

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, 2023
or

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

001-34941
(Commission file number)

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

Nevada
State or other jurisdiction of incorporation

37-1454128
(IRS Employer Identification No.)

5282 South Commerce Drive, Suite D292
Murray, Utah 84107
(Address of principal executive offices)

(435) 645-2000
(Registrant's telephone number, including area code)

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

<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 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 type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 December 31, 2022, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$54,469,000 (at a closing price of \$4.95 per share).

As of September 28, 2023, 18,175,480 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, 2023.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Annual Report”) 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 Annual 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 Annual Report with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

PART I

ITEM 1 BUSINESS

Overview

Park City Group, Inc., a Nevada corporation (“*Park City Group*”, “*We*”, “*us*”, “*our*” or the “*Company*”) is a Software-as-a-Service (“*SaaS*”) provider, and the parent company of ReposiTrak, Inc., a Utah corporation (“*ReposiTrak*”) 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, and source hard-to-get-things.

The Company’s services are grouped in three application suites: (i) ReposiTrak MarketPlace (“*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 (“*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 (“*Supply Chain*”) solutions, which help the Company’s customers to more efficiently manage their various transactions with their suppliers.

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 manage these relationships more efficiently, enhancing revenue while lowering working capital, labor costs and waste. The Company’s Compliance and Food Safety 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 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) (“*PCG Utah*”); Park City Group, Inc., a Delaware corporation (100% owned) (“*PCG Delaware*”); and ReposiTrak (100% owned) (PCG Utah, PCG Delaware, and ReposiTrak are, collectively, the “*Subsidiaries*”). All intercompany transactions and balances have been eliminated in the Company’s consolidated financial statements, which contain the operating results of the operations of PCG Delaware and ReposiTrak. Park City Group 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 www.parkcitygroup.com, and ReposiTrak’s website address is www.repositrak.com.

Recent Developments

Dividend Payment

On September 19, 2023, the Company’s Board of Directors declared a quarterly cash dividend of \$0.015 per share (\$0.06 per year), payable to shareholders of record on September 29, 2023, to be paid to shareholders of record on or about November 11, 2023. Based on the closing price on September 29, 2023, this represented an annual dividend yield of approximately 1.06%. Subsequent quarterly dividends will be paid within 45 days of the shareholders of record date of December 31, March 31, June 30 and September 30.

Redemption and Retirement of Preferred Stock

On September 12, 2023, the Company announced its plans to commence the redemption and retirement of its Series B Convertible Preferred Stock and Series B-1 Preferred Stock (together, the “*Preferred Stock*”) for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214 (the “*Preferred Redemption*”). The Preferred Redemption is to occur over the next three years from September 12, 2023.

Global Pandemics, Bank Failures, and Geopolitical Conflicts

The impact of global pandemics, including COVID 19, banking failures, geopolitical conflicts, including the war in Ukraine, creates much uncertainty in the global marketplace. Management continues to monitor the ongoing impact of these events on all aspects of its business, including how they impact its services, customers, employees, vendors, and business partners now and in the future. While these events did not materially adversely affect the Company's financial results and business operations in the year ended June 30, 2023, we are unable to predict the impact that these events, including geopolitical conflicts, will have on its future financial position and operating results due to numerous uncertainties.

FSMA Section 204(d)

In 2020, the United States Food & Drug Administration ("FDA") announced the "New Era of Smarter Food Safety" blueprint. It "outlines achievable goals to enhance traceability, improve predictive analytics, respond more rapidly to outbreaks, address new business models, reduce contamination of food, and foster the development of stronger food safety cultures." But one particular section of the Food Safety Modernization Act ("FSMA"), Section 204(d) which has to deal with traceability, was left incomplete when the regulation was enacted in 2011. FDA has been working for the last few years to define exactly what traceability means and what is required to comply with that section of the law.

As part of the 2020 "New Era" announcement, FDA published the Food Traceability List or ("FTL"). FDA used a "risk assessment model" to identify 16 of the highest-risk categories to start with. There is not a single grocery retailer who does not sell these items. These 16 categories represent thousands of individual items and FDA has made it clear in its communications the categories on the FTL are only the beginning. FDA states that they would "encourage the voluntary adoption of these practices industry-wide," which means more categories are expected to be added over time.

On November 7, 2022, FDA announced the final rule on FSMA Section 204(d) and proposes it would become effective 60 days after publication in the *Federal Register*. The proposed compliance date for all persons subject to the recordkeeping requirements would be 2 years after the effective date of the final regulation.

For traceability, FDA requires the capture, creation and sharing of specific key data elements ("KDE") at each designated Critical Tracking Event ("CTE") for every item and every shipment. FDA also requires the data be stored for two years and be retrievable and presented to them within 24 hours upon request. FSMA 204 is ultimately about recording all movement of inventories through the supply chain. The result is an enormous amount of data to manage. At the root, it is a supply chain data management issue, which is ReposiTrak's core expertise. That's why we've made it our goal to develop a traceability solution that's easy, inexpensive and exceeds FDA's requirements with the guidance of industry thought leaders gathered in the Food Traceability Leadership Consortium. As the largest connected network of food suppliers, wholesalers and retailers in the world, the ReposiTrak Traceability Network® is well positioned to provide end-to-end traceability to provide a safer food supply chain, tighten control on food waste and implement a food recall response that saves lives and money.

Company History

The Company's technology has its genesis in the operations of Mrs. Fields Cookies, a company 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, among 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 Park City Group and PCG 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, 2020, the Company completed its Supply Chain and Compliance and Food Safety, and 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.

As of June 30, 2023, the Company was substantially complete with its Audit Management solution providing a wide variety of Good Manufacturing Practices (“GMP”) and Global Food Safety Initiative (“GFSI”) approved audits. The new solution will help improve quality and safety by making audits more efficient and accurate through better corrective actions management and documentation.

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, convenience store, 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, which includes food, convenience store, 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 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, 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 continues to evolve. In fiscal 2022, the Company primarily acted as an agent for suppliers and provided supply chain technology services for a monthly subscription fee. In prior years, at the customer’s request, the Company has acted as the supplier for certain products whereby the Company secures products for a customer, adds a markup, and delivers the product for a profit. Given the risk and uncertainties in the supply chain including price volatility, lower margins, and transactional revenue versus recurring revenue, the Company has reverted back to primarily acting as an agent for MarketPlace customers; however, there are no assurances that the Company may not opportunistically pursue acting as a supplier if the economic outcome is more in line with the margins of its other software solutions.
- 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 FSMA 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, QMS and Track & Trace. ReposiTrak also hosts and is integrated with the food safety audit database of the SQFI. SQFI is one of the leading schemas for certifying that a food retailer’s suppliers are compliant with GFSI standards, which many food retailers require of their suppliers as a condition of doing business. SQFI is owned and operated by the 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, Audit Management solutions, Fresh Market Manager and ActionManager®, all of which are designed to aid the Company's customers in managing inventory, auditing, managing 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 multiple 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, convenience stores, and general merchandise. However, the Company is opportunistic and will offer its solutions to a wide variety of other potential customers. No single customer exceeded 10% of the Company's total revenue in the fiscal year ended June 30, 2023.

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 and webinars, 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. 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 remote sales team located largely in 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, B2B 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 long-standing 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, and a number of U.S. registered trademarks and 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, 2023, the Company employed a total of 69 employees. Of these employees, 17 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. RISK 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, 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 using Spokes to connect to our 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 \$5,590,289 for the year ended June 30, 2023, compared to a net income of \$4,003,095 for the year ended June 30, 2022. Although we generated a year over year increase in net income in the year ended June 30, 2023, 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.

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 may not be adequate to compensate for the loss of his services. The loss of the services of Mr. Fields may have a materially adverse effect upon our business.

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 monthly subscriptions 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 revenue growth and 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 recommended 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, other competitive solutions, taking the process in-house, 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 sell additional 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 otherwise 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 that 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 of 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, 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. Customers could also elect not to renew their subscription or delay or withhold payment to us. 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 usernames, 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.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations and the services we provide to customers, damage our reputation and cause a loss of confidence in our products and services, which could adversely affect our business/operating margins, revenues and competitive position.

The secure processing, maintenance and transmission of this information is critical to our operations and business strategy, and we devote significant resources to protecting our information. The expenses associated with protecting our information could reduce our operating margins.

Failure or delay in the implementation of Section 204(d) of the FSMA may slow the adoption of our technology as a compliance tool for FSMA 204.

