

---

---

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

---

**FORM 10-Q**

---

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

For the quarterly period ended: **September 30, 2016**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-50302**

**SILVERSUN TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**16-1633636**

(IRS Employer Identification No.)

**5 Regent Street**

**Livingston, NJ 07039**

(Address of principal executive offices)

**(973) 396-1720**

(Registrant's telephone number, including area code)

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 past 12 months, 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of November 11, 2016, there were 4,410,736 shares outstanding of the registrant's common stock.

---

SILVERSUN TECHNOLOGIES, INC.

TABLE OF CONTENTS

|   | <u>Page No.</u> |
|---|-----------------|
| <b>PART I. FINANCIAL INFORMATION</b>  |                 |
| Item 1. <a href="#">Condensed Consolidated Financial Statements (unaudited):</a>  | 3               |
| <a href="#">Condensed Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015</a>  | 3               |
| <a href="#">Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2016 and 2015</a>                           | 4               |
| <a href="#">Condensed Consolidated Statement of Equity for the Twelve Months Ended December 31, 2015 and the Nine Months Ended September 30, 2016</a> | 5               |
| <a href="#">Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015</a>                                 | 6               |
| <a href="#">Notes to Condensed Consolidated Financial Statements</a>  | 8               |
| Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>   | 22              |
| Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>  | 27              |
| Item 4. <a href="#">Controls and Procedures</a>   | 27              |
| <b>PART II. OTHER INFORMATION</b>   |                 |
| Item 1. <a href="#">Legal Proceedings</a>   | 28              |
| Item 1A. <a href="#">Risk Factors</a>   | 28              |
| Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>   | 28              |
| Item 3. <a href="#">Defaults Upon Senior Securities</a>   | 28              |
| Item 4. <a href="#">Mine Safety Disclosures</a>   | 28              |
| Item 5. <a href="#">Other Information</a>   | 28              |
| Item 6. <a href="#">Exhibits</a>  | 28              |

---

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

|  | <u>September 30,</u><br><u>2016</u> | <u>December 31,</u><br><u>2015</u> |
|--|-------------------------------------|------------------------------------|
| <b>ASSETS</b>  |                                     |                                    |
| Current assets:  |                                     |                                    |
| Cash and cash equivalents  | \$ 1,710,419                        | \$ 1,193,313                       |
| Accounts receivable, net of allowance of \$375,000 and \$375,000 | 2,586,539                           | 2,477,301                          |
| Unbilled services  | 879,558                             | 741,543                            |
| Prepaid expenses and other current assets                        | 285,668                             | 443,619                            |
| Deferred tax asset – current                                     | <u>355,000</u>                      | <u>38,000</u>                      |
| <b>Total current assets</b>                                      | <u>5,817,184</u>                    | <u>4,893,776</u>                   |
| Property and equipment, net                                      | 516,036                             | 425,347                            |
| Intangible assets, net   | 2,365,324                           | 2,571,537                          |
| Goodwill   | 401,000                             | 401,000                            |
| Deferred tax assets  | 2,059,902                           | 162,000                            |
| Deposits and other assets  | <u>29,567</u>                       | <u>29,889</u>                      |
| <b>Total assets</b>  | <u>\$ 11,189,013</u>                | <u>\$ 8,483,549</u>                |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                      |                                     |                                    |
| Current liabilities:   |                                     |                                    |
| Accounts payable   | \$ 2,217,166                        | \$ 1,594,100                       |
| Accrued expenses   | 859,150                             | 821,586                            |
| Accrued interest   | 14,560                              | 14,817                             |
| Income taxes payable   | 162,829                             | 250,284                            |
| Bank line of credit  | -                                   | -                                  |
| Contingent consideration – current portion                       | 35,249                              | 128,434                            |
| Long term debt - current portion                                 | 305,003                             | 300,033                            |
| Capital lease obligations – current portion                      | 111,719                             | 90,167                             |
| Convertible note payable   | 200,000                             | -                                  |
| Deferred revenue   | <u>1,701,935</u>                    | <u>2,369,999</u>                   |
| <b>Total current liabilities</b>                                 | <u>5,607,611</u>                    | <u>5,569,420</u>                   |
| Contingent consideration net of current portion                  | 241,741                             | 272,213                            |
| Long term debt net of current portion                            | 563,772                             | 793,150                            |
| Capital lease obligations net of current portion                 | 82,713                              | 92,445                             |
| Convertible note payable   | -                                   | 200,000                            |
| <b>Total liabilities</b>   | <u>6,495,837</u>                    | <u>6,927,228</u>                   |
| Commitments and contingencies                                    | -                                   | -                                  |
| Stockholders' equity:  |                                     |                                    |
| Preferred stock, \$0.001 par value; authorized 1,000,000 shares  | -                                   | -                                  |
| Series A Preferred Stock, \$0.001 par value; authorized 2 shares | -                                   | -                                  |
| No shares issued and outstanding                                 | -                                   | -                                  |
| Series B Preferred Stock, \$0.001 par value; authorized 1 share  | -                                   | -                                  |
| 1 shares issued and outstanding                                  | 100                                 | -                                  |
| Common stock:  |                                     |                                    |
| Par value \$0.00001; authorized 75,000,000 shares                | -                                   | -                                  |
| 4,410,736 shares issued and outstanding                          | 45                                  | 45                                 |
| Additional paid-in capital                                       | 11,962,400                          | 12,198,448                         |
| Accumulated deficit  | <u>(7,269,369)</u>                  | <u>(10,642,172)</u>                |
| <b>Total stockholders' equity</b>                                | <u>4,693,176</u>                    | <u>1,556,321</u>                   |
| <b>Total liabilities and stockholders' equity</b>                | <u>\$ 11,189,013</u>                | <u>\$ 8,483,549</u>                |

See accompanying notes to condensed consolidated financial statements.



**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

|  | <b>Three Months Ended</b>     |                               | <b>Nine Months Ended</b>      |                               |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | <b>September 30,<br/>2016</b> | <b>September 30,<br/>2015</b> | <b>September 30,<br/>2016</b> | <b>September 30,<br/>2015</b> |
| Revenues:  |                               |                               |                               |                               |
| Product, net                                       | \$ 1,709,901                  | \$ 864,698                    | \$ 3,754,594                  | \$ 3,165,690                  |
| Service, net                                       | 7,824,191                     | 6,335,085                     | 22,126,689                    | 16,448,626                    |
| Total revenues, net                                | <u>9,534,092</u>              | <u>7,199,783</u>              | <u>25,881,283</u>             | <u>19,614,316</u>             |
| Cost of revenues:                                  |                               |                               |                               |                               |
| Product  | 885,771                       | 409,451                       | 1,972,520                     | 1,479,688                     |
| Service  | 5,094,953                     | 3,885,325                     | 14,074,008                    | 10,018,616                    |
| Cost of revenues                                   | <u>5,980,724</u>              | <u>4,294,776</u>              | <u>16,046,528</u>             | <u>11,498,304</u>             |
| Gross profit                                       | <u>3,553,368</u>              | <u>2,905,007</u>              | <u>9,834,755</u>              | <u>8,116,012</u>              |
| Selling, general and administrative expenses:      |                               |                               |                               |                               |
| Selling expenses                                   | 1,172,956                     | 1,254,202                     | 3,348,476                     | 3,096,001                     |
| General and administrative expenses                | 1,702,110                     | 1,409,815                     | 4,811,844                     | 3,863,732                     |
| Share-based compensation                           | 4,747                         | 8,015                         | 28,651                        | 48,952                        |
| Depreciation and amortization                      | 171,308                       | 184,627                       | 513,766                       | 416,936                       |
| Total selling, general and administrative expenses | <u>3,051,121</u>              | <u>2,856,659</u>              | <u>8,702,737</u>              | <u>7,425,621</u>              |
| Income from operations                             | <u>502,247</u>                | <u>48,348</u>                 | <u>1,132,018</u>              | <u>690,391</u>                |
| Other income (expense):                            |                               |                               |                               |                               |
| Interest expense, net                              | (13,760)                      | (14,347)                      | (52,476)                      | (39,844)                      |
| Other income                                       | 881                           | -                             | 10,881                        | -                             |
| Total other income (expense)                       | <u>(12,879)</u>               | <u>(14,347)</u>               | <u>(41,595)</u>               | <u>(39,844)</u>               |
| Income before taxes                                | 489,368                       | 34,001                        | 1,090,423                     | 650,547                       |
| (Benefit) provision for income taxes               | <u>(2,262,038)</u>            | <u>17,537</u>                 | <u>(2,282,380)</u>            | <u>68,315</u>                 |
| Net income   | <u>\$ 2,751,406</u>           | <u>\$ 16,464</u>              | <u>\$ 3,372,803</u>           | <u>\$ 582,232</u>             |
| Net income per common share:                       |                               |                               |                               |                               |
| Basic  | <u>\$ 0.62</u>                | <u>\$ 0.00</u>                | <u>\$ 0.76</u>                | <u>\$ 0.14</u>                |
| Fully diluted                                      | <u>0.61</u>                   | <u>0.00</u>                   | <u>0.75</u>                   | <u>0.14</u>                   |
| Weighted average shares:                           |                               |                               |                               |                               |
| Basic  | 4,410,736                     | 4,407,231                     | 4,410,736                     | 4,265,065                     |
| Diluted  | 4,477,403                     | 4,407,231                     | 4,477,403                     | 4,265,065                     |

