

**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, 2020**

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: **001-38063**

SILVER SUN TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

16-1633636

(IRS Employer Identification No.)

**120 Eagle Rock Ave
East Hanover, NJ 07936**

(Address of principal executive offices)

(973) 396-1720

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.00001 per share	SSNT	The NASDAQ Capital Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Emerging Growth Company

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

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

As of November 9, 2020, there were 4,501,271 shares outstanding of the registrant's common stock.

SILVERSUN TECHNOLOGIES, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
ASSETS		
Current assets:		
Cash	\$ 7,072,595	\$ 8,658,401
Escrow accounts receivable	-	1,150,000
Accounts receivable, net of allowance of \$375,000	2,009,375	2,529,545
Unbilled services	599,449	183,484
Prepaid expenses and other current assets	314,177	455,434
Total current assets	9,995,596	12,976,864
Property and equipment, net	570,143	712,627
Operating lease right-of-use assets	1,413,617	698,840
Intangible assets, net	2,833,096	2,607,301
Goodwill	891,000	891,000
Deferred tax assets	1,267,936	874,482
Deposits and other assets	198,726	192,158
Total assets	<u>\$ 17,170,114</u>	<u>\$ 18,953,272</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,892,513	\$ 2,210,618
Accrued expenses	1,410,321	1,189,746
Accrued dividend	-	2,250,636
Accrued interest	15,939	15,378
Income taxes payable	463,886	152,355
Long term debt – current portion	162,104	131,795
Long term convertible debt – current portion	281,290	277,106
Finance lease obligations – current portion	126,774	162,625
Operating lease liabilities – current portion	480,897	262,020
Deferred revenue	1,877,635	2,006,983
Total current liabilities	6,711,359	8,659,262
Long term debt net of current portion	226,518	64,072
Long term convertible debt net of current portion	505,988	717,482
Finance lease obligations net of current portion	92,071	180,976
Operating lease liabilities net of current portion	932,720	436,820
Total liabilities	8,468,656	10,058,612
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	-	-
Common stock, \$0.00001 par value; authorized 75,000,000 shares; 4,501,271 shares issued and outstanding	46	46
Additional paid-in capital	9,540,392	9,530,198
Accumulated deficit	(838,980)	(635,584)
Total stockholders' equity	8,701,458	8,894,660
Total liabilities and stockholders' equity	<u>\$ 17,170,114</u>	<u>\$ 18,953,272</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Revenues:				
Software product, net	\$ 1,639,245	\$ 1,867,971	\$ 5,335,112	\$ 4,898,886
Service, net	8,519,907	8,239,894	24,576,507	23,635,710
Total revenues, net	10,159,152	10,107,865	29,911,619	28,534,596
Cost of revenues:				
Product	961,304	1,232,446	3,323,861	3,039,836
Service	5,145,857	5,174,643	14,744,954	14,539,415
Total cost of revenues	6,107,161	6,407,089	18,068,815	17,579,251
Gross profit	4,051,991	3,700,776	11,842,804	10,955,345
Selling, general and administrative expenses:				
Selling and marketing expenses	1,752,319	1,765,271	5,427,115	5,073,687
General and administrative expenses	2,026,477	2,467,515	6,133,865	6,599,885
Share-based compensation expenses	3,396	3,400	10,194	13,510
Impairment of intangible assets	-	236,860	-	236,860
Depreciation and amortization expenses	179,057	178,109	528,636	538,907
Total selling, general and administrative expenses	3,961,249	4,651,155	12,099,810	12,462,849
Income (loss) from continuing operations	90,742	(950,379)	(257,006)	(1,507,504)
Other income (expense):				
Other income	1,758	18,677	13,169	18,677
Interest income (expense)	(5,817)	(18,171)	(6,463)	(58,782)
Total other income (expense)	(4,059)	506	6,706	(40,105)
Income (loss) from continuing operations before taxes	86,683	(949,873)	(250,300)	(1,547,609)
Provision (benefit) for income taxes	31,478	-	(46,904)	-
Income (loss) from continuing operations	55,205	(949,873)	(203,396)	(1,547,609)
Discontinued operations				
Income from discontinued operations	-	269,554	-	988,525
Gain on sale of discontinued operations	-	10,144,287	-	10,144,287
Provision for income taxes	-	(1,795,127)	-	(1,823,216)
Income from discontinued operations	-	8,618,714	-	9,309,596
Net (loss) income	\$ 55,205	\$ 7,668,841	\$ (203,396)	\$ 7,761,987
Basic earnings (loss) per share applicable to common shareholders:				
Continuing operations	\$ 0.01	\$ (0.21)	\$ (0.05)	\$ (0.34)
Discontinued operations	-	1.91	-	2.07
Net (loss) income	\$ 0.01	\$ 1.70	\$ (0.05)	\$ 1.73
Diluted earnings (loss) per share applicable to common shareholders:				
Continuing operations	\$ 0.01	\$ (0.21)	\$ (0.05)	\$ (0.34)
Discontinued operations	-	1.91	-	2.07
Net (loss) income	\$ 0.01	\$ 1.70	\$ (0.05)	\$ 1.73
Weighted average shares outstanding:				
Basic	4,501,271	4,500,755	4,501,271	4,500,755
Diluted	4,696,820	4,500,755	4,501,271	4,500,755