In September 2020, the FDA proposed a rule for Record Keeping for Food Traceability as part of the FSMA (“FSMA 204”), which was published in November 2022 and went into effect in January 2023. FSMA 204 will apply to all foods on the FDA’s Food Traceability List. In the event (i) FSMA 204 is postponed or delayed, (ii) modified to the extent of applicability of the rules of FSMA 204 to various food industry sectors, (iii) the penalties for violations of FSMA 204 are reduced or eliminated, or (iv) delay or failure by the industry to adopt practices in compliance with FSMA 204, in each case, could slow the adoption of our technology as a compliance tool for FSMA 204, which could have a material adverse effect on our business, results of operations, and financial condition.

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. For example, in March 2022, the U.S. Consumer Price Index (“CPI”), which measures a wide-ranging basket of goods and services, rose 8.5% from the same month a year ago, which represents the largest CPI increase since December of 1981. The Company’s general business strategy may be adversely affected by any such inflationary fluctuations, economic downturns, volatile business environments and continued unstable or unpredictable economic and market conditions. 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, or cause us to increase our prices to maintain the same level of profitability.

Geopolitical conflicts could potentially affect our sales and disrupt our operations and could have a material adverse impact on the Company.

Geopolitical conflicts, including the recent war in Ukraine, could adversely impact our operations or those of our customers. The extent to which these events impact our operations and those of our customers will depend on future developments, which are highly uncertain and cannot be predicted with confidence. If the uncertainty surrounding geopolitical conflicts and in the global marketplace continues, or if we, or any of our customers encounter any disruptions to our or their respective operations, facilities or stores, then we or they may be prevented or delayed from effectively operating our or their business, respectively, and the marketing and sale of our services and our financial results could be adversely affected.

Risks Relating to Our Common Stock

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

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 Common 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 such shares of our Common Stock 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 of our Common Stock 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 Stock and the Company's Preferred Stock, par value \$0.01 ("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.

Common Stock and/or Preferred 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 Stock or Preferred Stock, proportionate ownership of Common Stock and voting power will be reduced. Further, any new issuance of Common Stock 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 control approximately 46% of our Common Stock. Randall K. Fields, our Chief Executive Officer, controls 37% 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, 2023, 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, holders of our Common Stock. The issuance of an additional series of Preferred Stock could be used as a method of discouraging, delaying or preventing a change in control.

Although we have recently declared quarterly cash dividends on our Common Stock, investors should consider the potential for us to terminate the payment of dividends as a factor when determining whether to invest in us.

Historically, we have not paid dividends on our Common Stock. Although we recently declared quarterly cash dividends on our Common Stock, in the future we may elect 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 execute in the future. Therefore, there can be no assurance that quarterly dividends will continue to 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 they 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. PROPERTIES

Our principal place of business operations is located at 5282 South Commerce Drive, Suite D292, Murray, Utah 84107. We lease approximately 5,000 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.

PART 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					
	2023		2022			
	High	Low	High	Low		
September 30	\$ 6.60	\$ 4.31	\$ 5.77	\$ 4.81		
December 31	\$ 5.64	\$ 4.57	\$ 6.40	\$ 4.90		
March 31	\$ 6.60	\$ 4.83	\$ 10.68	\$ 5.12		
June 30	\$ 10.50	\$ 6.24	\$ 6.02	\$ 4.06		

Dividends

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.

During the year ended June 30, 2023, the Company paid a quarterly cash dividend of \$0.015 per share of Common Stock for each of the quarters ended September 30, 2022, December 31, 2022, March 31, 2023 and June 30, 2023. We currently intend to continue to declare and pay a quarterly cash dividend on Common Stock equal to \$0.015 per share (\$0.06 per year) following our board of directors' periodic review of our financial condition and results of operations for each fiscal quarter. The dividend rate and the continued payment of dividends will depend upon our board of directors' consideration of a number of factors, including capital requirements, our financial condition and results of operations, statutory and regulatory limitations, tax considerations and general economic conditions. Although we have declared a quarterly dividend on our Common Stock, we may in the future discontinue the payment of quarterly dividends in the event we elect to retain future earnings, if any, for use in our operations and the expansion of our business.

Holdings of Record

At June 30, 2023, there were 628 holders of record of our Common Stock with 18,309,051 shares issued and outstanding, 3 holders of Series B Preferred with 625,375 shares issued and outstanding, and 4 holders of Series B-1 Preferred with 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 2023. 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 of 1933, as amended (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 SEC during the fiscal year ended June 30, 2023. 16,430 shares of Common Stock were issued subsequent to June 30, 2023.

Share Repurchase Program

On May 9, 2019, our Board of Directors approved the repurchase of up to \$4.0 million in shares of our Common Stock, which repurchases may be made in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices (the "*Share Repurchase Program*"). 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 10b-18 of the Exchange Act. On March 17, 2020, the Board, given the extreme uncertainty due to COVID-19 at the time, suspended the Share Repurchase Program.

On May 18, 2021, our Board of Directors resumed its Share Repurchase Program, and increased the number of shares of Common Stock available to repurchase under the Share Repurchase Program by an additional \$4 million bringing the total number of Common Stock authorized to repurchase under the Share Repurchase Program to \$8.0 million.

On August 31, 2021 our Board of Directors approved an increase of \$4.0 million in the number of shares of Common Stock available to repurchase under the Share Repurchase Program, and on May 10, 2022, our Board of Directors approved an increase of \$9.0 million in the number of shares of Common Stock available to repurchase under the Share Repurchase Program, bringing the total number of Common Stock authorized to repurchase under the Share Repurchase Program as of June 30, 2023 to \$21.0 million.

Since inception of the Share Repurchase Program through June 30, 2023, a total of 1,945,666 shares of Common Stock have been repurchased at an average purchase price of \$5.91, resulting in \$9,507,781 remaining available to repurchase under the current Share Repurchase Program. From time-to-time, our Board of Directors may authorize further increases to our Share Repurchase Program. In addition, the Share Repurchase Program may also be suspended for periods of time or discontinued at any time, at the Board's discretion.

The following table provides information about repurchases of our Common Stock registered pursuant to Section 12 of the Exchange Act, during the years ended June 30, 2023 and 2022:

Period (1)	Total Number of Shares Purchased by Period	Average Price Paid Per Share	Dollars Expended by Period Under the Plans or Programs	Remaining Amount Available for Future Share Repurchases Under the Plans or Programs
Year Ended June 30, 2022:				
July 1, 2021 – September 30, 2021	7,600	\$ 5.43	\$ 41,276	\$ 7,909,609
October 1, 2021 – December 31, 2021	244,552	\$ 5.85	\$ 1,429,697	\$ 6,479,912
January 1, 2022 – March 31, 2022	538,376	\$ 6.95	\$ 3,741,477	\$ 2,738,435
April 1, 2022 – June 30, 2022	192,747	\$ 4.78	\$ 921,331	\$ 10,817,104
Year Ended June 30, 2023:				
July 1, 2022 – September 30, 2022	20,859	\$ 4.97	\$ 103,657	\$ 10,713,447
October 1, 2022 – December 31, 2022	88,741	\$ 5.05	\$ 448,266	\$ 10,265,181
January 1, 2023 – March 31, 2023	74,150	\$ 5.79	\$ 429,271	\$ 9,835,910
April 1, 2023 – June 30, 2023	47,847	\$ 6.86	\$ 328,129	\$ 9,507,781

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

ITEM 6. SELECTED 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 (this "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 of 1933, as amended (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., a Nevada corporation ("Park City Group", "we", "us", "our" or, the "Company") is a Software-as-a-Service ("SaaS") provider, and the parent company of ReposiTrak, Inc. a Utah corporation ("ReposiTrak"), a business-to-business ("B2B") e-commerce, compliance, and supply chain management platform company 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 fiscal year ends on June 30. References to fiscal 2023 refer to the fiscal year ended June 30, 2023, and references to fiscal 2022 refer to the fiscal year ended June 30, 2022.

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, whereby 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's services are grouped in three application suites: (i) ReposiTrak MarketPlace ("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 ("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 ("Supply Chain") solutions, which help the Company's customers to more efficiently manage their various transactions with their suppliers. 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 solutions and 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 historically has been 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 additional 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 ("FASB") Accounting Standards Update ("ASU") 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.

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 ("*GAAP*"). 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.

Available-for-Sale Debt Investments

We classify our investments in fixed income securities as available-for-sale debt investments. Our available-for-sale debt investments primarily consist of U.S. government, U.S. government agency, non-U.S. government and agency, corporate debt, U.S. agency mortgage-backed securities, commercial paper and certificates of deposit. These available-for-sale debt investments are primarily held in the custody of a major financial institution. A specific identification method is used to determine the cost basis of available-for-sale debt investments sold. These investments are recorded in the Consolidated Balance Sheets at fair value. Unrealized gains and losses on these investments are included as a separate component of accumulated other comprehensive income (“AOCI”). We classify our investments as current based on the nature of the investments and their availability for use in current operations.

