<u>Year Ended June 30, 2019</u>	<u>\$ Change</u>	<u>% Change</u>	<u>Year Ended June 30, 2018</u>
Cash flows provided by (used in) financing activities	\$ 108,125	\$ 1,133,932	-111%	\$ (1,025,807)

Net cash provided by financing activities totaled \$108,125 for the year ended June 30, 2019 compared to cash flows used in financing activities of \$1,025,807 for the year ended June 30, 2018. The increase in net cash related to financing activities is primarily attributable to redemption of \$1.0 million of the Company's Series B-1 Preferred in the prior year.

Liquidity and Working Capital

At June 30, 2019, the Company had positive working capital of \$17,746,257, as compared with positive working capital of \$15,743,569 at June 30, 2018. This \$2,002,688 increase in working capital is principally due to an increase of \$3,716,984 in cash, a reduction of \$960,140 in accounts payable, a reduction of \$477,844 due to the Company's Share Repurchase Program, and a reduction of \$417,499 in deferred revenue.

While no assurances can be given, management currently believes that the Company will continue to increase its working capital position in subsequent periods and that projected cash flow from operations, and that it will have adequate cash resources to fund its operations and satisfy its debt obligations for at least the next 12 months.

	Year Ended June 30, 2019	\$ Change	% Change	Year Ended June 30, 2018
Current assets	\$ 26,548,874	\$ 2,815,413	12%	\$ 23,733,461

Current assets as of June 30, 2019, totaled \$26,548,874, an increase of \$2,815,413 when compared to \$23,733,461 as of June 30, 2018. The increase in current assets is attributable to an increase of \$3,716,984 in cash, offset by a decrease of \$478,593 in contract assets – unbilled current portion, a decrease in accounts receivable, net allowance of \$343,690 and a decrease in prepaid expense of \$79,288.

	Year Ended June 30, 2019	\$ Change	% Change	Year Ended June 30, 2018
Current liabilities	\$ 8,802,617	\$ 812,725	10%	\$ 7,989,892

Current liabilities totaled \$8,802,617 and \$7,989,892 as of June 30, 2019, and 2018, respectively. The \$812,725 comparative increase in current liabilities is principally due to current portion of notes payable, offset in part by a decrease of \$960,140 in accounts payable and a decrease in deferred revenue of \$417,499.

While no assurances can be given, management believes cash resources and projected cash flow from operations will be sufficient to enable the Company to fund currently anticipated operations and capital spending requirements and to address debt service requirements during the next 12 months without negatively impacting working capital.

Redemption of Shares of Series B Preferred Stock

On January 27, 2018, the Company's Board of Directors approved the redemption of 93,457 of the 305,859 issued and outstanding shares of the Company's Series B-1 Preferred (the "Redemption Shares"), and on February 6, 2018, the Company delivered a notice to the holders of the Series B-1 Preferred notifying the holders of the Company's intent to redeem the Redemption Shares, on a pro rata basis, on February 7, 2018 (the "Redemption Date") (the "Series B-1 Redemption"). On the Redemption Date, the Company paid an aggregate total of \$1.0 million to the holders of shares of Series B-1 Preferred for the redemption of a total of 93,457 shares of Series B-1 Preferred. Following the Series B-1 Redemption, a total of 212,402 shares of Series B-1 Preferred remain issued and outstanding.

Contractual Obligations

Total contractual obligations and commercial commitments as of June 30, 2019, are summarized in the following table:

	Payment Due by Year				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations	\$ 326,400	\$ 122,400	\$ 122,400	\$ 81,600	\$

	Payment Due by Year				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Capital lease obligations	\$ 1,338,462	\$ 349,164	\$ 349,164	\$ 640,134	\$

Inflation

The impact of inflation has historically not had a material effect on the Company's financial condition or results from operations; however, higher rates of inflation may cause retailers to slow their spending in the technology area, which could have an impact on the Company's sales.

ITEM 7A. QU

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Each of our contracts require payment in U.S. dollars. We therefore do not engage in hedging transactions to reduce our exposure to changes in currency exchange rates, although in the event any future contracts are denominated in a foreign currency, we may do so in the future. As a result, our financial results are not affected by factors such as changes in foreign currency exchange rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of June 30, 2019. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports submitted under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting.

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our 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 of accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With our participation, an evaluation of the effectiveness of our internal control over financial reporting was conducted as of June 30, 2019, based on the framework and criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was effective as of June 30, 2019.

Haynie and Company, our independent registered public accounting firm, audited our consolidated financial statements included in this Annual Report, has issued an attestation report on the effectiveness of our internal control over financial reporting, which report is included in Part IV below.

(c) Changes in Internal Controls over Financial Reporting.

Our Chief Executive Officer and Chief Financial Officer have determined that there has been no change, in the Company's internal control over financial reporting during the period covered by this report identified in connection with the evaluation described in the above paragraph that have materially affected, or are reasonably likely to materially affect, Company's internal control over financial reporting.

ITEM 9B. OTH

R INFORMATION

None.

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ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be incorporated by reference from Park City Group, Inc.'s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before October 28, 2019.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be incorporated by reference from Park City Group, Inc.'s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before October 28, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be incorporated by reference from Park City Group, Inc.'s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before October 28, 2019.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be incorporated by reference from Park City Group, Inc.'s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before October 28, 2019.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be incorporated by reference from Park City Group, Inc.'s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before October 28, 2019.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits, Financial Statements and Schedules