See accompanying footnotes to the condensed consolidated financial statements.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

|   | Series A<br>Preferred Stock |        | Series B<br>Preferred Stock |        | Common Stock<br>Class A |        | Additional<br>Paid in<br>Capital | Accumulated<br>Equity<br>(Deficit) | Total<br>Stockholders'<br>Equity |
|---|-----------------------------|--------|-----------------------------|--------|-------------------------|--------|----------------------------------|------------------------------------|----------------------------------|
|   | Shares                      | Amount | Shares                      | Amount | Shares                  | Amount |                                  |                                    |                                  |
| Balance at January 1, 2015              | -                           | \$ -   | 1                           | \$ 1   | 3,959,064               | \$ 40  | \$11,030,043                     | \$ (11,016,477)                    | \$ 13,607                        |
| Cancellation of preferred share         | -                           | -      | (1)                         | (1)    | -                       | -      | 1                                | -                                  | -                                |
| Issuance of common stock, net of fees   | -                           | -      | -                           | -      | 363,490                 | 4      | 812,019                          | -                                  | 812,023                          |
| Roundup of fractional shares            | -                           | -      | -                           | -      | 8,698                   | -      | -                                | -                                  | -                                |
| Issuance of common stock for services   | -                           | -      | -                           | -      | 15,000                  | -      | 36,300                           | -                                  | 36,300                           |
| Issuance of stock for acquisition       | -                           | -      | -                           | -      | 64,484                  | 1      | 259,225                          | -                                  | 259,226                          |
| Stock warrants in exchange for services | -                           | -      | -                           | -      | -                       | -      | 20,000                           | -                                  | 20,000                           |
| Share-Based Compensation                | -                           | -      | -                           | -      | -                       | -      | 40,860                           | -                                  | 40,860                           |
| Net income                              | -                           | -      | -                           | -      | -                       | -      | -                                | 374,305                            | 374,305                          |
| Balance at December 31, 2015            | -                           | \$ -   | -                           | \$ -   | 4,410,736               | \$ 45  | \$12,198,448                     | \$ (10,642,172)                    | \$ 1,556,321                     |
| Cash dividend                           | -                           | -      | -                           | -      | -                       | -      | (264,699)                        | -                                  | (264,699)                        |
| Issuance of preferred share             | -                           | -      | 1                           | 100    | -                       | -      | -                                | -                                  | 100                              |
| Share-Based Compensation                | -                           | -      | -                           | -      | -                       | -      | 28,651                           | -                                  | 28,651                           |
| Net income                              | -                           | -      | -                           | -      | -                       | -      | -                                | 3,372,803                          | 3,372,803                        |
| Balance at September 30, 2016           | -                           | \$ -   | 1                           | \$ 100 | 4,410,736               | \$ 45  | \$11,962,400                     | \$ (7,269,369)                     | \$ 4,693,176                     |

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

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|   | Nine Months Ended<br>September 30, |                     |
|---|------------------------------------|---------------------|
|   | 2016                               | 2015                |
| Cash flows from operating activities:   |                                    |                     |
| Net income  | \$ 3,372,803                       | \$ 582,232          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                    |                     |
| Deferred income taxes   | (2,214,902)                        | (171,500)           |
| Depreciation and amortization   | 174,507                            | 116,927             |
| Amortization of intangibles   | 339,258                            | 300,010             |
| Share-based compensation  | 28,651                             | 28,952              |
| Stock warrants in exchange for services   | -                                  | 20,000              |
| Common stock issued in exchange for services                                      | -                                  | 36,300              |
| Changes in certain assets and liabilities:  |                                    |                     |
| Accounts receivable   | (109,238)                          | (118,430)           |
| Unbilled services   | (138,015)                          | (700,682)           |
| Prepaid expenses and other current assets   | 157,951                            | (212,188)           |
| Deposits and other assets   | 322                                | (1,034)             |
| Accounts payable  | 623,066                            | (208,779)           |
| Accrued expenses  | 37,564                             | (285,720)           |
| Income tax payable  | (87,455)                           | 196,791             |
| Accrued interest  | (257)                              | (202)               |
| Deferred revenues   | (668,064)                          | 311,159             |
| Net cash provided by (used in) operating activities                               | <u>1,516,191</u>                   | <u>(106,164)</u>    |
| Cash flows from investing activities:   |                                    |                     |
| Purchase of property and equipment  | (176,827)                          | (42,801)            |
| Software development costs  | (133,045)                          | -                   |
| Acquisition of new business   | <u>-</u>                           | <u>(563,471)</u>    |
| Net cash used in investing activities   | <u>(309,872)</u>                   | <u>(606,272)</u>    |
| Cash flows from financing activities:   |                                    |                     |
| Proceeds from issuance of common stock and warrants, net of fees                  | -                                  | 812,023             |
| Proceeds from issuance of preferred stock   | 100                                | -                   |
| Payment of cash dividend  | (264,699)                          | -                   |
| Repayment of contingent consideration   | (123,657)                          | -                   |
| Repayment of long term debt   | (224,408)                          | (204,880)           |
| Principal payments under capital leases obligations                               | (76,549)                           | (63,640)            |
| Net cash (used in) provided by financing activities                               | <u>(689,213)</u>                   | <u>543,503</u>      |
| Net (decrease) increase in cash and cash equivalents                              | 517,106                            | (168,933)           |
| Cash and cash equivalents – beginning of period                                   | <u>1,193,313</u>                   | <u>1,308,337</u>    |
| Cash and cash equivalents – end of period   | <u>\$ 1,710,419</u>                | <u>\$ 1,139,404</u> |
| Cash paid during period for:  |                                    |                     |
| Interest  | <u>\$ 50,792</u>                   | <u>\$ 42,550</u>    |
| Income taxes  | <u>\$ 61,337</u>                   | <u>\$ 83,041</u>    |

See accompanying footnotes to the condensed consolidated financial statements.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015**

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

For the nine months ended September 30, 2016:

The Company incurred approximately \$88,369 in capital lease obligations.

For the nine months ended September 30, 2015:

The Company acquired certain assets and assumed certain liabilities of ProductiveTech, Inc. ("PTI") for a \$600,000 promissory note in addition to a cash payment of \$483,471 and issuance of 64,484 shares of common stock at \$4.032 per share for a value of \$260,000.

The Company acquired certain assets of 2000 Soft d/b/a/ Accounting Technologies Resources ("ATR") for a \$175,000 promissory note in addition to a cash payment of \$80,000.

On March 29, 2015, Mr. Meller returned his one share of Series B Preferred Stock (the "Series B Preferred") to the Company and the company cancelled the certificate.

The Company incurred approximately \$88,685 in capital lease obligations.

See accompanying footnotes to the condensed consolidated financial statements.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1 – DESCRIPTION OF BUSINESS**

SilverSun Technologies, Inc. (the “Company”) through its wholly owned subsidiary SWK Technologies, Inc. (“SWK”) is a value added reseller and master developer for Sage Software’s Sage100/500 and ERP X3 financial and accounting software as well as the publisher of proprietary software solutions, including its own Electronic Data Interchange (EDI) software, “MAPADOC.” The Company is also a managed network service provider, providing remote network monitoring services, business continuity, disaster recovery, data backup, and application hosting. The Company sells services and products to various industries including, but not limited to, manufacturers, wholesalers and distributors located throughout the United States. The Company is publicly traded and is currently quoted on the Over-the-Counter Market Place (“OTCQB”) under the symbol “SSNT.”

In 2015, the Company completed four additional acquisitions, 2000 SOFT, d/b/a Accounting Technology Resources (“ATR”), a Southern California based reseller of Sage Software applications, ProductiveTech, Inc. (“PTI”) located in Southern New Jersey, The Macabe Associates, Inc., (“Macabe”) a Washington based reseller of Sage Software and Acumatica applications, and Oates & Company, (“Oates”) a North Carolina reseller of Sage Software applications.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position of SilverSun Technologies, Inc. as of September 30, 2016, the results of operations and cash flows for the three and nine months ended September 30, 2016 and 2015. These results are not necessarily indicative of the results to be expected for the full year.

The financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and consequently have been condensed and do not include all of the disclosures normally made in an Annual Report on Form 10-K. The December 31, 2015 balance sheet included herein was derived from the audited financial statements included in the Company’s annual report on Form 10-K. Accordingly, the financial statements included herein should be reviewed in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 30, 2016.

On February 4, 2015 the Company effected a 1-for-30 reverse stock split of the outstanding common stock (the “Reverse Stock Split”) whereby every thirty (30) shares of outstanding common stock decreased to one (1) share of common stock. Similarly, the number of shares of common stock, par value \$0.00001 (“Common Stock”) into which each outstanding option and warrant to purchase common stock is to be exercisable decreased on a 1-for-30 basis and the exercise price of each outstanding option and warrant to purchase common stock increased proportionately. The impact of this Reverse Stock Split has been retroactively applied to the financial statements and the related notes.

During the nine months ended September 30, 2016, there have been no material changes to the Company’s significant accounting policies than those previously disclosed in the Company’s Form 10-K for the year ended December 31, 2015.