Impairment Consideration of Investments

For our available-for-sale debt securities in an unrealized loss position, we determine whether a temporary or permanent credit loss exists. In this assessment, which requires judgment, among other factors, we consider the extent to which the fair value is less than the amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security. If factors indicate a permanent credit loss exists, an allowance for credit loss is recorded to other income (loss), net, limited by the amount that the fair value is less than the amortized cost basis. The amount of fair value change relating to all other factors will be recognized in other comprehensive income (“OCI”).

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 February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)* (“ASU 2016-02”). Under ASU 2016-02, lessees will be required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Effective July 1, 2019, the Company adopted the requirements of ASU 2016-02. All amounts and disclosures set forth in this Annual Report have been updated to comply with ASU 2016-02, with results for reporting periods beginning after July 1, 2019 presented under ASU 2016-02, while prior period amounts and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

Results of Operations – Fiscal Years Ended June 30, 2023 and 2022

Revenue

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Revenue	\$ 19,098,910	\$ 1,051,969	6%	\$ 18,046,941

During the fiscal year ended June 30, 2023, the Company had revenue of \$19,098,910 as compared to \$18,046,941 for the year ended June 30, 2022, an increase of 6%. The increase in revenue during the period was due to revenue growth in subscription, services and other recurring revenue in all areas of the business, particularly compliance and supply chain. This is the result of growing industry and consumer concern of food contaminations and food safety hazards whether biological, chemical, physical, or allergenic. The risks have elevated regulatory requirements, documentation requisites, and principally “where does your food come from?” transparency on grocery retailers and their suppliers. As more and more retailers, wholesalers and distributors adopt the risk concerns and disclosure requirements, the Company has seen a rising demand for its services.

During fiscal 2022, as COVID-19 disrupted supply chains and generated shortages in products, our ability to source hard to find items for our customers resulted in increased revenue attributable to MarketPlace. These products largely consisted of personal protective equipment (“PPE”) which includes nitrile gloves, masks, freezers and telecommunication equipment. While the Company experienced a significant increase in MarketPlace revenue for PPE during the height of COVID-19, it is uncertain what or if any demand for PPE will continue in fiscal 2024. As a result, we may experience significant swings in MarketPlace revenue as the pandemic continues to abate.

Although no assurances can be given, we continue to focus our sales efforts on marketing our software services on a recurring subscription basis and placing less emphasis on transactional revenue, including MarketPlace revenue. However, we believe there will continue to be a small percentage of customers that will require buying a particular service outright (i.e., a license). We will continue to make our best effort to reduce this non-recurring transactional revenue when we are able.

Cost of Services and Product Support

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Cost of service and product support	\$ 3,309,345	\$ 122,633	4%	\$ 3,186,712
Percent of total revenue	17%			18%

Cost of services and product support was \$3,309,345 or 17% of total revenue, and \$3,186,712 or 18% of total revenue for the years ended June 30, 2023 and 2022, respectively, an increase of 4%. This increase is primarily the result of (1) increased salary and IT support and maintenance costs. Given the rise in cyber-attacks around the globe, we continue to expand our cyber security infrastructure which includes expenditures on; (1) identification (2) protection (3) detection (4) response, and, (5) recovery. We increased spending by \$72,112 in the areas of detection, response and recovery during the period.

Sales and Marketing Expense

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Sales and marketing	\$ 4,933,405	\$ 79,479	2%	\$ 4,853,926
Percent of total revenue	26%			27%

The Company's sales and marketing expense was \$4,933,405, or 26% of total revenue, as compared to \$4,853,926, or 27% of total revenue, for the fiscal years ended June 30, 2023 and 2022, respectively, an increase of 2%. This increase in sales and marketing expense is primarily due to an increase in trade show expense, investment in FSMA 204 traceability marketing, and higher sales travel expense. As the pandemic continues to abate, many customers and prospects are returning to the "new normal" requiring in person meetings. The largest contributor to the increase in sales and marketing expense has been an increase in travel cost and trade shows. We believe this trend will continue as many of our trading partners, industry associations will continue to require our assistance in addressing their compliance and supply chain needs "in-person." Given the complexity of FSMA 204 requirements, our customers require additional assistance in evaluating their locations for onboarding. In many cases, this requires multiple onsite meetings with distribution centers, warehouse operations, and store locations.

General and Administrative Expense

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
General and administrative	\$ 4,685,783	\$ (30,348)	-1%	\$ 4,716,131
Percent of total revenue	25%			26%

The Company's general and administrative expense was \$4,685,783, or 25% of total revenue, and \$4,716,131 or 26% of total revenue for the years ended June 30, 2023 and 2022, respectively, a decrease of 1%. The decrease in general and administrative expense is primarily due to a refund of payroll taxes associated with the Employee Retention Credit ("ERC"). The ERC is a refund or certain payroll taxes for businesses that continued to pay employees while shut down temporarily due to the COVID-19 pandemic or had significant declines in gross receipts. During fiscal 2023, the Company received approximately \$1.175 million in payroll tax refunds, net of fees. The ERC refund was offset by increases in bad debt expense, increase costs of benefits for employees, and higher payroll costs due to a tight labor market.

Depreciation and Amortization Expense

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Depreciation and amortization	\$ 1,079,799	\$ 204,248	23%	\$ 875,551
Percent of total revenue	6%			5%

The Company's depreciation and amortization expense was \$1,079,799 and \$875,551 for the years ended June 30, 2023 and 2022, respectively, an increase of 23%. This increase is due to additional assets acquired in fiscal year 2023. As previously stated in Cost of Services and Product Support, we expend resources on both services and technology infrastructure. Historically, we spend between \$250-\$500k per annum on updating our hardware and cybersecurity infrastructure. During the period, we expended an additional \$327,323 on hardware and software for both our Murray, UT datacenter and our Las Vegas data center to further provide redundancy and bolster our technology infrastructure to defend against cyber-attacks.

Other Income and Expense

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Net other income and (expense)	\$ 821,082	\$ 1,102,640	392%	\$ (281,558)
Percent of total revenue	4%			2%

Net other income was \$821,082 compared to net other expense of \$281,558 for the years ended June 30, 2023 and 2022, respectively. Other income increased due to (1) an increase in interest income due to rising interest rates on fixed income instruments on excess cash; and (2) offset by realized losses of certain short-term investments held in U.S. treasuries and other securities that occurred in prior fiscal year. Although rising interest rates provided additional interest income, the Company recognized a decline in its bond portfolio and other fixed income instruments on excess cash. The Company has zero bank debt. However, the Company does recognize interest expense associated with employee credit cards and financing arrangements due to leases or other payment arrangements.

Preferred Dividends

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Preferred dividends	\$ 586,444	\$ -	-%	\$ 586,444
Percent of total revenue	3%			3%

Dividends accrued on the Company's Series B Preferred and Series B-1 Preferred was \$586,444 and \$586,444 for the years ended June 30, 2023 and 2022, respectively. Dividends remained flat in the comparable periods.

Financial Position, Liquidity and Capital Resources

We believe that 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 macroeconomic conditions, our rate of revenue growth, sales and marketing activities, the timing and extent of spending required for research and development efforts and the continuing market acceptance of our products and services.

	As of		Variance	
	June 30, 2023	June 30, 2022	Dollars	Percent
Cash and cash equivalents	\$ 23,990,879	\$ 21,460,948	\$ 2,529,931	12%

We have historically funded our operations with cash from operations, equity financings, and borrowings from our existing line of credit with U.S. Bank N.A., which was revised on October 6, 2021 and again in 2022.

Cash was \$23,990,879 and \$21,460,948 at June 30, 2023 and 2022, respectively. This 12% increase is principally the result of (1) sales growth, (2) collections of accounts receivable, (3) offset by paying down over \$2.6 million of our existing line of credit, and (3) the purchase of common stock under our existing buyback plan, and (4) payment of dividends on both the preferred stock and common stock. Cash was also impacted by lower overall cash operating expense, receiving cash in advance on subscriptions, and the previously disclosed \$1.1 million received in conjunction with the ERC.