Exhibit Number	Description
3.1	Articles of Incorporation (1)
3.2	Certificate of Amendment (2)
3.3	Certificate of Amendment (3)
3.4	Certificate of Amendment (16)
3.5	Amended and Restated Bylaws (14)
4.1	Certificate of Designation of the Series B Convertible Preferred Stock (4)
4.2	Fourth Amended and Restated Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B Preferred Stock of Park City Group, Inc. (12)
4.3	First Amended and Restated Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock of Park City Group, Inc. (13)
10.1	Subordinated Promissory Note, dated April 1, 2009, issued to Riverview Financial Corporation (5)
10.2	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated September 15, 2009 (6)
10.3	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated May 5, 2010 (7)
10.4	ReposiTrak Omnibus Subscription Agreement (8)
10.5	ReposiTrak Promissory Note (8)
10.6	Fields Employment Agreement (10)
10.7	Services Agreement (10)
10.8	Employment Agreement by and between Todd Mitchell and Park City Group, Inc., dated September 28, 2015 (11)
10.9	Amendment No. 1 to the Employment Agreement, by and between Park City Group, Inc., Randall K. Fields and Fields Management, Inc., dated July 1, 2016 (15)
10.10	Amendment to Services Agreement (18)
10.11	Amendment to Note, by and between U.S. Bank National Association and the Company, dated January 9, 2019 (19)
10.12	Master Lease Agreement, dated January 9, 2019 (19)
10.13	Employment Agreement by and between John Merrill and Park City Group, Inc., dated May 29, 2019 (20)
14.1	Code of Ethics and Business Conduct (9)
21	List of Subsidiaries (17)
23.1	Consent of Haynie & Company, dated September 11, 2019
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 DEF 14C dated June 5, 2002.
 - (2) Incorporated by reference from our Form 10-QSB for the year ended Sept 30, 2005.
 - (3) Incorporated by reference from our Form 10-KSB dated September 29, 2006.
 - (4) Incorporated by reference from our Form 8-K dated July 21, 2010.
 - (5) Incorporated by reference from our Form 8-K dated June 5, 2009.
 - (6) Incorporated by reference from our Form 8-K dated September 30, 2009.
 - (7) Incorporated by reference from our Form 8-K dated May 6, 2010.
 - (8) Incorporated by reference from our Annual Report on Form 10-K dated September 23, 2013.
 - (9) Incorporated by reference from our Form 10-KSB dated September 29, 2008.
 - (10) Incorporated by reference from our Form 10-K dated September 11, 2014.
 - (11) Incorporated by reference from our Form 8-K dated September 30, 2015.
 - (12) Incorporated by reference from our Form 8-K dated January 14, 2016.
 - (13) Incorporated by reference from our Form 8-K dated January 14, 2016.
 - (14) Incorporated by reference from our Form 8-K dated October 21, 2016.
 - (15) Incorporated by reference from our Form 10-Q dated November 7, 2016.
 - (16) Incorporated by reference from our Form 8-K dated July 28, 2017.
 - (17) Incorporated by reference from our Form 10-K dated September 13, 2017.
 - (18) Incorporated by reference from our Form 10-Q dated May 10, 2018.
 - (19) Incorporated by reference from our Form 8-K dated January 15, 2019.
 - (20) Incorporated by reference from our Form 8-K dated May 31, 2019.
- * Filed herewith

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ATURES

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: September 12, 2019

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

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Randall K. Fields</u> Randall K. Fields	Chairman of the Board and Director, Chief Executive Officer (Principal Executive Officer)	September 12, 2019
<u>/s/ John Merrill</u> John Merrill	Chief Financial Officer (Principal Financial Officer & Principal Accounting Officer)	September 12, 2019
<u>/s/ Robert W. Allen</u> Robert W. Allen	Director, and Compensation Committee Chairman	September 12, 2019
<u>/s/ William S. Kies, Jr.</u> William S. Kies, Jr.	Director	September 12, 2019
<u>/s/ Peter J. Larkin</u> Peter J. Larkin	Director	September 12, 2019
<u>/s/ Ronald C. Hodge</u> Ronald C. Hodge	Director, and Audit Committee Chairman	September 12, 2019

RE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Park City Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Park City Group, Inc. and Subsidiaries (the Company) as of June 30, 2019 and 2018, and the related statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2019, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 12, 2019, expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Haynie & Company
Salt Lake City, Utah
September 12, 2019

We have served as the Company's auditor since 2016.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Park City Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Park City Group, Inc. and Subsidiaries' (the Company's) internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the balance sheets and the related statements of income, comprehensive income, stockholders' equity, and cash flows of the Company, and our report dated September 12, 2019, expressed an unqualified opinion.

Basis for Opinion

The Company's 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. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control over Financial Reporting

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

Haynie & Company
Salt Lake City, Utah
September 12, 2019

RK CITY GROUP, INC.
Consolidated Balance Sheets

<i>Assets</i>	June 30, 2019	June 30, 2018
Current Assets		
Cash	\$ 18,609,423	\$ 14,892,439
Receivables, net of allowance for doubtful accounts of \$145,825 and \$153,220 at June 30, 2019 and 2018, respectively	3,878,658	4,222,348
Contract asset – unbilled current portion	3,023,694	3,502,287
Prepaid expense and other current assets	1,037,099	1,116,387
Total Current Assets	26,548,874	23,733,461
Property and equipment, net	2,972,257	1,896,348
Other Assets:		
Deposits, and other assets	17,146	18,691
Contract asset – unbilled long-term portion	1,659,110	1,194,574
Investments	-	477,884
Customer relationships	788,400	919,800
Goodwill	20,883,886	20,883,886
Capitalized software costs, net	70,864	168,926
Total Other Assets	23,419,406	23,663,761
Total Assets	\$ 52,940,537	\$ 49,293,570
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 530,294	\$ 1,490,434
Accrued liabilities	1,399,368	745,694
Contract liability - deferred revenue	1,917,787	2,335,286
Lines of credit	4,660,000	3,230,000
Current portion of notes payable	295,168	188,478
Total current liabilities	8,802,617	7,989,892
Long-term liabilities		
Notes payable, less current portion	920,754	1,592,077
Other long-term liabilities	-	7,275
Total liabilities	9,723,371	9,589,244
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock; \$0.01 par value, 30,000,000 shares authorized;		
Series B Preferred, 700,000 shares authorized; 625,375 shares issued and outstanding at June 30, 2019 and 2018;	6,254	6,254
Series B-1 Preferred, 550,000 shares authorized; 212,402 shares issued and outstanding at June 30, 2019 and 2018, respectively	2,124	2,124
Common Stock, \$0.01 par value, 50,000,000 shares authorized; 19,793,372 and 19,773,549 issued and outstanding at June 30, 2019 and 2018, respectively	197,936	197,738
Additional paid-in capital	76,908,566	76,711,887
Accumulated deficit	(33,897,714)	(37,213,677)
Total stockholders' equity	43,217,166	39,704,326
Total liabilities and stockholders' equity	\$ 52,940,537	\$ 49,293,570

See accompanying notes to consolidated financial statements.