See accompanying notes to the unaudited condensed consolidated financial statements.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Series A Preferred Stock		Series B Preferred Stock		Common Stock Class A		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at January 1, 2020	-	\$ -	-	\$ -	-	4,501,271	\$ 46	\$ 9,530,198	\$ (635,584)	\$ 8,894,660
Share-based compensation	-	-	-	-	-	-	-	10,194	-	10,194
Net loss	-	-	-	-	-	-	-	-	(203,396)	(203,396)
Balance at September 30, 2020	-	\$ -	-	\$ -	-	4,501,271	\$ 46	\$ 9,540,392	\$ (838,980)	\$ 8,701,458

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Series A Preferred Stock		Series B Preferred Stock		Common Stock Class A		Additional Paid in Capital	Accumulated Earnings (Deficit)	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at January 1, 2019	-	\$ -	-	\$ 1	-	4,500,755	\$ 46	\$ 11,763,923	\$ (7,429,810)	\$ 4,334,160
Cancellation of Series B stock	-	-	(1)	(1)	-	-	-	1	-	-
Share-based compensation	-	-	-	-	-	-	-	13,510	-	13,510
Net income	-	-	-	-	-	-	-	-	7,761,987	7,761,987
Balance at September 30, 2019	-	\$ -	-	\$ -	-	4,500,755	\$ 46	\$ 11,777,434	\$ 332,177	\$ 12,109,657

See accompanying notes to the unaudited condensed consolidated financial statements.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

	Series A Preferred Stock		Series B Preferred Stock		Common Stock Class A		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at July 1, 2020	-	\$ -	-	\$ -	-	4,501,271	\$ 46	\$ 9,536,996	\$ (894,185)	\$ 8,642,857
Share-based compensation	-	-	-	-	-	-	-	3,396	-	3,396
Net income	-	-	-	-	-	-	-	-	55,205	55,205
Balance at September 30, 2020	-	\$ -	-	\$ -	-	4,501,271	\$ 46	\$ 9,540,392	\$ (838,980)	\$ 8,701,458

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019

	Series A Preferred Stock		Series B Preferred Stock		Common Stock Class A		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at July 1, 2019	-	\$ -	-	\$ 1	-	4,500,755	\$ 46	\$ 11,774,034	\$ (7,336,664)	\$ 4,437,417
Cancellation of the Series B stock	-	-	(1)	(1)	-	-	-	1	-	-
Share-based compensation	-	-	-	-	-	-	-	3,399	-	3,399
Net income	-	-	-	-	-	-	-	-	7,668,841	7,668,841
Balance at September 30, 2019	-	\$ -	-	\$ -	-	4,500,755	\$ 46	\$ 11,777,434	\$ 332,177	\$ 12,109,657