Net Cash Flows from Operating Activities

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Cash provided by operating activities	\$ 8,860,019	\$ 2,758,402	45%	\$ 6,101,617

Net cash provided by operating activities is summarized as follows:

	Year Ended June 30, 2023	Year Ended June 30, 2022
Net income	\$ 5,590,289	\$ 4,003,095
Noncash expense and income, net	2,828,231	2,329,260
Net changes in operating assets and liabilities	441,499	(230,738)
	<u>\$ 8,860,019</u>	<u>\$ 6,101,617</u>

Net cash provided by operating activities for the year ended June 30, 2023 was \$8,860,019 compared to net cash provided by operating activities of \$6,101,617 for the year ended June 30, 2022. Net cash provided by operating activities increased 45% due largely to (1) higher revenue and collection of monthly subscription fees paid annually in advance, (2) collection of outstanding receivables, (3) an increase in prepaids and other assets and (3) an increase in deferred revenue offset by a decrease in accounts payable. Noncash expense increased by \$498,971 for the year ended June 30, 2023 compared to the year ended June 30, 2022 as a result of increased depreciation and amortization of certain assets and an increase in bad debt expense.

Net Cash Flows Used in Investing Activities

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Cash provided by (used in) investing activities	\$ (903,187)	\$ 2,226,449	168%	\$ 1,323,262

Net cash used in investing activities for the year ended June 30, 2023 was \$903,187 compared to net cash provided by investing activities of \$1,323,262 for the year ended June 30, 2022. This increase in cash used in investing activities for the year ended June 30, 2023 was due to the sale of property and equipment in prior fiscal year and the capitalization of software costs incurred in development of the ReposiTrak Traceability Network® (“RTN”).

Net Cash Flows from Financing Activities

	Year Ended June 30, 2023	\$ Change	% Change	Year Ended June 30, 2022
Cash used in financing activities	\$ (5,426,901)	\$ (4,607,352)	-46%	\$ (10,034,253)

Net cash used in financing activities totaled \$5,426,901 for the year ended June 30, 2023 compared to net cash used in financing activities of \$10,034,253 for the year ended June 30, 2022. The decrease in net cash used in financing activities is primarily attributable to the \$2.6 million payoff of our line of credit arrangement with a bank in prior fiscal year and the purchase of stock under the Share Repurchase Program. This was partially offset with the quarterly payment of cash dividends on common stock declared in prior fiscal year.

Liquidity and Working Capital

At June 30, 2023, the Company had positive working capital of \$23,042,199, as compared with positive working capital of \$20,485,875 at June 30, 2022. This \$2,556,324 increase in working capital is primarily due to a decrease in liability as a result of the payoff of a financing arrangement with a bank. Cash and cash equivalents also increased due to higher sales, cash-in-advance customers, higher rate of return on excess capital and the receipt of the previously disclosed \$1.1 million in conjunction of the ERC.

	As of June 30, 2023	As of June 30, 2022	Variance	
			Dollars	Percent
Current assets	\$ 27,274,620	\$ 26,582,709	\$ 691,911	3%

Current assets as of June 30, 2023 totaled \$27,274,620, an increase of \$691,911, as compared to \$26,582,709 as of June 30, 2022. The increase in current assets is primarily attributable to a net increase in cash and cash equivalents offset with a decrease in contract assets and prepaid expense of \$1,195,839 and a decrease in accounts receivable of \$642,181.

	As of	As of	Variance	
	June 30, 2023	June 30, 2022	Change	Percent
Current liabilities	\$ 4,232,421	\$ 6,096,834	\$ (1,864,413)	-31%
Current Ratio	6.44	4.36	2.08	48%

Current liabilities totaled \$4,232,421 as of June 30, 2023 as compared to \$6,096,834 as of June 30, 2022. The decrease in current liabilities is primarily attributable to the corresponding payoff of \$2.6 million in our line of credit. As of June 30, 2023, the Company has zero bank debt.

On October 6, 2021, the Company and the Bank executed the Credit Agreement, with an effective date of September 30, 2021 which is amended annually to reflect the needs of the Company.

The Credit Agreement replaces the Company's prior \$6.0 million Revolving Credit Agreement and Stand-Alone Revolving Note between the Company and the Bank, as amended and revised on January 9, 2019, and provides the Company with a \$10.0 million revolving line of credit that matures on March 31, 2023.

On April 28, 2023, the Company and the Bank executed an Amendment to the existing \$10.0 million Credit Agreement, with an effective date of March 31, 2023. The new amendment provisions to the existing \$10 million facility are (1) the Company will increase its liquidity requirement from \$10 million to \$12 million. Currently the Company maintains over \$22 million in cash and a current ratio of over 6:1. (2) Draws on the facility accrue interest at the annual rate equal to 1.75% plus the one-month SOFR rate instead of the previous LIBOR rate. As of June 30, 2023, the balance of the facility was zero. The Company has zero bank debt.

Furthermore, the Credit Agreement contains customary affirmative and negative covenants and conditions to borrowing, as well as customary events of default. Among other things, the Company must maintain liquid assets equal to \$12 million and maintain a Senior Funded Debt (as defined in the Credit Agreement) to EBITDA Ratio (as defined in the Credit Agreement) of not more than 3:1.

While no assurances can be given, management currently believes that the Company will continue to increase its cash flow from operations and working capital position in subsequent periods. The Company's increase in anticipated cash flow from operations and working capital position is expected to be offset by the use of cash required to fund the Company's quarterly cash dividends of \$0.015 per share, announced on September 28, 2022, December 30, 2022, February 10, 2023, March 21, 2023, June 20, 2023 and September 19, 2023, as well as the redemption and retirement of the Company's Series B Convertible Preferred Stock and Series B-1 Preferred Stock (together, the "Preferred Stock") for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214 (the "Preferred Redemption"). The Preferred Redemption is to occur over the next three years from September 12, 2023. The Company believes it will have adequate cash resources to fund its operations, satisfy its debt obligations, and fund its anticipated quarterly cash dividends and Preferred Redemption for at least the next 12 months.

Contractual Obligations

Total contractual obligations and commercial commitments as of June 30, 2023 are summarized in the following table:

	Operating Leases	Financing Leases
Less than 1Year	\$ 73,291	\$ 234,117
1-3 Years	153,245	210,345
3-5 Years	134,536	-
Total lease payments	361,072	444,462
Less imputed interest	(39,254)	(19,168)
Total	\$ 321,818	\$ 425,294

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. 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 Exchange Act, as of June 30, 2023. 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 Exchange Act 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 GAAP.

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, 2023, 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, 2023.

(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. OTHER INFORMATION

None.

PART III

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, 2023 (the "Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be incorporated by reference from Park City Group, Inc.'s Proxy Statement.

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 Proxy Statement.

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 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item will be incorporated by reference from Park City Group, Inc.'s Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits, Financial Statements and Schedules

Exhibit Number	Description
3.1	Articles of Incorporation (Incorporated by reference from the Company's Definitive Proxy Statement on Schedule 14C dated June 5, 2002).
3.2	Certificate of Amendment (Incorporated by reference from Exhibit 3.3 to the Company's Quarterly Report on Form 10-QSB for the quarter ended Sept 30, 2005, dated November 10, 2005).
3.3	Certificate of Amendment (Incorporated by reference from Exhibit 3.4 to the Company's Annual Report on Form 10-KSB for the year ended June 30, 2006, dated September 29, 2006).
3.4	Certificate of Amendment (Incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 28, 2017).
3.5	Amended and Restated Bylaws (Incorporated by reference from Exhibit 3.1 the Company's Current Report on Form 8-K dated October 21, 2016).