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K CITY GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	For the Years Ended June 30,	
	2019	2018
Revenue	\$ 21,169,608	\$ 22,036,278
Operating expense:		
Cost of revenue and product support	5,830,084	6,587,486
Sales and marketing	6,006,597	6,403,343
General and administrative	4,742,205	4,894,746
Depreciation and amortization	601,433	633,854
Total operating expense	<u>17,180,319</u>	<u>18,519,429</u>
Income from operations	3,989,289	3,516,849
Other income:		
Interest Income	247,059	164,217
Interest expense	(42,684)	(166,888)
Gain (loss) on disposition of investment	<u>(148,548)</u>	<u>-</u>
Income before income taxes	<u>4,045,116</u>	<u>3,514,178</u>
(Provision) for income taxes	<u>(142,710)</u>	<u>(105,395)</u>
Net income	<u>3,902,406</u>	<u>3,408,783</u>
Dividends on Preferred Stock	<u>(586,443)</u>	<u>(573,348)</u>
Net income (loss) applicable to common shareholders	<u>\$ 3,315,963</u>	<u>\$ 2,835,435</u>
Weighted average shares, basic	<u>19,849,000</u>	<u>19,581,000</u>
Weighted average shares, diluted	<u>20,368,000</u>	<u>20,280,000</u>
Basic earnings (loss) per share	<u>\$ 0.17</u>	<u>\$ 0.14</u>
Diluted earnings (loss) per share	<u>\$ 0.16</u>	<u>\$ 0.14</u>

See accompanying notes to consolidated financial statements.

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

	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, 2017	625,375	\$ 6,254	285,859	\$ 2,859	19,423,821	\$ 194,241	\$ 75,489,189	\$(39,983,692)	\$ 35,708,851
Stock issued for:									
Accrued compensation	-	-	20,000	200	136,160	1,361	1,247,149	-	1,248,710
Cash	-	-	-	-	27,018	270	244,147	-	244,417
Preferred Dividends-Declared	-	-	-	-	-	-	-	(573,348)	(573,348)
Exercise of Option/Warrant	-	-	-	-	186,550	1,866	665,037	-	666,903
Redemption	-	-	(93,457)	(935)	-	-	(933,635)	(65,420)	(999,990)
Net income								3,408,783	3,408,783
Balance, June 30, 2018	625,375	\$ 6,254	212,402	\$ 2,124	19,773,549	\$ 197,738	\$ 76,711,887	\$(37,213,677)	\$ 39,704,326
Stock issued for:									
Accrued compensation	-	-	-	-	55,274	552	452,276	-	452,828
Cash	-	-	-	-	26,568	266	154,409	-	154,675
Preferred Dividends-Declared	-	-	-	-	-	-	-	(586,443)	(586,443)
Exercise of Option/Warrant	-	-	-	-	25,581	256	164,741	-	164,997
Redemption	-	-	-	-	-	-	(93,217)	-	(93,217)
Stock Buyback	-	-	-	-	(87,600)	(876)	(481,530)	-	(482,406)
Net income								3,902,406	3,902,406
Balance, June 30, 2019	625,375	\$ 6,254	212,402	\$ 2,124	19,793,372	\$ 197,936	\$ 76,908,566	\$(33,897,714)	\$ 43,217,166

See accompanying notes to consolidated financial statements.

PARK C

TY GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 3,902,406	\$ 3,408,783
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	601,433	633,854
Stock compensation expense	551,881	588,984
Bad debt expense	510,000	465,050
Decrease (increase) in:		
Trade receivables	312,283	(4,180,558)
Long-term receivables, prepaids and other assets	(383,703)	854,239
Increase (decrease) in:		
Accounts payable	(960,140)	924,947
Accrued liabilities	462,194	(500,253)
Deferred revenue	(417,499)	(15,560)
Net cash provided by operating activities	4,578,855	2,179,486
Cash flows from investing activities:		
Purchase of property and equipment	(1,447,880)	(204,005)
Capitalization of software costs	-	(111,241)
Sale of long-term investments	477,884	-
Net cash used in investing activities	(969,996)	(315,246)
Cash flows from financing activities:		
Proceeds from employee stock purchase plans	-	244,417
Proceeds from exercises of options and warrants	164,997	666,903
Proceeds from issuance of note payable	1,268,959	56,078
Net increase in lines of credit	1,430,000	380,000
Redemption of Series B-1 Preferred	-	(999,990)
Dividends paid	(439,833)	(782,123)
Common stock buy-back	(482,406)	-
Payments on notes payable and capital leases	(1,833,592)	(591,092)
Net cash provided by (used in) financing activities	108,125	(1,025,807)
Net increase in cash and cash equivalents	3,716,984	838,433
Cash and cash equivalents at beginning of period	14,892,439	14,054,006
Cash and cash equivalents at end of period	\$ 18,609,423	\$ 14,892,439
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	\$ 76,063	\$ 75,714
Cash paid for interest	\$ 146,889	\$ 166,888
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Preferred Stock to pay accrued liabilities	\$ -	\$ 200,000
Common Stock to pay accrued liabilities	\$ 514,286	\$ 1,048,710
Dividends accrued on Preferred Stock	\$ 586,443	\$ 573,532

See accompanying notes to consolidated financial statements.

ARK CITY GROUP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2019 and June 30, 2018

NOTE 1. DESCRIPTION OF BUSINESS

Summary of Business

Park City Group, Inc. (the “*Company*”) is a Software-as-a-Service (“*SaaS*”) provider, and the parent company of ReposiTrak Inc., which operates a business-to-business (“*B2B*”) e-commerce, compliance, and supply chain management platform that partners with retailers, wholesalers, and product suppliers to help them source, vet, and transact with their suppliers in order to accelerate sales, control risks, and improve supply chain efficiencies. The Company is incorporated in the state of Nevada and has three principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned); Park City Group, Inc., a Delaware corporation (100% owned); and ReposiTrak, Inc., a Utah corporation (100% owned). All intercompany transactions and balances have been eliminated in the Company’s consolidated financial statements, which contain the operating results of the operations of Park City Group, Inc. (Delaware) and ReposiTrak, Inc. Park City Group, Inc. (Nevada) has no business operations separate from the operations conducted through its subsidiaries.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements presented herein reflect the consolidated financial position of Park City Group, Inc. and our subsidiaries. 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 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 because of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company’s most critical accounting policies include revenue recognition, goodwill, other long-lived asset valuations, income taxes, stock-based compensation, and capitalization of software development costs.