**Principles of Consolidation**

The condensed consolidated financial statements include the accounts of SilverSun and its subsidiary SWK, which is wholly owned. All significant intercompany transactions and balances have been eliminated in consolidation.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Goodwill

Goodwill is the excess of acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. Goodwill is not amortized, but tested for impairment annually or whenever indicators of impairment exist. These indicators may include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors. No impairment losses were identified or recorded for the nine months ended September 30, 2016 and 2015.

Definite Lived Intangible Assets and Long-lived Assets

The purchased intangible assets are recorded at fair value using an independent valuation at the date of acquisition and are amortized over the useful lives of the asset using the straight-line amortization method.

The Company assesses potential impairment of its intangible assets and other long-lived assets when there is evidence that recent events or changes in circumstances have made recovery of an asset's carrying value unlikely. Factors the Company considers important, which may cause impairment include, among others, significant changes in the manner of use of the acquired asset, negative industry or economic trends, and significant underperformance relative to historical or projected operating results. No impairment losses were identified or recorded for the nine months ended September 30, 2016 and 2015.

Revenue Recognition

Revenue is recognized when products are shipped, or services are rendered, evidence of a contract exists, the price is fixed or reasonably determinable, and collectability is reasonably assured.

*Product Revenue*

Software product revenue is recognized when the product is shipped to the customer. The Company treats the software component and the professional services consulting component as two separate arrangements that represent separate units of accounting. Consideration is allocated to each unit of accounting based upon that unit's proportion of the fair value. In a situation where both components are present, software sales revenue is recognized when collectability is reasonably assured and the product is delivered and has stand-alone value based upon vendor specific objective evidence.

*Service Revenue*

Service revenue is comprised of primarily professional service consulting revenue, maintenance revenue and other ancillary services provided. Professional service revenue is recognized as service time is incurred.

With respect to maintenance services, upon the completion of one year from the date of sale, the Company offers customers an optional annual software maintenance and support agreement for subsequent periods not exceeding one year. Maintenance and support agreements are recorded as deferred revenue and recognized over the respective terms of the agreements, which typically range from three months to one year and are included in services revenue in the Consolidated Statements of Income.

Shipping and handling costs charged to customers are classified as revenue, and the shipping and handling costs incurred are included in cost of sales.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unbilled Services

The Company recognizes revenue on its professional services as those services are performed or certain obligations are met. Unbilled services represent the revenue recognized but not yet invoiced.

Deferred Revenues

Deferred revenues consist of maintenance service, customer support services, including telephone support and deposits for future consulting services which will be earned as services are performed over the contractual or stated period, which generally ranges from three to twelve months.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to federally insured limits. At times balances may exceed FDIC insured limits. The Company has not experienced any losses in such accounts.

Concentrations

The Company maintains its cash and cash equivalents with various institutions, which exceed federally insured limits throughout the year. At September 30, 2016 and December 31, 2015, the Company had cash on deposit of approximately \$1,174,469 and \$895,727 respectively in excess of the federally insured limits of \$250,000.

As of September 30, 2016, no one customer represented more than 10% of the total accounts receivable and unbilled services.

For the nine months ended September 30, 2016 and 2015, our top ten customers accounted for 20% (\$5,148,867) and 17% (\$3,250,700), respectively, of our total revenues. The Company does not rely on any one specific customer for any significant portion of our revenue.

For the nine months ended September 30, 2016 and 2015, purchases from one supplier through a “channel partner” agreement were approximately 24% and 24% of cost of revenues, respectively. This channel partner agreement is for a one year term and automatically renews for an additional one year term on the anniversary of the agreements effective date.

As of September 30, 2016 and December 31, 2015, one supplier represented approximately 39% and 33% of total accounts payable respectively.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable and cash and cash equivalents. As of September 30, 2016 the Company believes it has no significant risk related to its concentration of accounts receivable.

Accounts Receivable

Accounts receivable consist primarily of invoices for maintenance and professional services. Full payment for software ordered by customers is due in advance of ordering from the software supplier. Payments for maintenance and support plan renewals are due before the beginning of the maintenance period. Terms under our professional service agreements are generally 50% due in advance and the balance on completion of the services.

The Company maintains an allowance for bad debt estimated by considering a number of factors, including the length of time the amounts are past due, the Company’s previous loss history and the customer’s current ability to pay its obligations.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets, generally three to seven years. Maintenance and repairs that do not materially add to the value of the equipment nor appreciably prolong its life are charged to expense as incurred.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is included in the Consolidated Statements of Income.

**Income Taxes**

Deferred income taxes reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as net operating loss carryforwards. Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting, or according to the expected reversal dates of the specific temporary differences, if not related to an asset or liability for financial reporting. Valuation allowances are established against deferred tax assets if it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates or laws is recognized in operations in the period that includes the enactment date.

The Company has federal net operating loss (“NOL”) carryforwards which are subject to limitations under Section 382 of the Internal Revenue Code.

The Company files income tax returns in the U.S. federal and state jurisdictions. Tax years 2013 to 2016 remain open to examination for both the U.S. federal and state jurisdictions.

There were no liabilities for uncertain tax positions at September 30, 2016 and December 31, 2015.

**Fair Value Measurement**

The accounting standards define fair value and establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use on unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available.

The Company’s current financial assets and liabilities approximate fair value due to their short term nature and include cash, accounts receivable, accounts payable, and accrued liabilities. The carrying value of longer term lease, contingent consideration and debt obligations approximate fair value as their stated interest rates approximate the rates currently available.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Stock-Based Compensation**

Compensation expense related to share-based transactions, including employee stock options, is measured and recognized in the financial statements based on a determination of the fair value. The grant date fair value is determined using the Black-Scholes-Merton (“Black-Scholes”) pricing model. For employee stock options, the Company recognizes expense over the requisite service period on a straight-line basis (generally the vesting period of the equity grant). The Company’s option pricing model requires the input of subjective assumptions, including the expected stock price volatility, expected term, and forfeiture rate. Any changes in these subjective assumptions may significantly impact stock-based compensation expense.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to put most leases on their balance sheets by recognizing a lessee’s rights and obligations, while expenses will continue to be recognized in a similar manner to today’s legacy lease accounting guidance. This ASU could also significantly affect the financial ratios used for external reporting and other purposes, such as debt covenant compliance. This ASU will be effective for us on January 1, 2019, with early adoption permitted. We are currently in the process of assessing the impact of this ASU on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which includes multiple provisions intended to simplify various aspects of the accounting for share-based payments, including treatment of excess tax benefits and forfeitures, as well as consideration of minimum statutory tax withholding requirements. The ASU will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016, with early application permitted in any interim or annual period. The Company is evaluating the future impact of this ASU on the consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying performance obligations and licensing*, to reduce the cost and complexity of applying the guidance on identifying promised goods or services around identifying performance obligations and implementation guidance on determining whether an entity’s promise to grant a license provides a customer with either a right to use the entity’s intellectual property (which is satisfied at a point in time) or a right to access the entity’s intellectual property (which is satisfied over time). The Company has not yet selected a transition method nor have they determined the effect of the standard on our consolidated financial statements.

No other recently issued accounting pronouncements had or are expected to have a material impact on the Company’s consolidated financial statements.

**NOTE 3 – NET INCOME PER COMMON SHARE**

The Company’s basic income per common share is based on net income for the relevant period, divided by the weighted average number of common shares outstanding during the period. Diluted income per common share is based on net income, divided by the weighted average number of common shares outstanding during the period, including common share equivalents, such as outstanding option and warrants to the extent they are dilutive. The computation of diluted income per share for the three and nine months ended September 30, 2016 and September 30, 2015 does not include share equivalents as all warrants and options exceeded the average market price of our common stock. Convertible debt is included below, based on the if-converted method.

|  | <b>Three Months<br/>Ended<br/>September 30,<br/>2016</b> | <b>Three Months<br/>Ended<br/>September 30,<br/>2015</b> |
|--|--|--|
| <b>Basic net income per share computation:</b>   |  |  |
| Net income                                       | \$ 2,751,406   | \$ 16,464  |
| Weighted-average common shares outstanding       | 4,410,736  | 4,407,231  |
| Basic net income per share                       | \$ 0.62  | \$ 0.00  |
| <b>Diluted net income per share computation:</b> |  |  |
| Net income                                       | \$ 2,751,406   | \$ 16,464  |
| Weighted-average common shares outstanding       | 4,477,403  | 4,407,231  |
| Total adjusted weighted-average shares           | 4,477,403  | 4,407,231  |
| Diluted net income per share                     | \$ 0.61  | \$ 0.00  |

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 3 – NET INCOME PER COMMON SHARE (Continued)**

|  | <b>Nine Months<br/>Ended<br/>September 30,<br/>2016</b> | <b>Nine Months<br/>Ended<br/>September 30,<br/>2015</b> |
|--|---|---|
| <b>Basic net income per share computation:</b>   |   |   |
| Net income                                       | \$ 3,372,803  | \$ 582,232  |
| Weighted-average common shares outstanding       | 4,410,736   | 4,265,065   |
| Basic net income per share                       | \$ 0.76   | \$ 0.14   |
| <b>Diluted net income per share computation:</b> |   |   |
| Net income                                       | \$ 3,372,803  | \$ 582,232  |
| Weighted-average common shares outstanding       | 4,477,403   | 4,265,065   |
| Total adjusted weighted-average shares           | 4,477,403   | 4,265,065   |
| Diluted net income per share                     | \$ 0.75   | \$ 0.14   |