- [4.1](#) Certificate of Designation of the Series B Convertible Preferred Stock (Incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K dated July 21, 2010).
- [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. (Incorporated by reference from Exhibit 4.1 the Company's Current Report on Form 8-K dated January 14, 2016).
- [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. (Incorporated by reference from Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 14, 2016).
- [10.1](#) Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated September 15, 2009 (Incorporated by reference from Exhibit 10.1 the Company's Current Report on Form 8-K dated September 30, 2009).
- [10.2](#) Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated May 5, 2010 (Incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K dated May 6, 2010).
- [10.3](#) Second Amended and Restated 2011 Stock Incentive Plan, dated April 1, 2013 (Incorporated by reference from Exhibit 10.1 to the Company's Registration Statement on Form S-8, dated September 4, 2013).
- [10.4](#) Second Amended and Restated 2011 Employee Stock Purchase Plan, dated April 1, 2013 (Incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-8, dated September 4, 2013).
- [10.5](#) Fields Employment Agreement (Incorporated by reference from Exhibit 10.8 to the Company's Annual Report on Form 10-K dated September 11, 2014).
- [10.6](#) Services Agreement (Incorporated by reference from the Company's Annual Report on Form 10-K dated September 11, 2014).
- [10.7](#) 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 (Incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated November 7, 2016).
- [10.8](#) Amendment No. 1 to the Second Amended and Restated 2011 Stock Incentive Plan of Park City Group, Inc., dated August 3, 2017 (Incorporated by reference from Exhibit 10.1 to the Company's Registration Statement on Form S-8 dated November 9, 2017).
- [10.9](#) Amendment No. 1 to the Second Amended and Restated 2011 Employee Stock Purchase Plan of Park City Group, Inc., dated August 3, 2017 (Incorporated by reference from Exhibit 10.2 to the Company's Registration Statement on Form S-8 dated November 9, 2017).
- [10.10](#) Amendment to Services Agreement (Incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q dated May 10, 2018).
- [10.11](#) Amendment to Note, by and between U.S. Bank National Association and the Company, dated January 9, 2019 (Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K dated January 15, 2019).
- [10.12](#) Master Lease Agreement dated January 9, 2019 (Incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K dated January 15, 2019).
- [10.13](#) Employment Agreement by and between John Merrill and Park City Group, Inc., dated May 29, 2019 (Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 31, 2019).
- [10.14](#) Loan Agreement by and between U.S. Bank National Association and the Company, dated April 23, 2020 (Incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K dated April 27, 2020).
- [10.15](#) Amendment No. 2 to the Second Amended and Restated 2011 Employee Stock Purchase Plan of Park City Group, Inc., dated March 17, 2021 (Incorporated by reference from Exhibit 10.1 to the Company's Registration Statement on Form S-8 dated April 12, 2021).
- [10.16](#) Revolving Credit Note and Revolving Credit Agreement, dated September 30, 2021, between Park City Group, Inc., and U.S. Bank National Association. (Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K dated October 12, 2021).
- [10.17](#) Addendum to Revolving Credit Agreement, dated September 30, 2021, between Park City Group, Inc., and U.S. Bank National Association. (Incorporated by reference from Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 12, 2021).

10.18	Employment Agreement by and between Park City Group, Inc. and John Merrill, dated September 6, 2022 (Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 8, 2022).
14.1	Code of Ethics and Business Conduct (Incorporated by reference from the Company's Annual Report Form 10-KSB for the period ended June 30, 2008, dated September 29, 2008).
21	List of Subsidiaries (Incorporated by reference from the Company's Annual Report on Form 10-K for the period ended June 30, 2017, dated September 13, 2017).
23.1	Consent of Haynie & Company, dated September 28, 2023*
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 *
101.INS	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document*
101.SCH	Inline XBRL Taxonomy Extension Schema*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase*
104	Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith

SIGNATURES

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

PARK CITY GROUP, INC.

(Registrant)

Date: September 28, 2023


By: /s/ Randall K. Fields
Principal Executive Officer,
Chair 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	Chair of the Board and Director, Chief Executive Officer (Principal Executive Officer)	September 28, 2023
<u>/s/ John Merrill</u> John Merrill	Chief Financial Officer (Principal Financial Officer & Principal Accounting Officer)	September 28, 2023
<u>/s/ Robert W. Allen</u> Robert W. Allen	Director, and Compensation Committee Chair	September 28, 2023
<u>/s/ Peter J. Larkin</u> Peter J. Larkin	Director	September 28, 2023
<u>/s/ Ronald C. Hodge</u> Ronald C. Hodge	Director, and Audit Committee Chair	September 28, 2023



1785 West 2320 South
Salt Lake City, UT 84119

 801-972-4800

 801-972-8941

 www.HaynieCPAs.com

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 consolidated balance sheets of Park City Group, Inc. (the Company) as of June 30, 2023, and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2023, 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, 2023, and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

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 Public Company Accounting Oversight Board (United States) (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



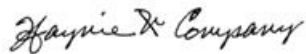
Description of the Matter:

The Company recognized approximately \$19 million in revenue during the year ended June 30, 2023. As discussed in Note 2 to the financial statements, the Company enters into several different types of revenue arrangements that often consist of multiple performance obligations. Management must use judgment to determine the appropriate value and allocation of revenue to these performance obligations.

Auditing management's assumptions and judgments can be complex, involves judgment, and requires a thorough understanding of the Company's various revenue streams.

How We Addressed the Matter in Our Audit:

We obtained and reviewed documentation to support the revenue recognition criteria. We tested performance obligations by reviewing the underlying contracts, evaluating management's determination of the method and timing of measuring revenue, and testing management's allocation of revenue to the performance obligations. Lastly, we tested the design and operating effectiveness of internal controls over the revenue cycle as well as the Information Technology General Controls around the revenue cycle.



Haynie & Company
Salt Lake City, Utah
September 28, 2023
PCAOB ID Number 457

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

PARK CITY GROUP, INC.
Consolidated Balance Sheets

	June 30, 2023	June 30, 2022
Assets		
Current Assets		
Cash	\$ 23,990,879	\$ 21,460,948
Receivables, net of allowance for doubtful accounts of \$170,103 and \$206,093 at June 30, 2023 and 2022, respectively	2,523,019	3,165,200
Contract asset – unbilled current portion	186,959	649,433
Prepaid expense and other current assets	573,763	1,307,128
Total Current Assets	27,274,620	26,582,709
Property and equipment, net	986,300	764,517
Other Assets:		
Deposits and other assets	22,414	22,414
Prepaid expense – less current portion	36,282	82,934
Contract asset – unbilled long-term portion	108,052	108,052
Operating lease – right-of-use asset	310,796	368,512
Customer relationships	262,800	394,200
Goodwill	20,883,886	20,883,886
Capitalized software costs, net	698,281	114,488
Total Other Assets	22,322,511	21,974,486
Total Assets	\$ 50,583,431	\$ 49,321,712
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 431,387	\$ 690,638
Accrued liabilities	1,620,000	1,206,284
Contract liability – deferred revenue	1,903,001	1,555,143
Lines of credit	-	2,590,907
Operating lease liability – current	58,771	53,862
Notes payable and financing leases – current	219,262	-
Total current liabilities	4,232,421	6,096,834
Long-term liabilities		
Operating lease liability – less current portion	263,047	321,818
Notes payable and financing leases – less current portion	206,032	-
Total liabilities	4,701,500	6,418,652
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, 2023 and 2022;	6,254	6,254
Series B-1 Preferred, 550,000 shares authorized; 212,402 shares issued and outstanding at June 30, 2023 and 2022, respectively	2,124	2,124
Common Stock, \$0.01 par value, 50,000,000 shares authorized; 18,309,051 and 18,460,538 issued and outstanding at June 30, 2023 and 2022, respectively	183,093	184,608
Additional paid-in capital	67,732,887	68,653,361
Accumulated deficit	(22,042,427)	(25,943,287)
Total stockholders' equity	45,881,931	42,903,060
Total liabilities and stockholders' equity	\$ 50,583,431	\$ 49,321,712

See accompanying notes to consolidated financial statements.

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

	For the Years Ended	
	June 30,	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 19,098,910	\$ 18,046,941
Operating expense:		
Cost of revenue and product support	3,309,345	3,186,712
Sales and marketing	4,933,405	4,853,926
General and administrative	4,685,783	4,716,131
Depreciation and amortization	1,079,799	875,551
Total operating expense	<u>14,008,332</u>	<u>13,632,320</u>
Income from operations	5,090,578	4,414,621
Other income (expense):		
Interest income	821,777	199,124
Interest expense	(60,990)	(44,307)
Realized loss on short term investments	-	(347,645)
Unrealized loss on short term investments	(9,752)	-
Other gain (loss)	70,047	(88,730)
Income before income taxes	<u>5,911,660</u>	<u>4,133,063</u>
(Provision) for income taxes	(321,371)	(129,968)
Net income	<u>5,590,289</u>	<u>4,003,095</u>
Dividends on Preferred Stock	(586,444)	(586,444)
Net income applicable to common shareholders	<u>\$ 5,003,845</u>	<u>\$ 3,416,651</u>
Weighted average shares, basic	<u>18,406,000</u>	<u>19,087,000</u>
Weighted average shares, diluted	<u>18,766,000</u>	<u>19,380,000</u>
Basic earnings per share	<u>\$ 0.27</u>	<u>\$ 0.18</u>
Diluted earnings per share	<u>\$ 0.27</u>	<u>\$ 0.18</u>

See accompanying notes to consolidated financial statements.