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 evaluations of its customers and maintains allowances for possible losses. The provision is based on the overall composition of our accounts receivable aging, our prior history of accounts receivable write-offs, and our experience with specific customers.

Other factors indicating significant risk include customers that have filed for bankruptcy or customers for which we have less payment history to rely upon. We rely on historical trends of bad debt as a percentage of total revenue and apply these percentages to the accounts receivable 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 multilocation retail and grocery stores. The Company writes off accounts receivable when they are determined to be uncollectible. Changes in the allowances for doubtful accounts are recorded as bad debt expense and are included in general and administrative expense in our consolidated financial statements. Amounts that have been invoiced are recorded in accounts receivable (current and long-term), and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

The Company had one customer that accounted for greater than 10% of accounts receivable at June 30, 2019. Customer A had a balance of \$886,174 and \$1,288,980, for June 30, 2019 and June 30, 2018, respectively.

Prepaid Expense and Other Current Assets

Prepaid expense and other current assets include amounts for which payment has been made but the services have not yet been consumed. The Company's prepaid expense is made up primarily of prepayments for hosted software applications used in the Company's operations, maintenance agreements on hardware and software, and other miscellaneous amounts for insurance, membership fees and professional fees. Prepaid expense is amortized on a pro-rata basis to expense accounts as the services are consumed typically by the passage of time or as the service is used.

Depreciation and Amortization

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

	<u>Years</u>
Furniture and fixtures	5-7
Computer equipment	3
Equipment under capital leases	3
Long-term use equipment	10
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:

	<u>Years</u>
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.

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, 2019 and 2018, the Company did not incur any expense associated with warranty claims.

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASC 606"). ASC 606 clarifies the accounting for revenue arising from contracts with customers and specifies the disclosures that an entity should include in its financial statements. During 2016, the FASB issued certain amendments to the standard relating to the principal versus agent guidance, accounting for licenses of intellectual property identifying performance obligations as well as the guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. We adopted ASC 606 using the modified retrospective method on July 1, 2018.

The effect of applying ASC 606 did not result in an opening balance adjustment to retained earnings or any other balance sheet accounts because the Company: (1) identified similar performance obligations under ASC 606 as compared with deliverables and separate units of account previously identified; (2) determined the transaction price to be consistent; and (3) concluded that revenue is recorded at the same point in time, upon performance under both ASC 605 and ASC 606. The adoption of ASC 606 did not require significant changes in our internal controls and procedures over financial reporting and disclosures. However, we made enhancements to existing internal controls and procedures to ensure compliance with the new guidance.

Revenue Recognition

The Company recognizes revenue as it transfers control of deliverables (products, solutions and services) to its customers in an amount reflecting the consideration to which it expects to be entitled. To recognize revenue, the Company applies the following five step approach: (1) identify the contract 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 a performance obligation is satisfied. The Company accounts for a contract based on the terms and conditions the parties agree to, the contract has commercial substance and collectability of consideration is probable. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience.

The Company may enter into arrangements that consist of multiple performance obligations. Such arrangements may include any combination of its deliverables. To the extent a contract includes multiple promised deliverables, the Company applies judgment to determine whether promised deliverables are capable of being distinct and are distinct in the context of the contract. If these criteria are not met, the promised deliverables are accounted for as a combined performance obligation. For arrangements with multiple distinct performance obligations, the Company allocates consideration among the performance obligations based on their relative standalone selling price. Standalone selling price is the price at which the Company would sell a promised good or service separately to the customer. When not directly observable, the Company typically estimates standalone selling price by using the expected cost plus a margin approach. The Company typically establishes a standalone selling price range for its deliverables, which is reassessed on a periodic basis or when facts and circumstances change.

For performance obligations where control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the deliverables to be provided. Revenue related to fixed-price contracts for application development and systems integration services, consulting or other technology services is recognized as the service is performed using the output method, under which the total value of revenue is recognized based on each contract's deliverable(s) as they are completed and when value is transferred to a customer. Revenue related to fixed-price application maintenance, testing and business process services is recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in ASC 606-10-55-18.

If the Company's invoicing is not consistent with the value delivered, revenue is recognized as the service is performed based on the method described above. The output method measures the results achieved and value transferred to a customer, which is updated as the project progresses to reflect the latest available information; such estimates and changes in estimates involve the use of judgment. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known and any anticipated losses on contracts are recognized immediately. Revenue related to fixed-price hosting and infrastructure services is recognized based on the Company's right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered, in accordance with the practical expedient in ASC 606-10-55-18. If the Company's invoicing is not consistent with value delivered, revenue is recognized on a straight-line basis unless revenue is earned and obligations are fulfilled in a different pattern. The revenue recognition method applied to the types of contracts described above provides the most faithful depiction of performance towards satisfaction of the Company's performance obligations.

Revenue related to the Company's software license arrangements that do not require significant modification or customization of the underlying software is recognized when the software is delivered as control is transferred at a point in time. For software license arrangements that require significant functionality enhancements or modification of the software, revenue for the software license and related services is recognized as the services are performed in accordance with the methods described above. In software hosting arrangements, the rights provided to the customer, such as ownership of a license, contract termination provisions and the feasibility of the client to operate the software, are considered in determining whether the arrangement includes a license or a service. Revenue related to software maintenance and support is generally recognized on a straight-line basis over the contract period.

Revenue related to transaction-based or volume-based contracts is recognized over the period the services are provided in a manner that corresponds with the value transferred to the customer to-date relative to the remaining services to be provided.

From time to time, the Company may enter into arrangements with third party suppliers to resell products or services. In such cases, the Company evaluates whether the Company is the principal (i.e. report revenue on a gross basis) or agent (i.e. report revenue on a net basis). In doing so, the Company first evaluates whether it controls the good or service before it is transferred to the customer. If the Company controls the good or service before it is transferred to the customer, the Company is the principal; if not, the Company is the agent. Determining whether the Company controls the good or service before it is transferred to the customer may require judgment.

The Company provides customers with assurance that the related deliverable will function as the parties intended because it complies with agreed-upon specifications. General updates or patch fixes are not considered an additional performance obligation in the contract.

Variable consideration is estimated using either the sum of probability weighted amounts in a range of possible consideration amounts (expected value), or the single most likely amount in a range of possible consideration amounts (most likely amount), depending on which method better predicts the amount of consideration to which we may be entitled. The Company includes in the transaction price variable consideration only to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and is based largely on an assessment of its anticipated performance and all information that is reasonably available to the Company.