The following table summarizes securities that, if exercised, would have an anti-dilutive effect on earnings per share.

|  | <b>Three Months<br/>September 30,<br/>2016</b> | <b>Three Months<br/>September<br/>30, 2015</b> |
|--|--|--|
| Stock options  | 143,576  | 162,409  |
| Warrants   | 203,253  | 203,253  |
| Total potential dilutive securities not included in income per share | <u>346,829</u>                                 | <u>365,662</u>                                 |
|  | <b>Nine Months<br/>September 30,<br/>2016</b>  | <b>Nine Months<br/>September<br/>30, 2015</b>  |
| Stock options  | 143,576  | 162,409  |
| Warrants   | 203,253  | 203,253  |
| Total potential dilutive securities not included in income per share | <u>346,829</u>                                 | <u>365,662</u>                                 |

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

|                                   | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|-----------------------------------|-------------------------------|------------------------------|
| Leasehold improvements            | \$ 30,557                     | \$ 30,557                    |
| Equipment, furniture and fixtures | 1,736,464                     | 1,471,268                    |
|                                   | 1,767,021                     | 1,501,825                    |
| Less: Accumulated depreciation    | (1,250,985)                   | (1,076,478)                  |
| Property and equipment, net       | <u>\$ 516,036</u>             | <u>\$ 425,347</u>            |

Depreciation expense related to these assets was \$58,222 and \$174,507 respectively for the three and nine months ended September 30, 2016 as compared to \$38,920 and \$116,927 for the three and nine months ended September 30, 2015.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 4 – PROPERTY AND EQUIPMENT (Continued)**

Property and equipment under capital leases are summarized as follows:

|                                   | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|-----------------------------------|-------------------------------|------------------------------|
| Equipment, furniture and fixtures | 521,905                       | 433,536                      |
| Less: Accumulated depreciation    | (310,061)                     | (232,228)                    |
| Property and equipment, net       | <u>\$ 211,844</u>             | <u>\$ 201,308</u>            |

**NOTE 5 – INTANGIBLE ASSETS**

Intangible assets consist of proprietary developed software, intellectual property, customer lists and acquired contracts carried at cost less accumulated amortization and customer lists acquired at fair value less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives.

The components of intangible assets are as follows:

|  | <b>September 30,<br/>2016</b> | <b>December 31,<br/>2015</b> | <b>Estimated<br/>Useful Lives</b> |
|--|-------------------------------|------------------------------|-----------------------------------|
| Proprietary developed software                               | \$ 498,956                    | \$ 365,911                   | 5                                 |
| Intellectual property, customer list, and acquired contracts | 3,069,551                     | 3,069,551                    | 5 - 15                            |
| Total intangible assets                                      | \$ 3,568,507                  | \$ 3,435,462                 |                                   |
| Less: accumulated amortization                               | (1,203,183)                   | (863,925)                    |                                   |
|  | <u>\$ 2,365,324</u>           | <u>\$ 2,571,537</u>          |                                   |

Amortization expense included in depreciation and amortization was \$113,086 and \$339,258 for the three and nine months ended September 30, 2016 respectively as compared to \$145,708 and \$300,010 for the three and nine months ended September 30, 2015. Included in proprietary developed software is \$133,044 not yet in service.

The Company expects future amortization expense to be the following:

|                 | <b>Amortization</b> |
|-----------------|---------------------|
| Balance of 2016 | \$ 119,908          |
| 2017            | 343,002             |
| 2018            | 281,369             |
| 2019            | 281,367             |
| 2020            | 264,143             |
| Thereafter      | 1,075,535           |
| Total           | <u>\$ 2,365,324</u> |

**NOTE 6 – LINE OF CREDIT AND PROMISSORY NOTES**

On August 1, 2013, the Company obtained a line of credit (the “Credit Line”) from the bank which expired on July 31, 2015 and was automatically renewed for an additional year. The Credit Line includes a borrowing base calculation tied to accounts receivable with a maximum availability of \$750,000, interest is charged at prime plus 1.75% (5.25% at June 30, 2016). The Credit Line is collateralized by substantially all of the assets of the Company and guaranteed by the Company’s Chief Executive Officer, Mr. Meller. The Credit Line requires the Company to pay a monitoring fee of \$1,000 monthly. The Company was in compliance with all covenants related to the Credit Line at June 30, 2016. The line of credit was cancelled on July 31, 2016.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 6 – LINE OF CREDIT AND PROMISSORY NOTES (Continued)**

On May 6, 2014, SWK acquired certain assets of ESC, Inc. pursuant to an Asset Purchase Agreement for a promissory note in the aggregate principal amount of \$350,000 (the “ESC Note”). The ESC Note matures on April 1, 2019. Monthly payments are \$6,135 including interest at 2% per year. At September 30, 2016 the outstanding balance was \$191,013.

On March 11, 2015, SWK acquired certain assets of 2000 SOFT, Inc. d/b/a Accounting Technology Resource (ATR) pursuant to an Asset Purchase Agreement for cash of \$80,000 and a promissory note for \$175,000 (the “ATR Note”). The note matures on February 1, 2018. Monthly payments are \$5,012 including interest at 2% per year. At September 30, 2016 the outstanding balance was \$88,811.

On July 6, 2015, SWK acquired certain assets of ProductiveTech Inc. (PTI) pursuant to an Asset Purchase Agreement for cash of \$500,000 and a promissory note for \$600,000 (the “PTI Note”). The PTI Note is due in 60 months from the closing date and bears interest at a rate of two and one half (2.5%) percent. Monthly payments including interest are \$10,645. At September 30, 2016 the outstanding balance was \$466,485.

On October 19, 2015, SWK acquired certain assets of Oates & Company, LLC (Oates) pursuant to an Asset Purchase Agreement (the “Oates Purchase Agreement”) for cash of \$125,000 and a promissory note for \$175,000 (the “Oates Note”). The Oates Note is due in three years from the closing date and bears interest at a rate of two (2%) percent. Monthly payments including interest are \$5,012. At September 30, 2016 the outstanding balance was \$122,466.

Additionally in connection with the Oates Purchase Agreement, the Company issued a convertible note for \$200,000 (the “Second Oates Note”). The Second Oates Note is due January 1, 2017 and bears interest at a rate of one (1%) percent. The quarterly interest payments are computed on the basis of 365-day year from the date of this note until paid. The Company may, at its sole and exclusive option, convert, at any time until payment in full of the Second Oates Note, all or any part of the principal amount of the Second Oates Note plus accrued interest, into shares of the Company’s Common Stock, at the price per share equal to \$3.00 per share.

On July 21, 2016, SWK entered into a Revolving Demand Note (the “Revolving Demand Note”) by and between SWK (the “Borrower”) and M&T Bank (“Lender”), a commercial lender. The Lender has agreed to loan SWK up to a principal amount of one million dollars. The interest rate on the Revolving Demand Note shall be a variable rate, equal to the “Prime Rate”, plus ninety-five one-hundredths percent (0.95%) per annum. There is a minimum interest rate floor of four percent (4%). The Revolving Demand Note is secured by all of the Borrower’s assets pursuant to a Security Agreement. Furthermore, on July 21, 2016, the Company and Mr. Mark Meller, individually, entered into Unlimited Guaranty agreements (the “Guaranty Agreements”) with the Lender. Under the Guaranty Agreements, the Company and Mr. Meller personally, jointly and severally guaranteed the liabilities of the Borrower due and owing under the terms of the Revolving Demand Note. At September 30, 2016 the outstanding balance was \$0.

At September 30, 2016, future payments of long term debt are as follows:

|                   |                     |
|-------------------|---------------------|
| Remainder of 2016 | \$ 75,625           |
| 2017              | 506,677             |
| 2018              | 257,846             |
| 2019              | 154,727             |
| 2020              | 73,900              |
| Total             | <u>\$ 1,068,775</u> |

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 7 – CAPITAL LEASE OBLIGATIONS**

The Company has entered into lease commitments for equipment that meet the requirements for capitalization. The equipment has been capitalized and is included in the accompanying balance sheets. The related obligations are based upon the present value of the future minimum lease payments with interest rates ranging from 7.1% to 12.5%.

At September 30, 2016, future payments under capital leases are as follows:

|   |           |
|---|-----------|
| Remainder of 2016                           | \$ 33,195 |
| 2017  | 114,267   |
| 2018  | 60,631    |
| 2019  | 1,785     |
| Total minimum lease payments                | 209,878   |
| Less amounts representing interest          | (15,446)  |
| Present value of net minimum lease payments | 194,432   |
| Less current portion                        | (111,719) |
| Long-term capital lease obligation          | \$ 82,713 |

**NOTE 8 – EQUITY**Equity

On March 10, 2015, March 23, 2015 and March 24, 2015, the Company entered into subscription agreements (the “Subscription Agreements”) with certain investors (the “Investors”) providing for the issuance and sale by the Company (the “Offering”) of an aggregate of 363,490 shares (the “Shares”) of Common Stock and warrants (the “Investor Warrants”) to purchase an aggregate of 181,745 shares of Common Stock (the “Warrant Shares”). Each Investor Warrant to purchase one share of Common Stock was sold at a price of \$0.01 and has an exercise price of \$5.30 per share. The gross proceeds raised was \$1,543,015 less expenses relating to the Offering of \$730,992, resulting in net proceeds to the Company of \$812,023.