PARK 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, 2021	625,375	\$ 6,254	212,402	\$ 2,124	19,351,935	\$ 193,522	\$ 74,298,924	\$ (29,359,938)	\$ 45,140,886
Stock issued for:									
Accrued compensation	-	-	-	-	66,775	668	383,571	-	384,239
Cash	-	-	-	-	25,103	251	108,926	-	109,177
Preferred Dividends-Declared	-	-	-	-	-	-	-	(586,444)	(586,444)
Stock Buyback	-	-	-	-	(983,275)	(9,833)	(6,138,060)	-	(6,147,893)
Net income	-	-	-	-	-	-	-	4,003,095	4,003,095
Balance, June 30, 2022	<u>625,375</u>	<u>\$ 6,254</u>	<u>212,402</u>	<u>\$ 2,124</u>	<u>18,460,538</u>	<u>\$ 184,608</u>	<u>\$ 68,653,361</u>	<u>\$ (25,943,287)</u>	<u>\$ 42,903,060</u>
Stock issued for:									
Accrued compensation	-	-	-	-	55,463	555	294,052	-	294,607
Cash	-	-	-	-	24,647	246	92,481	-	92,727
Preferred Dividends-Declared	-	-	-	-	-	-	-	(586,444)	(586,444)
Common Stock Dividends - Declared	-	-	-	-	-	-	-	(1,102,985)	(1,102,985)
Stock Buyback	-	-	-	-	(231,597)	(2,316)	(1,307,007)	-	(1,309,323)
Net income	-	-	-	-	-	-	-	5,590,289	5,590,289
Balance, June 30, 2023	<u>625,375</u>	<u>\$ 6,254</u>	<u>212,402</u>	<u>\$ 2,124</u>	<u>18,309,051</u>	<u>\$ 183,093</u>	<u>\$ 67,732,887</u>	<u>\$ (22,042,427)</u>	<u>\$ 45,881,931</u>

See accompanying notes to consolidated financial statements.

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

	For the Years Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 5,590,289	\$ 4,003,095
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,079,799	875,551
Amortization of operating right of use asset	57,716	326,858
Stock compensation expense	390,716	422,101
Bad debt expense	1,300,000	621,667
Gain on disposal of assets	-	(24,737)
Loss on sale of property and equipment	-	107,820
(Increase) decrease in:		
Trade receivables	(195,345)	412,502
Long-term receivables, prepaids and other assets	559,009	(527,126)
(Decrease) increase in:		
Accounts payable	(259,251)	223,444
Operating lease liability	(53,862)	(319,690)
Accrued liabilities	43,090	180,330
Deferred revenue	347,858	(200,198)
Net cash provided by operating activities	<u>8,860,019</u>	<u>6,101,617</u>
Cash flows from investing activities:		
Sale of property and equipment	-	1,374,085
Purchase of property and equipment	(133,944)	(50,823)
Capitalization of software development costs	(769,243)	-
Net cash (used in) provided by investing activities	<u>(903,187)</u>	<u>1,323,262</u>
Cash flows from financing activities:		
Net (decrease) increase in lines of credit	(2,590,907)	(3,409,093)
Common stock buy-back/retirement	(1,309,323)	(6,147,893)
Proceeds from employee stock plan	92,727	109,177
Dividends paid	(1,414,912)	(586,444)
Payments on notes payable and capital leases	(204,486)	-
Net cash used in financing activities	<u>(5,426,901)</u>	<u>(10,034,253)</u>
Net (decrease) increase in cash and cash equivalents	2,529,931	(2,609,374)
Cash and cash equivalents at beginning of period	21,460,948	24,070,322
Cash and cash equivalents at end of period	<u>\$ 23,990,879</u>	<u>\$ 21,460,948</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	\$ 296,484	\$ 185,068
Cash paid for interest	\$ 59,081	\$ 45,777
Cash paid for operating leases	\$ 71,157	\$ 105,084
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Common Stock to pay accrued liabilities	\$ 294,607	\$ 384,239
Dividends accrued on Preferred Stock	\$ 586,444	\$ 586,444

See accompanying notes to consolidated financial statements.

PARK CITY GROUP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2023 and June 30, 2022

NOTE 1. DESCRIPTION OF BUSINESS

Summary of Business

Park City Group, Inc., a Nevada corporation (“*Park City Group*”, “*We*”, “*us*”, “*our*” or the “*Company*”) is a Software-as-a-Service (“*SaaS*”) provider, and the parent company of ReposiTrak, Inc., a Utah corporation (“*ReposiTrak*”) 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, and source hard-to-get-things.

The Company’s services are grouped in three application suites: (i) ReposiTrak MarketPlace (“*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 (“*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 (“*Supply Chain*”) solutions, which help the Company’s customers to more efficiently manage their various transactions with their suppliers.

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 manage these relationships more efficiently, enhancing revenue while lowering working capital, labor costs and waste. The Company’s Compliance and Food Safety 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 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) (“*PCG Utah*”); Park City Group, Inc., a Delaware corporation (100% owned) (“*PCG Delaware*”); and ReposiTrak (100% owned) (PCG Utah, PCG Delaware, and ReposiTrak are, collectively, the “*Subsidiaries*”). All intercompany transactions and balances have been eliminated in the Company’s consolidated financial statements, which contain the operating results of the operations of PCG Delaware and ReposiTrak. Park City Group 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 www.parkcitygroup.com, and ReposiTrak’s website address is www.repositrak.com.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements presented herein reflect the consolidated financial position of Park City Group 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 (“GAAP”) 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 (the “SEC”) 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, 2023. The customer had a balance of \$962,300 and \$962,300 for June 30, 2023 and June 30, 2022, 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:

	Years
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:

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

Goodwill and intangible assets deemed to have indefinite lives are subject to annual impairment tests. Other intangible assets are amortized over their useful lives.

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, 2023 and 2022, the Company did not incur any expense associated with warranty claims.

Adoption of ASC 718, *Compensation – Stock Compensation*

From time to time, the Company issues shares of common stock as share-based compensation to employees and non-employees. The Company accounts for its share-based compensation to employees in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, *Compensation – Stock Compensation* (“Topic 718”). Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service or vesting period.

In prior periods through September 30, 2019, the Company accounted for share-based compensation issued to non-employees and consultants in accordance with the provisions of FASB ASC Subtopic 505-50, *Equity – Equity-based Payments to Non-employees* (“Subtopic 505-50”). Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The final fair value of the share-based payment transaction is determined at the performance completion date. For interim periods, the fair value is estimated, and the percentage of completion is applied to that estimate to determine the cumulative expense recorded.

The Company adopted Topic 718 during the second quarter of fiscal year 2020. Topic 718 did not have a material impact on the Company’s consolidated financial statements.

Adoption of ASU 2016-02 “*Leases (Topic 842)*”

Under the new guidance, lessees will be required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The Company adopted the requirements of ASU 2016-02 utilizing the modified retrospective method of transition to identified leases as of July 1, 2019 (the “Effective Date”). The recognition of additional operating lease liabilities was \$82,517 for the current portion and \$760,172 for the long-term portion and corresponding operating right-of-use assets were recorded in the amount of \$842,689. This represents the operating lease existing as of the Effective Date which has a lease term of three years with the option for two additional three-year terms.

On June 21, 2018, the Company entered into an office lease at 5282 South Commerce Drive Suite D292, Murray, Utah 84107, providing for the lease of approximately 9,800 square feet, commencing on March 1, 2019. The monthly rent is \$10,200. The initial term of the lease is three years. The Company has the option of renewing for an additional two three-year terms.

On March 1, 2022, the Company exercised the option to renew the office lease for an additional three-year term. Terms of the lease were modified to reduce the space from 9,800 square feet to approximately 5,000 square feet commencing March 1, 2022. The monthly rent was reduced to \$5,871 per month with an annual increase of 3% each year. The Company has the option of renewing for an additional three-year term.

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, if the contract has commercial substance and if 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 FASB ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606"), paragraph 606-10-55-18 ("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.

Management expects that incremental commission fees paid as a result of obtaining a contract are recoverable and therefore the Company capitalized them as contract costs. The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

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, 2022	\$ 757,485
Revenue recognized during the period but not billed	10,000
Amounts reclassified to accounts receivable	(442,001)
Other	(30,473)
Balance – June 30, 2023	<u>\$ 295,011(1)</u>

(1) Contract asset balances for June 30, 2023 include a current and a long-term contract asset of \$186,959 and \$108,052, respectively.