The Company assesses the timing of the transfer of goods or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing its services, not to receive or provide financing from or to customers. The Company does not consider set up or transition fees paid upfront by its customers to represent a financing component, as such fees are required to encourage customer commitment to the project and protect us from early termination of the contract.

Trade Accounts Receivable and Contract Balances

We classify our right to consideration in exchange for deliverables as either a receivable or a contract asset (unbilled receivable). A receivable is a right to consideration that is unconditional (i.e. only the passage of time is required before payment is due). For example, we recognize a receivable for revenue related to our transaction or volume-based contracts when earned regardless of whether amounts have been billed. We present such receivables in trade accounts receivable, net in our consolidated statements of financial position at their net estimated realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables, judgment, and other applicable factors.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are presented in current and other assets in our consolidated balance sheets and primarily relate to unbilled amounts on fixed-price contracts utilizing the output method of revenue recognition. The table below shows movements in contract assets:

	Contract assets
Balance – June 30, 2018	\$ 4,696,861
Revenue recognized during the period but not billed	3,544,122
Amounts reclassified to accounts receivable	(3,558,184)
Other	-
Balance – June 30, 2019	<u>\$ 4,682,799(1)</u>

(1) Contract asset balances for June 30, 2019 include a current and a long-term contract asset, \$3,023,694, and \$1,659,110 respectively.

Our contract assets and liabilities are reported in a net position at the end of each reporting period. The difference between the opening and closing balances of our contract assets and deferred revenue primarily results from the timing difference between our performance obligations and the customer's payment. We receive payments from customers based on the terms established in our contracts, which may vary generally by contract type.

The table below shows movements in the deferred revenue balances (current and noncurrent) for the period:

	Contract liability
Balance – June 30, 2018	\$ 2,335,286
Amounts billed but not recognized as revenue	66,525
Revenue recognized related to the opening balance of deferred revenue	(484,024)
Other	-
Balance – June 30, 2019	<u>\$ 1,917,787</u>

Our contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period. The difference between the opening and closing balances of our contract assets and deferred revenue primarily results from the timing difference between our performance obligations and the customer's payment. We receive payments from customers based on the terms established in our contracts, which may vary generally by contract type.

Disaggregation of Revenue

The table below presents disaggregated revenue from contracts with customers by customer geography and contract-type. We believe this disaggregation best depicts the nature, amount, timing and uncertainty of our revenue and cash flows that may be affected by industry, market and other economic factors:

	For the Year Ended June 30, 2019			
	Subscription & support	Professional services	Transaction based	Total
Geography				
North America	\$ 16,159,572	\$ 2,055,968	\$ 2,893,675	\$ 21,109,215
International	-	-	60,393	60,393
Total	<u>\$ 16,159,572</u>	<u>\$ 2,055,968</u>	<u>\$ 2,954,068</u>	<u>\$ 21,169,608</u>

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, the company will occasionally capitalize software costs until the product is available for general release to customers. In these instances, the Company determines technological feasibility for its software products to have been reached when a working prototype is complete and meets or exceeds design specifications including functions, features, and technical performance requirements.

During the 2019 and 2018 fiscal years, capitalized development costs of zero and \$65,505, 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 \$90,546 and \$107,656 for the years ended June 30, 2019 and 2018, 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 per common share ("*Basic EPS*") excludes dilution and is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income 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 antidilutive effect on net income per Common Share.

For the year ended June 30, 2019 and 2018 warrants to purchase 1,108,805 and 1,185,549 shares of Common Stock, respectively, were 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 \$4.00 from to \$10.00 per share at June 30, 2019.

The following table presents the components of the computation of basic and diluted earnings per share for the periods indicated:

	Year ended June 30,	
	2019	2018
Numerator		
Net income applicable to common shareholders	\$ 3,315,963	\$ 2,835,435
Denominator		
Weighted average common shares outstanding, basic	19,849,000	19,581,000
Warrants to purchase Common Stock	519,000	699,000
Weighted average common shares outstanding, diluted	20,368,000	20,280,000
Net income per share		
Basic	\$ 0.17	\$ 0.14
Diluted	\$ 0.16	\$ 0.14

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.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of twelve months or less to be cash equivalents. Cash and cash equivalents are stated at fair value.

Marketable Securities

Management determines the appropriate classification of marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. Securities are classified as available for sale and are carried at fair value, with the change in unrealized gains and losses, net of tax, reported as a separate component on the consolidated statements of comprehensive income. Fair value is determined based on quoted market rates when observable or utilizing data points that are observable, such as quoted prices, interest rates and yield curves. The cost of securities sold is based on the specific-identification method. Interest on securities classified as available for sale is also included as a component of interest income.

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

There were no reclassifications.

NOTE 3. INVESTMENTS

As of June 30, 2019, the Company sold its investment resulting in a \$148,548 loss on disposition of investment. Previously the Company had a 36% ownership in a privately held corporation.

Investee companies that are not consolidated, but over which the Company exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Company exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on the investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the investee company.

Under the equity method of accounting, an investee company's accounts are not reflected within the Company's consolidated balance sheet and statements of operations; however, the Company's share of the earnings or losses of the investee company is reflected in the consolidated statements of operations. The Company's carrying value in an equity method investee company is reflected in the caption "Investments" in the Company's consolidated balance sheet.

When the Company's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Company's consolidated financial statements unless the Company guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Company will not record its share of such income until it equals the amount of its share of losses not previously recognized.

NOTE 4. RECEIVABLES

Accounts receivable consist of the following:

	2019	2018
Accounts receivable	\$ 7,048,177	\$ 7,877,855
Allowance for doubtful accounts	(145,825)	(153,220)
	<u>\$ 6,902,352</u>	<u>\$ 7,724,635</u>

Accounts receivable consist of trade accounts receivable and unbilled amounts recognized as revenue during the year for which invoicing occurs 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:

	2019	2018
Computer equipment	\$ 3,678,638	\$ 2,920,180
Furniture and equipment	1,833,074	1,703,586
Leasehold improvements	805,769	245,835
	<u>6,317,481</u>	<u>4,869,601</u>
Less accumulated depreciation and amortization	(3,345,224)	(2,973,253)
	<u>\$ 2,972,257</u>	<u>\$ 1,896,348</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$371,972 and \$422,933, respectively.