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net (loss) income	\$ (203,396)	\$ 7,761,987
Net income from discontinued operations	-	9,309,596
Net loss from continuing operations	(203,396)	(1,547,609)
Adjustments to reconcile net loss from continuing operations to net cash provided by (used in) operating activities:		
Deferred income taxes	(393,454)	74,000
Depreciation and amortization	240,479	252,734
Amortization of intangibles	288,157	286,173
Amortization of right of use assets	361,199	140,106
Bad debt (recovery) expense	(486)	103,815
Share-based compensation	10,194	13,510
Impairment of intangible asset	-	236,860
Changes in assets and liabilities:		
Accounts receivable	546,530	(895,533)
Unbilled services	(415,965)	(236,997)
Prepaid expenses and other current assets	141,257	49,744
Deposits and other assets	354	(1,942)
Accounts payable	(318,105)	151,685
Accrued expenses	220,574	(203,832)
Income tax payable	311,531	(75,024)
Accrued interest	561	560
Deferred revenues	(181,096)	590,821
Operating lease obligations	(361,199)	(140,106)
Net cash provided by (used in) operating activities of continuing operations	247,135	(1,201,035)
Cash flows from investing activities:		
Purchase of property and equipment	(97,995)	(25,221)
Acquisition of business	(185,000)	(60,000)
Proceeds from sale of EDI practice, net of fees	-	10,132,574
Software development costs	-	(81,730)
Escrow accounts receivable	1,150,000	-
Net cash provided by investing activities of continuing operations	867,005	9,965,623
Cash flows from financing activities:		
Payment of cash dividend	(2,250,636)	(225,038)
Proceeds from PPP loan	3,150,832	-
Payment of PPP loan	(3,150,832)	-
Payment of contingent consideration	-	(22,548)
Payment of long term debt	(117,246)	(161,154)
Payment of long term convertible debt	(207,309)	(203,208)
Payment of finance lease obligations	(124,755)	(103,727)
Net cash used in financing activities of continuing operations	(2,699,946)	(715,675)
Cash flows from discontinued operations:		
Operating activities of discontinued operations	-	899,537
Investing activities of discontinued operations	-	(127,678)
Net cash provided by discontinued operations	-	771,859
Net (decrease) increase in cash	(1,585,806)	8,820,772
Cash, beginning of period	8,658,401	1,900,857
Cash, end of period	<u>\$ 7,072,595</u>	<u>\$ 10,721,629</u>
Cash paid during period for:		
Interest	<u>\$ 29,567</u>	<u>\$ 58,782</u>
Income taxes	<u>\$ 35,019</u>	<u>\$ 901</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

For the nine months ended September 30, 2020:

On January 23, 2020 the Company entered into an operating lease for equipment with VAR Technology Finance. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$453,379.

On January 29, 2020 the Company entered into an operating lease in Greensboro, NC. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$104,296.

On February 1, 2020 the Company entered into an operating lease in East Hanover, NJ. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$349,987.

On July 1, 2020 the Company entered into an operating lease in Phoenix, Arizona. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$103,451.

On July 31, 2020, the Company acquired certain assets of Prairie Technology Solutions Group, LLC ("Prairie Tech") pursuant to an Asset Purchase Agreement. In consideration for the acquired assets, the Company paid \$185,000 in cash and issued three promissory notes to Prairie Tech ("Prairie Tech Note 1", "Prairie Tech Note 2" and "Prairie Tech Note 3"), each in the principal aggregate amount of \$103,333 (collectively the "Prairie Tech Notes"). The Prairie Tech Notes bear interest at a rate of 4% per annum.

For the nine months ended September 30, 2019:

The Company acquired certain assets of Partners in Technology, Inc. ("PIT") for a \$174,000 promissory note in addition to a cash payment of \$60,000. (see Note 10).