Our contract assets and liabilities are reported 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, 2022	\$ 1,555,143
Amounts billed but not recognized as revenue	1,903,001
Revenue recognized related to the opening balance of deferred revenue	(1,555,143)
Balance – June 30, 2023	<u>\$ 1,903,001</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 contract-type. All revenues for the years ending June 30, 2023 and 2022 were generated from sales in North America. 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:

	Year Ended, June 30		Chg \$	Chg %
	2023	2022		
Recurring – Subscription, Support and Services	\$ 19,028,993	\$ 17,857,666	\$ 1,171,327	7%
Non – Recurring – Services	69,917	81,021	(11,104)	-14%
Transaction Based	-	108,254	(108,254)	-100%
Total	<u>\$ 19,098,910</u>	<u>\$ 18,046,941</u>	<u>\$ 1,051,969</u>	<u>6%</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.

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 \$20,735 and \$22,673 for the years ended June 30, 2023 and 2022, 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 shares of the Company's common stock, par value \$0.01 ("*Common Stock*") 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 anti-dilutive effect on net income per share of Common Stock.

For the year ended June 30, 2023, warrants to purchase 1,085,068 shares of Common Stock were included in the computation of Diluted EPS, and warrants to purchase 23,737 shares of Common Stock were excluded the computation of Diluted EPS due to the anti-dilutive effect. For the year ended June 30, 2022, warrants to purchase 1,085,068 shares of Common Stock were included in the computation of Diluted EPS, and warrants to purchase 23,737 shares of Common Stock were excluded 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, 2023.

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

	Year ended June 30,	
	2023	2022
Numerator		
Net income applicable to common shareholders	\$ 5,003,845	\$ 3,416,651
Denominator		
Weighted average common shares outstanding, basic	18,406,000	19,087,000
Warrants to purchase Common Stock	360,000	293,000
Weighted average common shares outstanding, diluted	18,766,000	19,380,000
Net income per share		
Basic	\$ 0.27	\$ 0.18
Diluted	\$ 0.27	\$ 0.18

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.

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.

Available-for-Sale Debt Investments

We classify our investments in fixed income securities as available-for-sale debt investments. Our available-for-sale debt investments primarily consist of U.S. government, U.S. government agency, non-U.S. government and agency, corporate debt, U.S. agency mortgage-backed securities, commercial paper and certificates of deposit. These available-for-sale debt investments are primarily held in the custody of a major financial institution. A specific identification method is used to determine the cost basis of available-for-sale debt investments sold. These investments are recorded in the Consolidated Balance Sheets at fair value. Unrealized gains and losses on these investments are included as a separate component of accumulated other comprehensive income ("*AOCI*"). We classify our investments as current based on the nature of the investments and their availability for use in current operations.

Impairment Consideration of Investments

For our available-for-sale debt securities in an unrealized loss position, we determine whether a temporary or permanent credit loss exists. In this assessment, which requires judgment, among other factors, we consider the extent to which the fair value is less than the amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security. If factors indicate a permanent credit loss exists, an allowance for credit loss is recorded to other income (loss), net, limited by the amount that the fair value is less than the amortized cost basis. The amount of fair value change relating to all other factors will be recognized in other comprehensive income ("OCI").

NOTE 3. RECEIVABLES

Accounts receivable consist of the following at June 30:

	2023	2022
Accounts receivable	\$ 2,693,122	\$ 3,371,293
Allowance for doubtful accounts	(170,103)	(206,093)
	<u>\$ 2,523,019</u>	<u>\$ 3,165,200</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 4. PROPERTY AND EQUIPMENT

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

	2023	2022
Computer equipment	\$ 2,611,309	\$ 2,477,531
Furniture and equipment	180,976	180,976
Leased equipment	629,947	-
Leasehold improvements	681,314	681,314
	<u>4,103,546</u>	<u>3,339,821</u>
Less accumulated depreciation and amortization	(3,117,246)	(2,575,304)
	<u>\$ 986,300</u>	<u>\$ 764,517</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$541,942 and \$418,332, respectively.

NOTE 5. CAPITALIZED SOFTWARE COSTS

Capitalized software costs consist of the following at June 30:

	2023	2022
Capitalized software costs	\$ 3,678,289	\$ 2,909,044
Less accumulated amortization	(2,980,008)	(2,794,556)
	<u>\$ 698,281</u>	<u>\$ 114,488</u>

Amortization expense for the years ended June 30, 2023 and 2022 was \$185,452 and \$57,244, respectively.

NOTE 6. ACQUISITION RELATED INTANGIBLE ASSETS, NET

Customer relationships consist of the following at June 30:

	2023	2022
Customer relationships	\$ 5,537,161	\$ 5,537,161
Less accumulated amortization	(5,274,361)	(5,142,961)
	<u>\$ 262,800</u>	<u>\$ 394,200</u>

Amortization expense for the years ended June 30, 2023 and 2022 was \$131,400 and \$131,400, respectively.

NOTE 7. ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30:

	2023	2022
Accrued stock-based compensation	\$ 387,044	\$ 379,176
Accrued compensation and other liabilities	682,901	576,645
Accrued taxes	131,178	106,103
Accrued dividends	418,877	144,360
	<u>\$ 1,620,000</u>	<u>\$ 1,206,284</u>

NOTE 8. LINE OF CREDIT

On October 6, 2021, the Company and U.S. Bank N.A. (the “Bank”) executed a Revolving Credit Agreement (the “Revolving Credit Agreement”) and accompanying addendum (the “Addendum”), and Stand-Alone Revolving Note (the “Note” and collectively with the Revolving Credit Agreement and Addendum, the “Credit Agreement”), with an effective date of September 30, 2021.

The Credit Agreement replaces the Company’s prior \$6.0 million Revolving Credit Agreement and Stand-Alone Revolving Note between the Company and the Bank, as amended and revised on January 9, 2019, and provides the Company with a \$10.0 million revolving line of credit that matures on March 31, 2023.

On April 28, 2023, the Company and the Bank executed an Amendment to the Credit Agreement, with an effective date of March 31, 2023. The new amendment provisions to the existing \$10 million facility are: (1) the Company will increase its liquidity requirement from \$10 million to \$12 million. Currently the Company maintains over \$22 million in cash and a current ratio of over 6:1; and (2) Draws on the facility accrue interest at the annual rate equal to 1.75% plus the one-month SOFR rate instead of the previous LIBOR rate. As of June 30, 2023, the balance of the facility was zero. The Company has zero bank debt.

Furthermore, the Credit Agreement contains customary affirmative and negative covenants and conditions to borrowing, as well as customary events of default. Among other things, the Company must maintain liquid assets equal to \$12 million and maintain a Senior Funded Debt (as defined in the Credit Agreement) to EBITDA Ratio (as defined in the Credit Agreement) of not more than 3:1.

NOTE 9. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30:

	2023	2022
Subscription	\$ 1,543,455	\$ 1,188,003
Other	359,546	367,140
	<u>\$ 1,903,001</u>	<u>\$ 1,555,143</u>

NOTE 10. 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:

	2023	2022
Deferred tax assets:		
NOL carryover	\$ 9,539,700	\$ 11,506,800
Capital loss carryover	38,600	-
Allowance for bad debts	44,200	53,600
Accrued expenses	199,000	182,400
Operating lease ROU	1,000	-
Depreciation	(247,500)	(653,900)
Amortization	(932,100)	(809,800)
Valuation allowance	(8,642,900)	(10,279,100)
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, 2023 and 2022 due to the following:

	2023	2022
Book income	\$ 1,453,475	\$ 1,036,124
Stock for services	15,824	3,559
Change in accrual	16,586	105,178
Life insurance	14,933	17,626
Meals and entertainment	844	514
Change in allowance	(9,357)	(7,436)
Change in depreciation	(181,879)	(33,288)
Unrealized gain	2,536	13,383
Operating lease ROU	1,002	-
Excess	-	353,201
Capital loss carryover	-	(38,622)
NOL utilization	(1,313,964)	(1,450,239)
Valuation allowance	-	-
	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2023, the Company had net operating loss carryforwards of approximately \$36,691,234 that may be offset against past and future taxable income from the year 2023 forward. A significant portion of the net operating loss carryforwards began to expire in 2019. No tax benefit has been reported in the June 30, 2023 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 carryforwards. 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, 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, 2023, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before June 30, 2020.

NOTE 11. 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 U.S. Bank to finance equipment and services related to the Company's expansion and relocation pursuant to that certain lease agreement, originally entered into by and between the Company and U.S. Bank on January 9, 2019 (the "Lease Agreement"). Pursuant to the Lease Agreement, as of May 1, 2019, U.S. 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 July 30, 2020 the Company made an early repayment of the entire outstanding balance on the note payable due to U.S. Bank in the amount of \$960,208. The repayment amount included \$64,721 of accrued interest. No repayment penalties were incurred as a result of the transaction.

On June 21, 2018 the Company entered into an office lease at 5282 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.