NOTE 6. CAPITALIZED SOFTWARE COSTS

Capitalized software costs consist of the following at June 30:

	2019	2018
Capitalized software costs	\$ 2,737,312	\$ 2,737,312
Less accumulated amortization	(2,666,448)	(2,568,386)
	<u>\$ 70,864</u>	<u>\$ 168,926</u>

Amortization expense for the years ended June 30, 2019 and 2018 was \$98,061 and \$79,521, respectively.

NOTE 7. ACQUISITION RELATED INTANGIBLE ASSETS, NET

Customer relationships consist of the following at June 30:

	2019	2018
Customer relationships	\$ 5,537,161	\$ 5,537,161
Less accumulated amortization	(4,748,761)	(4,617,361)
	<u>\$ 788,400</u>	<u>\$ 919,800</u>

Amortization expense for the years ended June 30, 2019 and 2018 was \$131,400 and \$131,400, respectively.

Estimated aggregate amortization expense per year are as follows:

Years ending June 30:		
2020		\$ 131,400
2021		\$ 131,400
2022		\$ 131,400
2023		\$ 131,400
Thereafter		\$ 394,200

NOTE 8. ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Accrued stock-based compensation	\$ 275,359	\$ 347,971
Accrued compensation	503,578	300,571
Accrued other liabilities	222,238	(199,564)
Accrued taxes	253,832	298,965
Accrued dividends	144,361	(2,249)
	<u>\$ 1,399,368</u>	<u>\$ 745,694</u>

NOTE 9. NOTES PAYABLE

The Company had the following notes payable obligations at June 30, 2019 and 2018:

Notes Payable:	<u>2019</u>	<u>2018</u>
Note payable to an entity, due in monthly installments of \$0 bearing interest at 4.00% due July 1, 2019, secured by long-term investments.	-	312,456
Note payable to a bank, due in quarterly installments of \$53,996 bearing interest at 4.21% balloon payment of \$800,000 due July 28, 2022, secured by related capital equipment, NBV of approximately \$1,550,000	-	1,467,599
Note payable to a bank, due in monthly installments of \$29,097 bearing interest at 4.99% due April 1, 2023 secured by related capital equipment	1,215,922	-
	<u>\$ 1,215,922</u>	<u>\$ 1,780,555</u>
Less current portion notes payable	<u>(295,168)</u>	<u>(188,478)</u>
	<u>\$ 920,754</u>	<u>\$ 1,592,077</u>

Maturities of notes payable at June 30, 2019 are as follows:

Year ending June 30:		
2020		\$ 295,168
2021		\$ 310,242
2022		\$ 326,087
2023		\$ 284,425
Thereafter		\$ -

NOTE 10. LINES OF CREDIT

On January 9, 2019, the Company and U.S. Bank N.A. (the “Bank”) entered into an amendment (the “Amendment”) to the outstanding Stand-Alone Revolving Note, preferred accompanying addendum. Pursuant to the Amendment, the parties agreed to (i) extend the maturity date to December 31, 2019; (ii) increase the maximum amount the Company is able to borrow under the Note to \$6,000,000; (iii) increase the interest rate to 1.75% per annum plus the greater of zero percent or one-month LIBOR, (iv) convert the Note from a secured instrument to an unsecured instrument; *provided, however*, that the Company must maintain liquid assets equal to the outstanding balance of the Note, and (v) to add a provision requiring the Company to maintain a Senior Funded Debt to EBITDA Ratio, as such terms are defined in the Amendment, of not more than 2:1.

The line of credit, as amended, is scheduled to mature on December 31, 2019. The balance on the line of credit was \$4,660,000 and \$3,230,000 at June 30, 2019 and June 30, 2018, respectively.

NOTE 11. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Subscription	\$ 1,606,985	\$ 2,056,796
Other	310,802	278,490
	<u>\$ 1,917,787</u>	<u>\$ 2,335,286</u>

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. Due to the tax rates being changed in 2018 we have used a federal and state blended rate of 26%.

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

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
NOL Carryover	\$ 29,234,200	31,664,500
Allowance for Bad Debts	37,900	39,800
Accrued Expenses	55,700	70,400
Deferred Revenue	-	-
Depreciation	(641,800)	(274,500)
Amortization	(277,300)	(337,000)
Valuation allowance	(28,408,700)	(31,163,200)
Net deferred tax asset	<u>-</u>	<u>\$ -</u>

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, 2019 and 2018 due to the following:

	<u>2019</u>	<u>2018</u>
Book Income	\$ 1,039,326	1,107,856
Stock for Services	26,078	(88,504)
Change in accrual	(14,727)	(216,453)
Life Insurance	17,626	26,438
Meals & Entertainment	10,939	9,562
Change in Allowance	(1,923)	(77,685)
Change in Depreciation	(477,179)	(248,647)
NOL Utilization	(600,140)	(512,567)
Valuation allowance	<u>-</u>	<u>\$ -</u>

At June 30, 2019, the Company had net operating loss carryforwards of approximately \$112,439,000 that may be offset against past and future taxable income from the year 2018 through 2036. A significant portion of the net operating loss carryforwards begin to expire in 2019. No tax benefit has been reported in the June 30, 2019 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

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 of 2009 the Company acquired Prescient Applied Intelligence, Inc. which had significant net operating loss carry-forwards. Due to the 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. In June of 2015 the Company acquired Repositrak, Inc. which had significant net operating loss carryforwards. Due to the change in ownership, Repositrak'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 consolidated statements of operations in the provision for income taxes. As of June 30, 2019, the Company had no accrued interest or penalties related to uncertain tax positions.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Leases

On May 1, 2019, the Company completed the expansion of new equipment for the Company's information technology infrastructure, buildout of its corporate headquarters, and expansion of its collocation data center, which it completed using approximately \$1,269,000 (the "Lease Amount") of funds provided by the Bank to finance equipment and services related to the Company's expansion and relocation pursuant to the Lease Agreement, originally entered into by and between the Company and the Bank on January 9, 2019. Pursuant to the Lease Agreement, as of May 1, 2019, the Bank is now leasing back the property and equipment purchased by the Company. Pursuant to the Lease Agreement, commencing May 1, 2019, the initial term of the lease shall be 48 months, the Lease Amount shall accrue interest at a rate of 5.0% per annum, and the Company shall be required to make monthly rental payments in the amount of approximately \$29,097 per month.