Operating lease right of use assets and operating lease liabilities were recognized in the amount of \$911,000 at January 1, 2019.

On April 1, 2019 the Company entered into an operating lease in Lisle, IL and operating lease right of use assets and operating lease liabilities were recognized in the amount of \$71,685.

The Company incurred approximately \$291,936 in finance lease obligations for purchases of equipment.

On September 6, 2019, the Company filed a Certificate of Elimination of Certificate of Designations (the "Certificate of Elimination") with the Secretary of State of the State of Delaware. The Certificate of Withdrawal eliminated the Company's Series B Preferred Stock, par value \$.001 per share (the "Series B Preferred"), from the Company's Certificate of Incorporation. Prior to filing the Certificate of Elimination, Mark Meller, the Company's Chief Executive Officer and Chairman and owner of the only share of Series B Preferred, cancelled the only share of Series B Preferred issued and outstanding.

On August 26, 2019 the Company sold the EDI practice and \$1,150,000 of the proceeds were put in an escrow receivable account (see Note 14).

See accompanying notes to the unaudited condensed consolidated financial statements.

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

NOTE 1 – DESCRIPTION OF BUSINESS

“SilverSun Technologies, Inc. (“SilverSun”) through our wholly owned subsidiaries SWK Technologies, Inc. (“SWK”), Secure Cloud Services, Inc. (“SCS”) and Critical Cyber Defense Corp. (“CCD”) together with SWK, SCS and SilverSun (the “Company”) is 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”), Human Capital Management (“HCM”), Warehouse Management Systems (“WMS”), Customer Relationship Management (“CRM”), and Business Intelligence (“BI”). Additionally, we have our own development staff building software solutions for 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, cybersecurity, application hosting, disaster recovery, business continuity, cloud and other services. Our customers are nationwide, with concentrations in the New York/New Jersey metropolitan area, Arizona, Southern California, North Carolina, Washington, Oregon and Illinois.

On August 26, 2019 SWK entered into and closed that certain Asset Purchase Agreement (the “MAPADOC Asset Purchase Agreement”) by and among the Company, SPS Commerce, Inc., as buyer (“SPS”), and SWK as seller, pursuant to which SPS agreed to acquire from SWK substantially all of the assets related to the MAPADOC business (See footnote 13).

The Company is publicly traded and was quoted on the Over-the-Counter Market Place (“OTCQB”) under the symbol “SSNT” until April 18, 2017. Since April 19, 2017, the Company has been listed and is traded on the NASDAQ Capital Market under the symbol “SSNT”.

The Company’s operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, was declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Company’s financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Company’s customers and revenue, labor workforce, inability of customers to pay outstanding accounts receivable due and owing to the Company as they limit or shut down their businesses, customers seeking relief or extended payment plans relating to accounts receivable due and owing to the Company, unavailability of products and supplies used in operations, and the decline in value of assets held by the Company, including property and equipment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position of the Company as of September 30, 2020, the results of operations for the three and nine months ended September 30, 2020 and 2019 and cash flows for the nine months ended September 30, 2020 and 2019. 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, 2019 balance sheet included herein was derived from the audited consolidated financial statements included in the Company’s annual report on Form 10-K. Accordingly, the financial statements included herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on March 26, 2020.

All financial results of the EDI practice are classified as discontinued operations for the purpose of this quarterly report (see Note 13).

The accompanying unaudited condensed consolidated financial statements include the accounts of the “Company” and its wholly-owned subsidiaries. These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. All significant inter-company transactions and accounts have been eliminated in consolidation.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
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 (“GAAP”) 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 three and nine months ended September 30, 2020 and 2019.

Capitalization of proprietary developed software

Software development costs are accounted for in accordance with ASC 985-20, *Software — Costs of Software to be Sold, Leased or Marketed*. Costs associated with the planning and designing phase of software development are expensed as incurred. Once technological feasibility has been determined, a portion of the costs incurred in development, including coding, testing and quality assurance, are capitalized until available for general release to clients, and subsequently reported at the lower of unamortized cost or net realizable value. Amortization is calculated on a solution-by-solution basis and is over the estimated economic life of the software. Amortization commences when a solution is available for general release to clients.