On March 29, 2015, Mr. Meller returned and cancelled his one share of Series B Preferred Stock (the “Series B Preferred”) to the Company. Mr. Meller had been issued one (1) share of Series B Preferred Stock in partial consideration for his personal guarantee of certain notes issued by the Company in the principal aggregate amount of \$550,000 in 2011. Also, on March 29, 2015, subject to shareholder approval, the Board approved the cancellation of the Company’s Series B Preferred Stock certificate of designation (the “Series B Preferred Designation”). The Company subsequently did not receive shareholder approval for the cancellation of the Series B Preferred designation and the Series B Preferred remained authorized but unissued.

On April 29, 2015 the Board approved entering into a consulting agreement with Christopher IR for investor relation services. In addition to cash payments for services, the Company issued 15,000 shares of Common Stock at \$2.42 per share or \$36,300.

On July 6, 2015 the Company in relation to the acquisition of certain assets of PTI had issued 64,484 shares of Common Stock at \$4.032 per share for a value of \$260,000. The stock price was based on the average close price of SSNT stock for the five trading days immediately preceding the closing date.

On January 11, 2016, the Company announced the payment of a \$0.06 special cash dividend per share of Common Stock. The dividend payments were paid out on January 20, 2016 for an aggregate amount of \$264,699, which reduced additional paid in capital.

On July 28, 2016 (the “Effective Date”), the Company entered into a Series B Preferred Stock Purchase Agreement (the “Preferred Stock Purchase Agreement”) with the Company’s Chief Executive Officer, Mr. Mark Meller, pursuant to which Mr. Meller was issued the only share of the Company’s authorized but unissued Series B Preferred Stock. Mr. Meller was issued one (1) share of Series B Preferred Stock for (i) \$100 in cash and (ii) as partial consideration for Mr. Meller’s personal guarantee of the Revolving Demand Note.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 8 – EQUITY (Continued)**

Each one (1) share of the Series B Preferred Stock shall have voting rights equal to (x) the total issued and outstanding Common Stock eligible to vote at the time of the respective vote divided by (y) forty-nine one-hundredths (0.49) minus (z) the total issued and outstanding Common Stock eligible to vote at the time of the respective vote. For the avoidance of doubt, if the total issued and outstanding Common Stock eligible to vote at the time of the respective vote is 5,000,000, the voting rights of the Series B Preferred Stock shall be equal to 5,204,082 (e.g.  $(5,000,000 / 0.49) - 5,000,000 = 5,204,082$ ).

The Series B Preferred Stock has the rights, privileges, preferences and restrictions set for in the Certificate of Designation (the “Certificate of Designation”) filed by the Corporation with the Secretary of State of the State of Delaware (“Delaware Secretary of State”) on September 23, 2011.

Options

In March 2015, the Company granted 10,000 incentive stock options with an exercise price of \$4.00 per option to a certain non-executive employee under the 2004 Stock Incentive Plan. The Company recognizes compensation cost on awards on a straight-line basis over the vesting period, approximately five years. The Company estimated the fair value of each option using the Black Scholes option-pricing model with the following weighted-average assumptions: expected dividend yield of 0.0%, risk-free interest rate of 1.6%, volatility at 263.18% and an expected life of 5 years. As a result, the Company estimated the value of these options at \$39,875.

In October 2015, the Company issued to the shareholders of Macabe 25,000 incentive stock options with an exercise price of \$3.66. Options will vest over five years at the rate of 20% per annum. The Company estimated the fair value of each option using the Black Scholes option-pricing model with the following weighted-average assumptions: expected dividend yield of 0.0%, risk-free interest rate of 1.37%, volatility at 332.76% and an expected life of 5 years. As a result, the Company estimated the value of these options at \$91,482.

The Company uses judgment in estimating the amount of stock-based awards that are expected to be forfeited. If actual forfeitures differ significantly from the original estimate, stock-based compensation expense and the results of operations could be impacted.

A summary of the status of the Company’s stock option plans for the fiscal years ended December 31, 2015 and the nine months ending September 30, 2016 and changes during the years are presented below (in number of options):

|   | <u>Number<br/>of Options</u> | <u>Average<br/>Exercise Price</u> | <u>Average<br/>Remaining<br/>Contractual<br/>Term</u> | <u>Aggregate<br/>Intrinsic Value</u> |
|---|------------------------------|-----------------------------------|---|--------------------------------------|
| Outstanding options at January 1, 2015    | 163,846                      | \$ 4.65                           | 2.5 years   | \$ -0-                               |
| Options granted                           | 35,000                       | 3.76                              | 4.2 years   |                                      |
| Options canceled/forfeited                | <u>(15,270)</u>              | \$ 4.61                           |   |                                      |
| Outstanding options at December 31, 2015  | 183,576                      | \$ 4.49                           | 2.7 years   | \$ -0-                               |
| Options granted                           | -                            |                                   |   |                                      |
| Options exercised                         | -                            |                                   |   |                                      |
| Options canceled/forfeited                | <u>(40,000)</u>              | \$ 4.50                           |   |                                      |
| Outstanding options at September 30, 2016 | <u>143,576</u>               | 4.48                              | 1.8 years   | \$ -0-                               |
| Vested Options:                           |                              |                                   |   |                                      |
| September 30, 2016:                       | 98,575                       | \$ 4.73                           | 1.1 years   | \$ -0-                               |
| December 31, 2015:                        | 119,243                      | \$ 4.70                           | 2.0 years   | \$ -0-                               |

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 8 – EQUITY (Continued)**

As of September 30, 2016 the unamortized compensation expense for stock options was \$122,468. Unamortized compensation expense is expected to be recognized over a weighted-average period of three years.

Warrants

On January 29, 2015 the Company granted 3,333 warrants with a fair value of approximately \$19,969, which immediately vested, to Joseph Macaluso as part of his compensation for agreeing to join the Board of Directors. The estimated fair value of the warrant has been calculated based on a Black-Scholes pricing model using the following assumptions: a) fair market value of stock of \$6.00; b) exercise price of \$6.00; c) Dividend yield of 0%; d) Risk free interest rate of 1.42%; e) expected volatility of 284.28%; f) Expected life of 5 years.

On March 9, 2015 the Company granted 18,175 warrants with a fair value of approximately \$73,356, which immediately vested, to Alexander Capital, LP as partial compensation for acting as placement agent. The estimated fair value of the warrant has been calculated based on a Black-Scholes pricing model using the following assumptions: (a) fair market value of stock of \$4.05; (b) exercise price of \$5.088; (c) Dividend yield of 0%; (d) Risk free interest rate of 1.66%; (e) expected volatility of 263.67%; and (f) Expected life of 5 years.

On March 23, 2015 the Company granted 181,745 warrants with a fair value of approximately \$638,630, which immediately vested, to those that purchased common stock as part of the offering. The estimated fair value of the warrant has been calculated based on a Black-Scholes pricing model using the following assumptions: (a) fair market value of stock of \$3.53; (b) exercise price of \$5.30; (c) Dividend yield of 0%; (d) Risk free interest rate of 1.41%; (e) expected volatility of 258.39%; and (f) Expected life of 5 years.

The following table summarizes the warrants transactions:

|  | <u>Warrants<br/>Outstanding</u> | <u>Weighted<br/>Average<br/>Exercise Price</u> |
|--|---------------------------------|--|
| Balance, January 1, 2015                       | -                               | \$ -   |
| Granted  | 203,253                         | \$ 5.29  |
| Exercised                                      | -                               | \$ -   |
| Canceled                                       | -                               | \$ -   |
| Outstanding and Exercisable December 31, 2015  | <u>203,253</u>                  | <u>\$ 5.29</u>                                 |
| Granted  | -                               | \$ -   |
| Exercised                                      | -                               | \$ -   |
| Canceled                                       | -                               | \$ -   |
| Outstanding and Exercisable September 30, 2016 | <u>203,253</u>                  | <u>\$ 5.29</u>                                 |

**NOTE 9 – BUSINESS COMBINATION**

During 2015 SWK completed four acquisitions. On March 11, 2015 SWK entered into an Asset Purchase Agreement with 2000 SOFT, Inc. d/b/a ATR, a California corporation (“ATR”). On July 6, 2015 SWK entered into an Asset Purchase Agreement with ProductiveTech, Inc. (“PTI”), a south New Jersey corporation. As of September 30, 2016, the prior owners of PTI owed the Company \$9,978 related to amounts collected by the prior owners subsequent to acquisition but owed to the Company and this amount is included in prepaid expenses and other current assets. On October 1, 2015 SWK entered into an Asset Purchase Agreement with The Macabe Associates, Inc., a Washington corporation (“Macabe”). On October 19, 2015 SWK entered into an Asset Purchase Agreement with Oates & Company, a North Carolina reseller (“Oates”). As of September 30, 2016, the prior owners of Oates owed the Company \$80,019 related to amounts collected by the prior owner subsequent to acquisition but owed to the Company and this amount is included in prepaid expenses and other current assets.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 9 – BUSINESS COMBINATION (Continued)**

The following unaudited pro forma information does not purport to present what the Company's actual results would have been had the acquisitions occurred on January 1, 2015, nor is the financial information indicative of the results of future operations. The following table represents the unaudited consolidated pro forma results of operations for the nine months ended September 30, 2015 as if the acquisitions occurred on January 1, 2015. Operating expenses have been increased for the amortization expense associated with the estimated fair value adjustment of definite lived intangible assets.

| <b>Pro Forma</b>                          | <b>Nine Months<br/>Ended<br/>September 30,<br/>2015</b> |
|---|---|
| Net sales                                 | \$ 23,376,818   |
| Operating expenses                        | 9,308,420   |
| Income before taxes                       | 605,460   |
| Net income                                | \$ 553,827  |
| Basic and diluted income per common share | \$ 0.13   |

For the nine months ended September 30, 2015 the pro-forma results above include two months of pro-forma results of ATR, six months of pro-forma results for PTI, nine months of pro-forma results for Macabe, and nine months of pro-forma results for Oates.