On June 21, 2018 the Company entered into an office lease at 5252 South Commerce Drive Suite D292, Murray, Utah 84107, providing for the lease of approximately 9,800 square feet for a period of three years, commencing on March 1, 2019. The monthly rent is \$10,200.

Minimum future payments, including principal and interest, under the non-cancelable capital leases are as follows:

Year ending June 30:	
2020	\$ 471,564
2021	\$ 471,564
2022	\$ 430,764
2023	\$ 290,970
2024	\$

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, 2019 and 2018.

NOTE 15. STOCKHOLDERS EQUITY

Officers and Directors Stock Compensation

Effective October 2018, the Board of Directors approved the following compensation for directors who are not employed by the Company:

- Annual cash compensation of \$75,000 payable at the rate of \$18,750 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 expense 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 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, all 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 550,000 shares. On November 9, 2017, the Company amended the Amended 2011 Plan to increase the maximum aggregate number of shares from 550,000 shares to 675,000 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.

During the years ended June 30, 2019 and 2018 the Company issued 34,382 and 27,880 shares to its directors and 81,842 and 127,161 shares to employees and consultants, respectively under these plans. The Company, under its Common Stock buyback plan purchased 87,600 shares. Those shares were cancelled and returned to authorized but unissued shares. The Company holds no Treasury Stock. 31,078 and 119,597, respectively are included in the rollforward of Restricted Stock units below.

Restricted Stock Units

	Restricted Stock Units	Weighted Average Grant Date Fair Value (\$/share)
Outstanding at July 1, 2017	982,613	6.01
Granted	23,085	10.50
Vested and issued	(119,597)	7.38
Forfeited	(28,487)	10.96
Outstanding at June 30, 2018	857,614	\$ 6.46
Granted	62,962	6.05
Vested and issued	(31,078)	10.77
Forfeited	(23,224)	10.03
Outstanding at June 30, 2019	866,274	5.47

The number of restricted stock units outstanding at June 30, 2019 included 23,915 units that have vested but for which shares of Common Stock had not yet been issued pursuant to the terms of the agreement.

As of June 30, 2019, there was approximately \$4.7 million of unrecognized stock-based compensation expense under our equity compensation plans, which is expected to be recognized on a straight-line basis over a weighted average period of 3.51 years.

Warrants

Outstanding warrants were issued in connection with private placements of the Company's Common Stock and with the Series B Preferred Restructure. The following table summarizes information about fixed stock warrants outstanding at June 30, 2019:

Range of exercise prices	Warrants Outstanding at June 30, 2019			Warrants Exercisable at June 30, 2019		
	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price	
\$ 4.00	1,085,068	0.60	\$ 4.00	1,085,068	\$ 4.00	
\$ 10.00	23,737	0.57	10.00	23,737	10.00	
	1,108,805	0.60	\$ 4.13	1,108,85	\$ 4.13	

Preferred Stock

The Company's articles of incorporation currently authorizes the issuance of up to 30,000,000 shares of 'blank check' preferred stock with designations, rights, and preferences as may be determined from time to time by the Company's Board of Directors, of which 700,000 shares are currently designated as Series B Preferred Stock ("*Series B Preferred*") and 550,000 shares are designated as Series B-1 Preferred Stock ("*Series B-1 Preferred*"). Both classes of Series B Preferred Stock pay dividends at a rate of 7% per annum if paid by the Company in cash, or 9% if paid by the Company in PIK Shares; the Company may 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*").

The Company does business with some of the largest retailers and wholesalers in the World. Management believes the Series B-1 Preferred favorably impacts the Company's overall cost of capital in that it is: (i) perpetual and, therefore, an equity instrument that positively impacts the Company's coverage ratios, (ii) possesses a below market dividend rate relative to similar instruments, (iii) offers the flexibility of a paid-in-kind (PIK) payment option, and (iv) is without covenants. After exploring alternative options for redeeming the Series B-1 Preferred, management determined that alternative financing options were materially more expensive, or would impair the Company's net cash position, which management believes could cause customer concerns and negatively impact the Company's ability to attract new business.

Section 4 of the Company’s First Amended and Restated Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock, as amended (the “*Series B-1 COD*”) provides the Company’s Board of Directors with the right to redeem any or all of the outstanding shares of the Company’s Series B-1 Preferred for a cash payment of \$10.70 per share at any time upon providing the holders of Series B-1 Preferred at least ten days written notice that sets forth the date on which the redemption will occur (the “*Redemption Notice*”).

In July 2017, the Company issued 20,000 shares of Series B-1 Preferred in satisfaction of an accrued bonus payable to the Company’s Chief Executive Officer.

On January 27, 2018, the Company’s Board of Directors approved the redemption of 93,457 of the 305,859 issued and outstanding shares of the Company’s Series B-1 Preferred (the “*Redemption Shares*”), and on February 6, 2018, the Company delivered a Redemption Notice to the holders of the Series B-1 Preferred notifying the holders of the Company’s intent to redeem the Redemption Shares, on a pro rata basis, on February 7, 2018 (the “*Redemption Date*”) (the “*Series B-1 Redemption*”). On the Redemption Date, the Company paid an aggregate total of \$1.0 million to the holders of shares of Series B-1 Preferred for the redemption of a total of 93,457 shares of Series B-1 Preferred. Following the Series B-1 Redemption, a total of 212,402 shares of Series B-1 Preferred remain issued and outstanding.

As of June 30, 2019, a total of 625,375 shares of Series B Preferred and 212,402 shares of Series B-1 Preferred were issued and outstanding.

Share Repurchase Program

As previously disclosed on May 9, 2019, the Board of the Company approved the repurchase of up to \$4.0 million of the Company’s stock, par value \$0.01 per share, over the next 24 months (the “*Share Repurchase Program*”). The following table provides information about the repurchases of our Common Stock registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (“*Exchange Act*”), from the implementation of the Share Repurchase Program for the year ended June 30, 2019.

Period ⁽¹⁾	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Amount Available for Future Share Repurchases Under the Plans or Programs
May 9, 2019 – May 31, 2019:	17,600	\$ 5.65	17,600	\$ 3,897,659
June 1, 2019 – June 30, 2019:	70,000	\$ 5.41	87,600	\$ 3,517,594
May 9, 2019 – June 30, 2019:	87,600	\$ 5.53	87,600	\$ 3,517,594

(1) We close our books and records on the last calendar day of each month to align our financial closing with our business processes.