Definite Lived Intangible Assets and Long-lived Assets

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 three and nine months ended September 30, 2020. There were \$236,860 in impairment losses recorded for the three and nine months ended September 30, 2019.

Revenue Recognition

The Financial Accounting Standards Board “FASB” issued ASU 2014-09, *Revenue from Contracts with Customers: Topic 606* which superseded nearly all existing revenue recognition guidance under GAAP. The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Topic 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation, among others. Topic 606 also provides guidance on the recognition of costs related to obtaining customer contracts.

With the adoption of ASC 606, the Company has elected the significant financing component practical expedient. In determining the transaction price, the Company does not adjust the promised amount of consideration for the effects of a significant financing component as the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Software product revenue is recognized when the product is delivered to the customer and the Company’s performance obligation is fulfilled.

Service revenue is recognized when the professional consulting, maintenance or other ancillary services are provided to the customer. Shipping and handling costs charged to customers are classified as revenue, and the shipping and handling costs incurred are included in cost of sales.

	For the Three Months Ending September 30,		For the Nine Months Ending September 30,	
	2020	2019	2020	2019
Professional Consulting	\$ 3,296,502	\$ 2,957,174	\$ 10,201,996	\$ 8,974,457
Maintenance Revenue	\$ 1,972,913	\$ 2,360,335	\$ 5,263,838	\$ 5,794,705
Ancillary Service Revenue	\$ 3,250,492	\$ 2,922,385	\$ 9,110,673	\$ 8,866,548

Unbilled Services

The Company recognizes revenue on its professional services as those services are performed. Unbilled services (contract assets) represent the revenue recognized but not yet invoiced.

Deferred Revenues

Deferred revenues consist of maintenance on proprietary products (contract liabilities), customer telephone support services (contract liabilities) and deposits for future consulting services which will be earned as such services are performed over the contractual or stated period, which generally ranges from three to twelve months. As of September 30, 2020, there was \$176,487 in deferred maintenance, \$135,467 in deferred support services, and \$1,565,681, in deposits for future consulting services. As of December 31, 2019, there was \$145,977 in deferred maintenance, \$159,165 in deferred support services, and \$1,701,841 in deposits for future consulting services.

Commissions

Sales commissions relating to service revenues are considered incremental and recoverable costs of obtaining a project with our customer. These commissions are calculated based on estimated revenue to be generated over the life of the project. These costs are deferred and expensed as the service revenue is earned. Commission expense is included in selling and marketing expenses in the accompanying unaudited condensed consolidated statements of operations.

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 with various institutions, which exceed federally insured limits throughout the year. At September 30, 2020 and December 31, 2019, the Company had cash on deposit of \$6,264,341 and \$8,016,900, respectively, in excess of the federally insured limits of \$250,000.

As of September 30, 2020, no one customer represented 10% of the total accounts receivable and unbilled services. As of December 31, 2019, one customer represented 14% of the total accounts receivable and unbilled services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the nine months ended September 30, 2020 and 2019, the Company's top ten customers accounted for 11% (\$3,157,125) and 11% (\$3,094,620), respectively, of total revenues. The Company does not rely on any one specific customer for any significant portion of its revenue.

For the nine months ended September 30, 2020 and 2019, purchases from one supplier through a "channel partner" agreement were approximately 16% and 20% 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, 2020 and December 31, 2019, one supplier represented approximately 32% and 15% of total accounts payable respectively.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable and cash. As of September 30, 2020, 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 primarily 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. Accounts are written off against the allowance when deemed uncollectable.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and amortization. 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 unaudited condensed consolidated statements of operations.