**NOTE 10 – INCOME TAXES**

The recognized deferred tax asset is based upon the expected utilization of its benefit from future taxable income. The Company has federal net operating loss ("NOL") carryforwards of approximately \$7,523,000 as of December 31, 2015, of which approximately \$614,000 is reserved, as of September 30, 2016, which is subject to limitations under Section 382 of the Internal Revenue Code. These carryforward losses are available to offset future taxable income, and begin to expire in the year 2026 to 2034.

The foregoing amounts are management's estimates and the actual results could differ from those estimates. Future profitability in this competitive industry depends on continually obtaining and fulfilling new profitable sales agreements and modifying products. The inability to obtain new profitable contracts could reduce estimates of future profitability, which could affect the Company's ability to realize the deferred tax assets.

Income tax provision (benefit):

|  | <b>Nine Months Ended</b>      |                               |
|--|-------------------------------|-------------------------------|
|  | <b>September 30,<br/>2016</b> | <b>September 30,<br/>2015</b> |
| Current:                               |                               |                               |
| Federal                                | \$ (107,478)                  | \$ 215,833                    |
| State and local                        | 40,000                        | 23,982                        |
| Total current tax (benefit) provision  | <u>(67,478)</u>               | <u>239,815</u>                |
| Deferred:                              |                               |                               |
| Federal                                | 334,786                       | 25,650                        |
| State and local                        | 13,949                        | 2,850                         |
| Release of valuation allowance         | <u>(2,563,637)</u>            | <u>(200,000)</u>              |
| Total deferred tax provision (benefit) | <u>(2,214,902)</u>            | <u>(171,500)</u>              |
| Total (benefit) provision              | <u>\$ (2,282,380)</u>         | <u>68,315</u>                 |

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 10 – INCOME TAXES (Continued)**

For the year nine months ended September 30, 2016, the Company's Federal and State provision requirements were calculated based on the estimated tax rate. The Federal effective rate is higher than the statutory rate primarily due to Incentive Stock Options (ISO) expense which is generally never tax deductible for the Company. The benefit for the nine months ended September 30, 2016 was \$2,282,380. The effective tax rate prior to the release of the valuation allowance consists primarily of the 40% federal statutory tax rate and a blended 5% state and local tax rate.

For the nine months ended September 30, 2016, the Company's Federal and State provision requirements were offset by the reversal of a significant portion of its valuation allowance, no longer deemed necessary, taking into consideration Section 382 limitations, to offset current and future taxable income totaling \$6,909,093 and recorded a net tax benefit of \$2,563,637, which represents a reduction in its valuation allowance on tax attributes that are expected to be utilized based on management's assessment and evaluation of current and projected income. Additionally the return to provision true-up of prior year taxes owed was a result of overaccrual of taxes for the 2015 tax year. For the nine months ended September 30, 2015, the Company's Federal and State provision requirements were offset by the reversal of a portion of the valuation allowance totaling \$560,000, no longer deemed necessary, and recorded a net tax benefit of \$200,000.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

The Company leases its North Syracuse office space from its current CFO, Crandall Melvin III which expires on May 31, 2018. The monthly rent for this office space is \$2,100. Total rent expense for the three and nine months ended September 30, 2016 and 2015 was \$6,300 and \$18,900 respectively under this lease.

The Company leases its Seattle office space from Mary Abdian, an employee of SWK, which expires September 30, 2018. The monthly rent for this office space is \$3,000 and increases 3% each year. Total rent expense for the three and nine months ended September 30, 2016 under this lease was \$9,000 and \$27,000 respectively.

As of September 30, 2016, long term debt, convertible note payable and contingent consideration are considered related party liabilities as holders are current employees of the company, see Note 6 and Note 9.

**NOTE 12 – COMMITMENTS**

***Operating Leases***

Our main offices are located at 5 Regent Street, Livingston, NJ where we have 6,986 square feet of office space at a monthly rent of \$7,400. The lease expires December 31, 2016. The Company has a lease, with a one-year extension, for office space at 6834 Buckley Road, North Syracuse, New York, at a monthly rent of \$2,100. The lease expired on May 31, 2015 and was subsequently extended for a three year term commencing June 1, 2015 and ending May 31, 2018. The Company also leases 2,700 square feet of office space for sales and support in Skokie, Illinois with a monthly rent of \$3,000. This lease expires April 30, 2018. The Company also leases 702 square feet for sales and support in Minneapolis, Minnesota with a monthly rent of \$1,515 a month. This lease expires March 31, 2017. The Company leases 2,105 square feet of office space in Phoenix, AZ starting at \$1,271 and escalating to \$2,894 per month by the end of the term September 30, 2019. The Company leases 1,500 square feet of office space in Seattle, WA with a monthly rent of \$3,000 a month. The lease expires September 30, 2018. The Company leases 3,422 square feet of office space in Greensboro, NC with a monthly rent of \$4,182 a month. The lease expires February 28, 2017. The Company leases 1,745 square feet of office space in Santa Ana, CA with a monthly rent of \$3,225 per month escalating to \$3,402 per month by the end of the lease term, April 30, 2018.

Total rent expense under these operating leases for the nine months ended September 30, 2016 and 2015 was \$277,567 and \$161,813, respectively.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The following is a schedule of approximate future minimum rental payments for operating leases subsequent to the year ended December 31, 2015.

|                |           |                |
|----------------|-----------|----------------|
| Remainder 2016 | \$        | 81,039         |
| 2017           |           | 184,837        |
| 2018           |           | 98,698         |
| 2019           |           | 26,049         |
|                | <u>\$</u> | <u>390,623</u> |

***Contingent Consideration***

Associated with certain acquisitions in Note 9, the Company has contingent considerations due totaling \$276,990 at September 30, 2016. The Company estimates that the contingent consideration will be fully paid by June 30, 2020.

**NOTE 13 – SUBSEQUENT EVENTS**

On October 14, 2016, the Company entered into a new lease office agreement for its main office relocating from Livingston, NJ to East Hanover, NJ. The new lease commencement date is February 1, 2017. The Company will lease 5,129 square feet of office space starting at a monthly rent of \$8,762 and escalating to \$10,044 per month by the end of the term April 30, 2024.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,**

This quarterly report on Form 10-Q and other reports filed by SilverSun Technologies, Inc. and its wholly owned subsidiary, SWK Technologies, Inc. (the “Company”) from time to time with the U.S. Securities and Exchange Commission (the “SEC”) contain or may contain forward-looking statements and information that are based upon beliefs of, and information currently available to, the Company’s management as well as estimates and assumptions made by Company’s management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words “anticipate,” “believe,” “estimate,” “expect,” “future,” “intend,” “plan,” or the negative of these terms and similar expressions as they relate to the Company or the Company’s management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the “Risk Factors” section of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, relating to the Company’s industry, the Company’s operations and results of operations, and any businesses that the Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management’s judgment in its application. There are also areas in which management’s judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

### **Overview**

We are a business application, technology and consulting company providing strategies and solutions to meet our clients’ information, technology and business management needs. Our services and technologies enable customers to manage, protect and monetize their enterprise assets whether on-premise or in the “Cloud”. As a value added reseller of business application software, we offer solutions for accounting and business management, financial reporting, Enterprise Resource Planning (“ERP”), Warehouse Management Systems (“WMS”), and Business Intelligence (“BI”). Additionally, we have our own development staff building software solutions for Electronic Data Interchange (“EDI”), time and billing, and various ERP enhancements. Our value-added services focus on consulting and professional services, specialized programming, training, and technical support. We have a dedicated network services practice that provides managed services, hosting, business continuity, cloud, email and web services. Our customers are nationwide, with concentrations in the New York/New Jersey metropolitan area, Chicago, Dallas, Arizona, Southern California, North Carolina and Washington.

Our core business is divided into the following practice areas:

#### *ERP (Enterprise Resource Management) and Accounting Software*

We are a value-added reseller for a number of industry-leading ERP applications. We are a Sage Software Authorized Business Partner and Sage Certified Gold Development Partner. We believe we are among the largest Sage ERP X3 partners in North America, with a sales and implementation presence complemented by a scalable software development practice for customizations and enhancements. Due to the growing demand for true cloud-based ERP solutions, we have added two (2) industry leading applications to our ERP portfolio: (1) NetSuite ERP, among the world’s leading cloud ERP solutions; and (2) Acumatica, a browser-based ERP solution that can be offered on premise, in the public cloud, or in a private cloud. We develop and resell a variety of add-on solutions to all our ERP and accounting packages that help customize the installation to our customers’ needs and streamline their operations.