(2) On May 9, 2019, our Board of Directors approved a Share Repurchase Program pursuant to which we are authorized to repurchase our Common Stock in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices. From time to time, our Board of Directors may authorize increases to our Share Repurchase Program. The total remaining authorization for future common share repurchases under our Share Repurchase Program was \$3,517,594 as of June 30, 2019. Under the Share Repurchase Program, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable laws and regulations, including Rule 12b-18 of the Exchange Act. The Share Repurchase Program expires 24 months following May 9, 2019, and it may be suspended for periods or discontinued at any time.

NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued ASU 2018-15 *Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40) – Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. The amendments in this update apply to an entity who is a customer in a hosting arrangement accounted for as a service contract. The update requires a customer in a hosting arrangement to capitalize certain implementation costs. Costs associated with the application development stage of the implementation should be capitalized and costs with the other stages should be expensed. For instance, costs for training and data conversion should be expensed. The capitalized implementation costs should be expensed over the term of the hosting arrangement, which is the noncancelable period plus periods covered by an option to extend if the customer is reasonably certain to exercise the option. Impairment of the capitalized costs should be considered similar to other intangibles. The effective date of this update is effective for annual reporting periods beginning after December 15, 2019 for public entities and after December 15, 2020 for all other entities with early adoption permitted. The Company is a customer in a hosting arrangement and may enter into new arrangements in the future. The Company will apply the guidance for implementation costs of new hosting arrangements once adopted.

In August 2018, the FASB issued ASU 2018-13 *Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, amends, and adds disclosure requirements for fair value measurements. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Although we are still evaluating the impact of this new standard, we do not believe that the adoption will materially impact our Condensed Consolidated Financial Statements and related disclosures.

In June 2018, the FASB issued ASU 2018-07 *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. Prior to this update, equity-based payments to non-employees was accounted for under Subtopic 505-50 resulting in significant differences between the accounting for share-based payments to non-employees as compared to employees. One of the most significant changes is that non-employee share-based awards (classified as equity awards) may be measured at grant-date fair value and not have to be continually revalued until the service/goods are rendered. The update also indicates that share-based awards related to financing and awards granted to a customer in conjunction with selling goods or services are not included in Topic 718. This standard is effective for interim and annual reporting periods beginning after December 15, 2018 for public entities and December 15, 2019 for all other entities. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company anticipates this update may impact its financials for any non-employee grants but the impact is not material.

In May 2014, August 2015, April 2016, May 2016, September 2017 and November 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers*, ASU 2015-14 (ASC Topic 606) *Revenue from Contracts with Customers, Deferral of the Effective Date*, ASU 2016-10 (ASC Topic 606) *Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing*, ASU 2016-12 (ASC Topic 606) *Revenue from Contracts with Customers, Narrow Scope Improvements and Practical Expedients*, ASU 2017-14, *Income Statement - Reporting Comprehensive Income (ASC Topic 606), Revenue Recognition (ASC Topic 606)*, and *Revenue from Contracts with Customers (ASC Topic 606): Amendments to SEC Paragraphs pursuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403*, respectively. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in these ASUs are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted for annual periods beginning after December 15, 2016. This standard may be applied retrospectively to all prior periods presented, or retrospectively with a cumulative adjustment to retained earnings in the year of adoption. The Company adopted the standard using the modified retrospective method.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*. The amendments in this update simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. An entity should apply the amendments in this update on a prospective basis. The Company notes that this guidance applies to its reporting requirements and has implemented the new guidance accordingly.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. Historically, there has been a diversity in practice in how certain cash receipts/payments are presented and classified in the statement of cash flows under Topic 230. To reduce the existing diversity in practice, this update addresses multiple cash flow issues. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company notes that this guidance applies to its reporting requirements and has implemented the new guidance accordingly.

In February 2016, the FASB issued ASU 2016-02 (ASC Topic 842), *Leases*. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company will implement the new standard July 2019. The Company anticipates this update may impact its financials for but the impact is not material.

NOTE 17. RELATED PARTY TRANSACTIONS

Service Agreement. During the year ended June 30, 2019, the Company continued to be 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. Fields to perform the functions of President and Chief Executive Officer for the Company. Mr. 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 zero and \$316,539 to FMI at June 30, 2019 and 2018 respectively, under the Service Agreement. In addition, during the years ended June 30, 2019 and 2018, zero shares and 20,000 shares of Series B-1 Preferred were paid to FMI in satisfaction of an accrued bonus payable to Mr. Fields, respectively.

Randall K. Fields and Robert W. Allen each beneficially own Series B-1 Preferred. As a result of the Series B-1 Redemption, the Company paid an aggregate of \$0 and \$889,159 to Messrs. Fields and Allen, respectively, in consideration for the redemption of 0 and 83,099 shares of Series B-1 Preferred. See Note 15.

NOTE 18. SUBSEQUENT EVENTS

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

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement on Form S-8 of Park City Group, Inc., filed November 9, 2017, of our report dated September 12, 2019, relating to our audit of the consolidated financial statements appearing in the Annual Report on Form 10-K of Park City Group, Inc. for the year ended June 30, 2019, and to the reference to us under the heading "Experts" in the prospectus.

/s/ Haynie & Company

Haynie & Company

Salt Lake City, Utah

September 12, 2019

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)**

I, Randall K. Fields, certify that:

1. I have reviewed this Annual Report on Form 10-K of Park City Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 15d-15(f)) 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (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: September 12, 2019

By: /s/ Randall K. Fields
Randall K. Fields
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13A-14(A)**

I, John Merrill, certify that:

1. I have reviewed this Annual Report on Form 10-K of Park City Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (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: September 12, 2019

By: /s/ John Merrill
John Merrill
Chief Financial Officer
(Principal Financial Officer & Principal Accounting Officer)

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

In connection with the Annual Report of Park City Group, Inc. (the "*Company*") on Form 10-K for the year ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Randall K. Fields, Principal Executive Officer of the Company and I, John Merrill, Principal Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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 result of operations of the Company.

Date: September 12, 2019

By: /s/ Randall K. Fields
Randall K. Fields
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)

Date: September 12, 2019

By: /s/ John Merrill
John Merrill
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