Income Taxes

Deferred income taxes reflect 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. Based on ASU 2015-17, all deferred tax assets or liabilities are classified as long-term. 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 2016 to 2019 remain open to examination for both the U.S. federal and state jurisdictions.

There were no liabilities for uncertain tax positions at September 30, 2020 and December 31, 2019.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fair value hierarchy gives the lowest priority to Level 3 inputs.

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 and debt obligations approximate fair value as their stated interest rates approximate the rates currently available. The Company's goodwill and intangibles are measured at fair-value on a non-recurring basis using Level 3 inputs, as discussed in Note 5 and 10.

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 highly subjective assumptions, including the expected stock price volatility and expected term. Any changes in these highly subjective assumptions significantly impact stock-based compensation expense.

Recently Adopted Authoritative Pronouncements

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350), which includes provisions, intended to simplify the test for goodwill impairment. The standard is effective for annual periods beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. This was adopted on January 1, 2020 and did not have a significant impact on our financial position and results of operations.

Recent Authoritative Pronouncements

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments -Credit Losses (Topic 326), Measurement of Credit Losses on Financial Statements. The amendment in this update replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses on instruments within its scope, including trade receivables. This update is intended to provide financial statement users with more decision-useful information about the expected credit losses. We do not expect the adoption of this standard to have a significant impact on our financial position and results of operations.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes - simplifying the accounting for income taxes (Topic 740), which is meant to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, Income Taxes. The amendment also improves consistent application and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. We do not expect the adoption of this standard to have a significant impact on our financial position and results of operations.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2020, the FASB issued ASU 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40). The update simplifies the accounting for convertible debt instruments and convertible preferred stock by reducing the number of accounting models and limiting the number of embedded conversion features separately recognized from the primary contract. The guidance also includes targeted improvements to the disclosures for convertible instruments and earnings per share. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company is evaluating the impact of the adoption on its consolidated financial statements.

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

NOTE 3 – NET (LOSS) 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.

For the three and nine months ended September 30, 2020 and 2019, the average market prices for the periods ended are less than the exercise price of all the outstanding stock options and warrants, therefore, the inclusion of the stock options and warrants would be anti-dilutive. In addition, since the effect of common stock equivalents is anti-dilutive with respect to losses, the convertible promissory notes have also been excluded from the Company’s computation of loss per common share for continuing operations for the nine months ended September 30, 2020 and three and nine months ended September 30, 2019. Therefore, basic and diluted income (loss) per common share for continuing operations for the nine months ended September 30, 2020 and three and nine months ended September 30, 2019 are the same. For the three months ended September 30, 2020 convertible promissory notes have been included in the Company’s computation of income per common share for continuing operations.

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Basic net income (loss) from continuing operations per share computation:		
Net income (loss) from continuing operations	\$ 55,205	\$ (949,873)
Weighted-average common shares outstanding	4,501,271	4,500,755
Basic net income (loss) per share	\$ 0.01	\$ (0.21)
Diluted net income (loss) from continuing operations per share computation:		
Net income (loss) per above	\$ 55,205	\$ (949,873)
Interest on Convertible debt	4,168	-
Net income (loss)	59,373	(949,873)
Weighted-average common shares outstanding	4,501,271	4,500,755
Incremental shares for convertible promissory notes	195,549	-
Total adjusted weighted-average shares	4,696,820	4,500,755
Diluted net income (loss) per share	\$ 0.01	\$ (0.21)

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – NET (LOSS) INCOME PER COMMON SHARE (Continued)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Basic net income (loss) from continuing operations per share computation:		
Net loss from continuing operations	\$ (203,396)	\$ (1,547,609)
Weighted-average common shares outstanding	4,501,271	4,500,755
Basic net loss per share	\$ (0.05)	\$ (0.34)
Diluted net income (loss) from continuing operations per share computation:		
Net income (loss) per above	\$ (203,396)	\$ (1,547,609)
Net income (loss)	(203,396)	(1,547,609)
Weighted-average common shares outstanding	4,501,271	4,500,755
Incremental shares for convertible promissory notes	-	-
Total adjusted weighted-average shares	4,501,271	4,500,755
Diluted net income (loss) per share	\$ (0.05)	\$ (0.34)