*Value-Added Services for ERP*

We go beyond simply reselling software packages; we have a consulting and professional services organization that manages the process as we move from the sales stage into implementation, go live, and production. We work inside our customers' organizations to ensure all software and Information Technology ("IT") solutions are enhancing their business needs. A significant portion of our services revenue comes from continuing to work with existing customers as their business needs change, upgrading from one version of software to another, or providing additional software solutions to help them grow their revenue. We have a dedicated help desk team that fields hundreds of calls every week. Our custom programming department builds specialized software packages as well as "off the shelf" enhancements and time and billing software.

*EDI (Electronic Data Interchange) Software and Services*

EDI is the computer to computer exchange of standard business documents, such as purchase orders and invoices, in electronic format. A standard file format is established for each kind of document in order to facilitate the exchange of data across a variety of platforms and programs. We have a proprietary software solution, MAPADOC, which is fully integrated with the Sage ERPs. MAPADOC allows businesses to dramatically cut data entry time by eliminating duplicate entries and reduces costly errors with trading partners. MAPADOC is the only EDI solution that is built within the framework of the Sage ERPs, allowing customers to stay within one application to get their job done.

*Network and Managed Services*

We provide comprehensive network and managed services designed to eliminate the IT concerns of our customers. Businesses can focus on their core strengths rather than technology issues. We adapt our solutions for virtually any type of business, from large national and international product and service providers, to small businesses with local customers. Our business continuity services provide automatic on and off site backups, complete encryption, and automatic failure testing. We also provide email and web security, IT consulting, managed network, and emergency IT services. Our focus in the network and managed services practice is to focus on industry verticals in order to demonstrate our ability to better understand our customers' needs.

**Results of Operations for the Three and Nine Months Ended September 30, 2016 and 2015.**

During the nine months ended September 30, 2016 the Company continued to expand its customer base and maintain its growth trend which we believe will provide a basis for future growth.

- 1) Revenues increased 32% from the same nine months period in the prior year.
- 2) Income from operations increased to \$1,132,018 as compared to \$690,391 for the same nine months period in the prior year.
- 3) Net income was \$3,372,803 as compared to \$582,232 for the same nine months period in the prior year.

*Revenues*

Revenues for the three and nine months ended September 30, 2016 increased \$2,334,309 (32.4%) to \$9,534,092 and \$6,266,967 (32.0%) to \$25,881,283 respectively as compared to \$7,199,783 and \$19,614,316 for the three and nine months ended September 30, 2015 respectively. Software sales increased by \$845,203 to \$1,709,901 for the three months ended September 30, 2016 from \$864,698 for the same period in 2015 for an overall increase of 97.7%. For the nine months ended September 30, 2016 software sales increased \$588,904 (18.6%) to \$3,754,594 from \$3,165,690 for the same period in 2015. Service revenue increased by \$1,489,106 to \$7,824,191 for the three months ended September 30, 2016 from \$6,335,085 for the same period in 2015 for an overall increase of 23.5%. Service revenue increased by \$5,678,063 to \$22,126,689 for the nine months ended September 30, 2016 from \$16,448,626 for the same period in 2015 for an overall increase of 34.5%. The overall increases are primarily due to the Company's continued sales and marketing efforts and increased business activity associated with the acquisitions the Company completed in 2015.

*Gross Profit*

Gross profit for the three months ended September 30, 2016 increased \$648,361 (22.3%) to \$3,553,368 as compared to \$2,905,007 for the three months ended September 30, 2015. For the three month period ended September 30, 2016, the overall gross profit percentage was 37.3% as compared to 40.3% for the period ended September 30, 2015. Gross profit for the nine months ended September 30, 2016 increased \$1,718,743 (21.2%) to \$9,834,755 as compared to \$8,116,012 for the nine months ended September 30, 2015. For the nine month period ended September 30, 2016, the overall gross profit percentage was 38.0% as compared to 41.4% for the period ended September 30, 2015.

## [Table of Contents](#)

The gross profit attributed to software sales increased \$368,884 to \$824,130 for the three months ending September 30, 2016 from \$455,246 in the three months ending September 30, 2015 while gross profit attributed to software sales increased \$96,072 to \$1,782,074 for the nine months ending September 30, 2016 from \$1,686,002 in the nine months ending September 30, 2015. This increase is a function of higher software sales in the nine month period ending September 30, 2016. The mix of products being sold by the Company changes from time to time and sometimes causes the overall gross margin percentage to vary.

The gross profit attributed to services increased \$279,478 for the three months ending September 30, 2016 from the three months ending September 30, 2015 while gross profit attributed to services increased \$1,622,671 for the nine months ending September 30, 2016 from the nine months ending September 30, 2015. This increase is primarily due to the continued implementations of larger scale ERP systems.

### *Operating Expenses*

Selling and marketing expenses decreased \$81,246 (6.5%) to \$1,172,956 for the three months ending September 30, 2016 from \$1,254,202 in the three months ending September 30, 2015. Selling and marketing expenses increased \$252,475 (8.2%) to \$3,348,476 for the nine months ended September 30, 2016 compared to \$3,096,001 for the nine months ended September 30, 2015. This is due to increased sales personnel and travel expenses as a result of an increase in sales activity.

General and administrative expenses increased \$292,295 (20.7%) to \$1,702,110 for the three months ending September 30, 2016 from \$1,409,815 in the three months ending September 30, 2015. General and administrative expenses increased \$948,112 (24.5%) to \$4,811,844 for the nine months ended September 30, 2016 as compared to \$3,863,732 for the nine months ended September 30, 2015. This is primarily as a result of increases in payroll and related expenses associated with the addition of management personnel and incremental costs associated with the acquisition of ATR, PTI, Macabe and Oates.

Depreciation and amortization expense decreased \$13,319 for the three months ended September 30, 2016 to \$171,308 as compared to \$184,627 for the three months ended September 30, 2015. Depreciation and amortization expense increased \$96,830 for the nine months ended September 30, 2016 to \$513,766 as compared to \$416,936 for the nine months ended September 30, 2015. This increase is primarily attributed to the increase in amortization associated with the intangible assets acquired from the ATR, PTI, Macabe, and Oates acquisitions in 2015.

### *Income from Operations*

For the three and nine months ended September 30, 2016, the Company had income from operations of \$502,247 and \$1,132,018 respectively as compared to income from operations of \$48,348 and \$690,391, respectively for the three and nine months ended September 30, 2015. The increase for the three months ended in September 30, 2016 is primarily due to higher software sales and higher revenue from consulting services.

### *Income Taxes*

For the nine months ended September 30, 2016, the Company's Federal and State provision requirements were calculated based on the estimated tax rate. The Federal effective rate is higher than the statutory rate primarily due to Incentive Stock Options (ISO) expense which is generally never tax deductible for the Company. The tax benefit for the nine months ended September 30, 2016 was \$2,282,380. The effective tax rate consists primarily of the 40% federal statutory tax rate and a blended 5% state and local tax rate.

For the nine months ended September 30, 2016, the Company's Federal and State provision requirements were offset by the reversal of a significant portion of its valuation allowance, no longer deemed necessary, taking into consideration Section 382 limitations, to offset current and future taxable income totaling \$6,909,093 and recorded a net tax benefit of \$2,563,637, which represents a reduction in its valuation allowance on tax attributes that are expected to be utilized based on management's assessment and evaluation of current and projected income. Additionally the return to provision true-up of prior year taxes owed was a result of overaccrual of taxes for the 2015 tax year. For the nine months ended September 30, 2015, the Company's Federal and State provision requirements were offset by the reversal of a portion of the valuation allowance totaling \$560,000, no longer deemed necessary, and recorded a net tax benefit of \$200,000.

### *Net Income*

For the three and nine months September 30, 2016, the Company had net income of \$2,751,406 and \$3,372,803 respectively as compared to a net income of \$16,464 and \$582,232 respectively for the three and nine months ended September 30, 2015. Excluding the tax benefit of the valuation allowance release of \$2,563,637, the net income for the nine months ended September 30, 2016 is up compared to the nine months ended September 30, 2015 primarily due to the increased sales and consulting activities noted above.

## **Liquidity and Capital Resources**

We are currently seeking additional operating income opportunities through potential acquisitions or investments. Such acquisitions or investments may consume cash reserves or require additional cash or equity. Our working capital and additional funding requirements will depend upon numerous factors, including: (i) strategic acquisitions or investments; (ii) an increase to current company personnel; (iii) the level of resources that we devote to sales and marketing capabilities; (iv) technological advances; and (v) the activities of competitors.

In addition to developing new products, obtaining new customers and increasing sales to existing customers, management plans to increase its business and profitability by entering into collaboration agreements, buying assets, and acquiring companies in the business software and information technology consulting and managed services market with solid revenue streams and established customer bases that generate positive cash flow.

On July 21, 2016, SWK entered into a Revolving Demand Note (the "Revolving Demand Note") by and between SWK (the "Borrower") and M&T Bank ("Lender"), a commercial lender. The Lender has agreed to loan SWK up to a principal amount of one million dollars. The interest rate on the Revolving Demand Note shall be a variable rate, equal to the "Prime Rate", plus ninety-five one-hundredths percent (0.95%) per annum. There is a minimum interest rate floor of four percent (4%). The Revolving Demand Note is secured by all of the Borrower's assets pursuant to a Security Agreement. Furthermore, on July 21, 2016, the Company and Mr. Mark Meller, individually, entered into Unlimited Guaranty agreements (the "Guaranty Agreements") with the Lender. Under the Guaranty Agreements, the Company and Mr. Meller personally, jointly and severally guaranteed the liabilities of the Borrower due and owing under the terms of the Revolving Demand Note. Furthermore, the Revolving Demand Note is guaranteed by Silversun Technologies, Inc.