On March 1, 2022, the Company exercised the option to renew the office lease for an additional three-year term. Terms of the lease were modified to reduce the space to approximately 5,000 square feet commencing March 1, 2022. The monthly rent is \$5,871 with an annual increase of 3% each year. The Company has the option of renewing for an additional three-year term.

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

Year ending June 30:

2024	\$	73,291
2025	\$	49,291

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 12. 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, 2023 and 2022.

NOTE 13. 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 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 cash or 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 Amended 2011 Plan is 675,000 shares.

A Committee of independent members of the Company’s Board of Directors administers the Amended 2011 Plan. The exercise price for each share of Common Stock purchasable under any incentive stock option granted under the Amended 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, 2023 and 2022 the Company issued 38,291 and 59,988 shares to its directors and 43,523 and 31,890 shares to employees and consultants, respectively, under the Amended 2011 Plan. The Company, under its Share Repurchase Program, repurchased 231,597 and 983,275 shares of its Common Stock during the years ended June 30, 2023 and 2022, respectively. Those shares were cancelled and returned to authorized but unissued shares. The Company holds no treasury stock. Vested and issued shares under the Amended 2011 plan for the fiscal year ending June 30, 2023 and June 30, 2022 totaling 25,995 and 16,480, respectively, are included in the roll-forward of restricted stock units below.

Restricted Stock Units

	Restricted Stock Units	Weighted Average Grant Date Fair Value (\$/share)
Outstanding at July 1, 2021	841,316	5.34
Granted	98,192	5.54
Vested and issued	(16,480)	6.36
Forfeited	(16,873)	5.35
Outstanding at June 30, 2022	906,155	5.34
Granted	61,859	5.02
Vested and issued	(25,995)	5.77
Forfeited	(34,568)	5.52
Outstanding at June 30, 2023	907,451	5.30

The number of restricted stock units outstanding at June 30, 2023 includes 35,054 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, 2023, there was approximately \$4.8 million of unrecognized stock-based compensation obligations under our equity compensation plans. The stock-based compensation obligation is in connection with certain employment agreements which have a deferral option at the Board’s discretion. At the end of the deferral period, the stock-based compensation expense associated with the obligation is expected to be recognized on a straight-line basis over a period of three years.

Warrants

Outstanding warrants were issued in connection with private placements of the Company's Common Stock and with the restructuring of the Series B Preferred that occurred in March of 2018. The following table summarizes information about fixed stock warrants outstanding at June 30, 2023:

Warrants Outstanding at June 30, 2023				Warrants Exercisable at June 30, 2023	
Range of exercise prices	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 4.00	1,085,068	2.60	\$ 4.00	1,085,068	\$ 4.00
\$ 10.00	23,737	2.57	\$ 10.00	23,737	\$ 10.00
	<u>1,108,805</u>	<u>2.60</u>	<u>\$ 4.13</u>	<u>1,108,805</u>	<u>\$ 4.13</u>

Preferred Stock

The Company's articles of incorporation currently authorizes the issuance of up to 30,000,000 shares of 'blank check' preferred stock, par value \$0.01 ("*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 by the issuance of additional shares of Series B Preferred, or Series B-1 Preferred, as applicable.

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*").

As of June 30, 2023, 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

On May 9, 2019, our Board of Directors approved the repurchase of up to \$4.0 million in shares of our Common Stock, which repurchases may be made in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices (the "*Share Repurchase Program*"). 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 10b-18 of the Exchange Act. On March 17, 2020, the Board, given the extreme uncertainty due to COVID-19 at the time, suspended the Share Repurchase Program.

On May 18, 2021, our Board of Directors resumed its Share Repurchase Program, and increased the number of shares of Common Stock available to repurchase under the Share Repurchase Program by an additional \$4 million bringing the total number of Common Stock authorized to repurchase under the Share Repurchase Program to \$8.0 million.

On August 31, 2021 our Board of Directors approved an increase of \$4.0 million in the number of shares of Common Stock available to repurchase under the Share Repurchase Program, and on May 10, 2022, our Board of Directors approved an increase of \$9.0 million in the number of shares of Common Stock available to repurchase under the Share Repurchase Program, bringing the total number of Common Stock authorized to repurchase under the Share Repurchase Program as of June 30, 2023 to \$21.0 million.

Since inception of the Share Repurchase Program through June 30, 2023, a total of 1,945,666 shares of Common Stock have been repurchased at an average purchase price of \$5.91, resulting in \$9,507,781 remaining available to repurchase under the current Share Repurchase Program. From time-to-time, our Board of Directors may authorize further increases to our Share Repurchase Program. In addition, the Share Repurchase Program may also be suspended for periods of time or discontinued at any time, at the Board's discretion.

The following table provides information about repurchases of our Common Stock registered pursuant to Section 12 of the Exchange Act, during the years ended June 30, 2023 and 2022:

Period (1)	Total Number of Shares Purchased by Period	Average Price Paid Per Share	Dollars Expended by Period Under the Plans or Programs	Remaining Amount Available for Future Share Repurchases Under the Plans or Programs
Year Ended June 30, 2022:				
July 1, 2021 – September 30, 2021	7,600	\$ 5.43	\$ 41,276	\$ 7,909,609
October 1, 2021 – December 31, 2021	244,552	\$ 5.85	\$ 1,429,697	\$ 6,479,912
January 1, 2022 – March 31, 2022	538,376	\$ 6.95	\$ 3,741,477	\$ 2,738,435
April 1, 2022 – June 30, 2022	192,747	\$ 4.78	\$ 921,331	\$ 10,817,104
Year Ended June 30, 2023:				
July 1, 2022 – September 30, 2022	20,859	\$ 4.97	\$ 103,657	\$ 10,713,447
October 1, 2022 – December 31, 2022	88,741	\$ 5.05	\$ 448,266	\$ 10,265,181
January 1, 2023 – March 31, 2023	74,150	\$ 5.79	\$ 429,271	\$ 9,835,910
April 1, 2023 – June 30, 2023	47,847	\$ 6.86	\$ 328,129	\$ 9,507,781

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

NOTE 14. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)* ("ASU 2016-02"). Under ASU 2016-02, lessees will be required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Effective July 1, 2019, the Company adopted the requirements of ASU 2016-02. All amounts and disclosures set forth in this Annual Report have been updated to comply with this new standard with results for reporting periods beginning after July 1, 2019 presented under ASU 2016-02, while prior period amounts and disclosures are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

NOTE 15. RELATED PARTY TRANSACTIONS

Service Agreement. During the year ended June 30, 2023, 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 Chair of the Board of Directors, controls FMI. The Company had no payables to FMI at June 30, 2023 and 2022 respectively, under the Service Agreement.

NOTE 16. SUBSEQUENT EVENTS

On September 12, 2023, the Company announced its plans to commence the redemption and retirement of its Series B Convertible Preferred Stock and Series B-1 Preferred Stock (together, the “*Preferred Stock*”) for their stated value, or \$10.70 for each share of Preferred Stock, resulting in an aggregate purchase price of \$8,964,214 (the “*Preferred Redemption*”). The Preferred Redemption is to occur over the next three years from September 12, 2023.

On September 19, 2023, the Company’s Board of Directors declared a quarterly cash dividend of \$0.015 per share (\$0.06 per year), payable to shareholders of record on September 29, 2023, to be paid to shareholders of record on or about November 11, 2023. Based on the closing price on September 29, 2023, this represented an annual dividend yield of approximately 1.06%. Subsequent quarterly dividends will be paid within 45 days of the shareholders of record date of December 31, March 31, June 30 and September 30.

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



1785 West 2320 South
Salt Lake City, UT 84119

801-972-4800

801-972-8941

www.HaynieCPAs.com

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in this Annual Report on Form 10-K of Park City Group, Inc. for the year ended June 30, 2023, of our report dated September 28, 2023, included in its Registration Statements on Form S-8 (No. 333-255189) and S-3 (No. 333-273940) relating to the financial statements for the year ended June 30, 2023, listed in the accompanying index.

Haynie & Company

Haynie & Company
Salt Lake City, Utah
September 28, 2023



**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(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 financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (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 28, 2023

By: /s/ Randall K. Fields
Randall K. Fields
Chief Executive Officer and Chair of the Board
(Principal Executive Officer)

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

I, John R. 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(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 financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (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 28, 2023

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

**ERTIFICATION 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 accompanying Annual Report of Park City Group, Inc. (the "*Company*") on Form 10-K for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on or about the date hereof (the "*Report*"), the undersigned, Randall K. Fields, Principal Executive Officer of the Company, and 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 their 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 28, 2023

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

Date: September 28, 2023

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