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

	Three Months September 30, 2020	Three Months September 30, 2019
Stock options	-	29,502
Warrants	4,988	208,241
Convertible promissory notes	-	264,035
Total potential dilutive securities not included in loss per share	<u>4,988</u>	<u>501,778</u>
	Nine Months September 30, 2020	Nine Months September 30, 2019
Stock options	-	44,046
Warrants	4,988	208,241
Convertible promissory notes	195,549	264,035
Total potential dilutive securities not included in loss per share	<u>200,537</u>	<u>516,322</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	September 30, 2020	December 31, 2019
Leasehold improvements	\$ 98,831	\$ 98,831
Equipment, furniture and fixtures	2,940,335	2,842,340
	3,039,166	2,941,171
Less: Accumulated depreciation and amortization	(2,469,023)	(2,228,544)
Property and equipment, net	<u>\$ 570,143</u>	<u>\$ 712,627</u>

Depreciation and amortization expense related to these assets was \$74,846 and \$240,479, respectively for the three and nine months ended September 30, 2020 as compared to \$91,622 and \$252,734 for the three and nine months ended September 30, 2019.

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

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

Property and equipment under finance leases are summarized as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Equipment, furniture and fixtures	659,293	708,272
Less: Accumulated amortization	(341,055)	(248,497)
Property and equipment, net	<u>\$ 318,238</u>	<u>\$ 459,775</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:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>Estimated Useful Lives</u>
Proprietary developed software	\$ 390,082	\$ 390,082	5 – 7
Intellectual property, customer list, and acquired contracts	4,943,966	4,430,014	5 – 15
Total intangible assets	\$ 5,334,048	\$ 4,820,096	
Less: accumulated amortization	(2,500,952)	(2,212,795)	
	<u>\$ 2,833,096</u>	<u>\$ 2,607,301</u>	

Amortization expense related to the above intangible assets for the three and nine months ended September 30, 2020 was \$104,211 and \$288,157, respectively as compared to \$86,487 and \$286,173 for the three and nine months ended September 30, 2019. Impairment on tangible assets were \$0 for the three and nine months ended September 30, 2020 and \$236,860 for the three and nine months ended September 30, 2019, respectively.

The Company expects future amortization expense to be the following:

	<u>Amortization</u>
Remainder of 2020	\$ 107,483
2021	401,916
2022	335,214
2023	272,101
2024	272,101
Thereafter	1,444,281
Total	<u>\$ 2,833,096</u>

NOTE 6 – CONVERTIBLE DEBT AND LONG-TERM DEBT, RELATED PARTY AND PPP LOAN

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 per annum. Monthly payments including interest are \$10,645. At September 30, 2020 and December 31, 2019, the outstanding balance on the PTI Note was \$0 and \$73,899, respectively.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – CONVERTIBLE DEBT AND LONG-TERM DEBT, RELATED PARTY AND PPP LOAN (Continued)

On May 31, 2018, SWK acquired certain assets of Info Sys Management, Inc. (“ISM”) pursuant to an Asset Purchase Agreement for cash of \$300,000 and a promissory note issued in the aggregate principal amount of \$1,000,000 (the “ISM Note”). The ISM Note is due five years from the closing date and bears interest at a rate of two percent (2%) per annum. Monthly payments including interest are \$17,528. The ISM Note has an optional conversion feature whereby the holder may, at its sole and exclusive option, elect to convert, at any time and from time to time, until payment in full of the ISM Note, all of the outstanding principal amount of the ISM Note, plus accrued interest, into shares (the “Conversion Shares”) of the Company’s Common Stock, (“Common Stock”) at per share price equal to \$4.03, a price equal to the average closing price of its Common Stock for the five (5) trading days immediately preceding the issuance date of the ISM Note (the “Fixed Conversion Price”). At September 30, 2020 and December 31, 2019 the outstanding balance on the ISM Note was \$562,342 and \$710,420 respectively.