On May 6, 2014, SWK acquired certain assets of ESC, Inc. pursuant to an Asset Purchase Agreement for a promissory note in the aggregate principal amount of \$350,000 (the "ESC Note"). The note matures on April 1, 2019. Monthly payments are \$6,135 including interest at 2% per year. At September 30, 2016 the outstanding balance was \$191,013.

On March 11, 2015, SWK acquired certain assets of 2000 SOFT, Inc. d/b/a Accounting Technology Resource (ATR) pursuant to an Asset Purchase Agreement for cash of \$80,000 and a promissory note in the aggregate amount of \$175,000 (the "ATR Note"). The note matures on February 1, 2018. Monthly payments are \$5,012 including interest at 2% per year. At June 30, 2016 the outstanding balance was \$88,811. As additional consideration the Company will pay 10% of the net margin on maintenance renewals for former ATR customers for the first twelve months and 5% of the net margin on maintenance renewals for the following twelve months. Certain payments were made resulting in a remaining balance of \$2,155 as of September 30, 2016.

In March 2015, 363,490 shares of common stock were sold at a price of \$4.24 per share and 181,745 warrants were sold at a price of \$.01. The gross proceeds raised was \$1,543,015 and underwriting expenses of \$730,992, resulting in net proceeds to the Company of \$812,023.

On July 6, 2015, SWK acquired certain assets of ProductiveTech Inc. (PTI) pursuant to an Asset Purchase Agreement (the "PTI Purchase Agreement") for cash of \$500,000 and a promissory note for \$600,000 (the "PTI Note"). The PTI Note is due in 60 months from the closing date and bears interest at a rate of two and one half (2.5%) percent. The monthly payments including interest are \$10,645. At September 30, 2016 the outstanding balance was \$466,485.

On October 1, 2015 SWK entered into an Asset Purchase Agreement with The Macabe Associates, Inc., ("Macabe"), a Washington corporation and Mary Abdian and John Nicholson in their individual capacity as Shareholders (the "Macabe Purchase Agreement"). SWK acquired certain assets and liabilities of Macabe (as defined in the Macabe Purchase Agreement). In consideration for the acquired assets, the Company paid \$21,423 in cash. As additional consideration, the Company will pay \$5,500 twelve months from closing and \$5,500 twenty-four months from closing on the net-to-SWK revenues for Software and Maintenance sales if certain estimates are met for a total of \$11,000 and was recorded as part of the contingent consideration included in the purchase price. Additionally, the Company will pay 35% of the net margin on software maintenance renewals for former Macabe customers for the first twelve months, and then 30%, 25% and 20% of the net margin on software maintenance renewals for the following three years.

## [Table of Contents](#)

The Company will also pay 50% the first year, and 40%, 30% and 20% the three years after on the net margin on EASY Solution Maintenance, new software & license to existing Macabe customers and EASY Solutions software and maintenance sales to new customers. On any former Macabe customers migrating to Netsuite, X3 or Acumatica, the Company will pay 50% of the net margin of the sale after applicable costs and commissions for the three years period after the acquisition. The Company estimated this contingent consideration to be approximately \$417,971 at acquisition and which is included in the purchase price. Certain payments were made in each of these contingent consideration components, resulting in a remaining balance of \$274,835 as of September 30, 2016.

On October 19, 2015, SWK acquired certain assets of Oates & Company, LLC (Oates) pursuant to an Asset Purchase Agreement (the "Oates Purchase Agreement") for cash of \$125,000 and a promissory note for \$175,000 (the "Oates Note"). The Oates Note is due in three years from the closing date and bears interest at a rate of two (2%) percent. The monthly payments including interest are \$5,012. At June 30, 2016 the outstanding balance was \$136,844. Additionally in connection with the Oates Purchase Agreement, the Company issued a Convertible Note in favor of Oates for \$200,000 (the "Second Oates Note"). The Second Oates Note is due January 1, 2017 and bears interest at a rate of one (1%) percent. The quarterly interest payments are computed on the basis of 365-day year from the date of the Second Oates Note until paid. The Company's may, at its sole and exclusive option, convert, at any time until payment in full of the Second Oates Note, all or any part of the principal amount of the Second Oates Note plus accrued interest, into shares of the Company's Common Stock, at the price per share equal to \$3.00 per share.

During the nine months ended September 30, 2016, the Company had a net increase in cash of \$517,106. The Company's principal sources and uses of funds were as follows:

### *Cash provided by (used in) operating activities*

The Company generated \$1,516,191 in cash from operating activities for the nine months ended September 30, 2016 as compared to used cash of \$106,164 for operating activities for the same period in 2015. This increase in cash provided by operating activities is primarily attributed to a decrease in deferred revenue and a decrease in income tax payable.

### *Cash used in investing activities*

Investing activities for the nine months ended September 30, 2016 used cash of \$309,872. This use of cash is attributed to purchases of property and equipment and costs related to the internal development of software.

### *Cash used in financing activities*

Financing activities for the nine months ended September 30, 2016 used cash of \$689,213 as compared to generating cash of \$543,503 for the same period in 2015. The decrease was due primarily to the payment of a cash dividend of \$264,699 in 2016 and \$812,023 provided by an equity raise in prior year.

The Company believes that as a result of the growth in business, and the availability of its Credit Line, it has adequate liquidity to fund its operating plans for at least the next twelve months.

There was no significant impact on the Company's operations as a result of inflation for the nine months ended September 30, 2016.

### **Off Balance Sheet Arrangements**

During the nine months ended September 30, 2016 or for fiscal 2015, we did not engage in any material off-balance sheet activities or have any relationships or arrangements with unconsolidated entities established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide additional funding to any such entities.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We do not hold any derivative instruments and do not engage in any hedging activities.

**Item 4. Controls and Procedures**

*(a) Evaluation of Disclosure Controls and Procedures*

Pursuant to Rule 13a-15(b) under the Exchange Act, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15 under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company's PEO and PFO concluded that the Company's disclosure controls and procedures were not effective due to our limited finance staff, and the ineffective management review of complex transactions to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's PEO and PFO, as appropriate, to allow timely decisions regarding required disclosure.

Notwithstanding the material weakness, management believes that the condensed consolidated financial statements which are included in this Quarterly Report on Form 10-Q fairly present, in all material respects, the financial position of the Company at September 30, 2016 in conformity with U.S. generally accepted accounting principles.

*Remediation*

We are currently in the process of executing a plan of action to remediate the material weaknesses identified above. However, we cannot be assured that these weaknesses will be remediated or that other material weaknesses will not be discovered.

*(b) Changes in Internal Control over Financial Reporting*

There have been no changes in our internal controls over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act) during the quarter ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

We are not currently involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect on our financial condition.

### Item 1A. Risk Factors

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 30, 2016.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Other than disclosed above, there were no unregistered sales of equity securities that were not otherwise disclosed in a current report on Form 8-K.

### Item 3. Defaults upon Senior Securities

There has been no default in the payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

### Item 4. Mine Safety Disclosures

Not Applicable.

### Item 5. Other Information

There is no other information required to be disclosed under this item which has not been previously reported.

### Item 6. Exhibits

- 31.1 [Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(Rule 13a-14\(a\) or Rule 15d-14\(a\)\).\\*](#)
- 31.2 [Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(Rule 13a-14\(a\) or Rule 15d-14\(a\)\).\\*](#)
- 32.1 [Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\\*](#)
- 32.2 [Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\\*](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

\* Filed herewith

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

**SILVERSUN TECHNOLOGIES, INC.**

Dated: November 14,  
2016

By: */s/ Mark Meller*

\_\_\_\_\_  
Mark Meller  
Principal Executive Officer

By: */s/ Crandall Melvin III*

\_\_\_\_\_  
Crandall Melvin III  
Principal Accounting Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Mark Meller, certify that:

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

Dated: November 14, 2016

By: /s/ Mark Meller  
Mark Meller  
Principal Executive Officer  
SilverSun Technologies, Inc.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Crandall Melvin III, certify that:

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

Dated: November 14, 2016

By: /s/ Crandall Melvin III  
Crandall Melvin III  
Principal Financial Officer  
SilverSun Technologies, Inc.

**EXHIBIT 32.1**

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

In connection with this Quarterly Report of SilverSun Technologies, Inc. (the "Company"), on Form 10-Q for the quarter ended September 30, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Mark Meller, Principal Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 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 such Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2016

By: /s/ Mark Meller  
Mark Meller  
Principal Executive Officer  
SilverSun Technologies, Inc.

**EXHIBIT 32.2**

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

In connection with this Quarterly Report of SilverSun Technologies, Inc. (the "Company"), on Form 10-Q for the quarter ended September 30, 2016, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Crandall Melvin III, Principal Accounting Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) Such Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 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 such Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2016

By: /s/ Crandall Melvin III  
Crandall Melvin III  
Principal Financial Officer  
SilverSun Technologies, Inc.