On May 31, 2018, Secure Cloud Services acquired certain assets of Nellnube, Inc. (“Nellnube”) pursuant to an Asset Purchase Agreement for a promissory note issued in the aggregate principal amount of \$400,000 (the “Nellnube Note”). The Nellnube Note is due five years from the closing date and bears interest at a rate of two percent (2%) per annum. Monthly payments including interest are \$7,011. The Nellnube Note has an optional conversion feature whereby the holder may, at its sole and exclusive option, elect to convert, at any time and from time to time, all of the outstanding principal amount of the Nellnube Note, plus accrued interest, into shares (the “Conversion Shares”) of the Company’s Common Stock, (“Common Stock”) at per share price equal to \$4.03 (the “Fixed Conversion Price”). At September 30, 2020 and December 31, 2019 the outstanding balance on the Nellnube Note was \$224,936 and \$284,168 respectively.

On January 1, 2019, SWK acquired certain assets of Partners in Technology, Inc. (“PIT”) pursuant to an Asset Purchase Agreement for cash of \$60,000 and the issuance of a promissory note in the aggregate principal amount of \$174,000 (the “PIT Note”). The PIT Note is due in 36 months from the closing date and bears interest at a rate of two percent (2.0%) per annum. Monthly payments including interest are \$4,984. At September 30, 2020 and December 31, 2019 the outstanding balance on the PIT Note was \$78,622 and \$121,968 respectively.

On July 31, 2020, the Company acquired certain assets of Prairie Technology Solutions Group, LLC (“Prairie Tech”) pursuant to an Asset Purchase Agreement. In consideration for the acquired assets, the Company paid \$185,000 in cash and issued three promissory notes to Prairie Tech (“Prairie Tech Note 1”, “Prairie Tech Note 2” and “Prairie Tech Note 3”), each in the principal aggregate amount of \$103,333 (collectively the “Prairie Tech Notes”). The Prairie Tech Notes bear interest at a rate of 4% per annum. Prairie Tech Note 1 has a term of one (1) year and is subject to downward adjustment based on whether certain revenue milestones are achieved. Prairie Tech Note 2 has a term of two (2) years and is also subject to downward adjustment based on whether certain revenue milestones are achieved. Prairie Tech Note 3 has a term of three (3) years and is not subject to a downward adjustment. At September 30, 2020 the outstanding balance on the PT notes were \$310,000.

At September 30, 2020, future payments of long term debt are as follows:

Remainder of 2020	\$	84,378
2021		445,096
2022		396,714
2023		249,712
Total	\$	<u>1,175,900</u>

On April 9, 2020, SWK Technologies, Inc. (“SWK”), a wholly-owned subsidiary of SilverSun Technologies, Inc. (the “Company”), issued a promissory note (the “Note”) to JPMorgan Chase Bank, N.A., in the principal aggregate amount of \$3,150,832 (the “PPP Loan”) pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Loan had a two-year term and an interest at a rate of 0.98% per annum. Monthly principal and interest payments were deferred for six months after the date of disbursement. The PPP Loan could be prepaid at any time prior to maturity with no prepayment penalties.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 – CONVERTIBLE DEBT AND LONG-TERM DEBT, RELATED PARTY AND PPP LOAN (Continued)

Beginning seven months from the date of the PPP Loan SWK was required to make 24 monthly payments of principal and interest in the amount of \$132,629.

Under the terms of the CARES Act, PPP loan recipients could apply for and be granted forgiveness for all or a portion of loan granted under the program. Such forgiveness would be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. No assurance was provided that SWK would obtain forgiveness of the PPP Loan in whole or in part.

At the time the Company applied for the PPP Loan, the Company believed it qualified to receive the funds pursuant to the PPP. However, on April 23, 2020, subsequent to the Company's receipt of the PPP Loan, the SBA, in consultation with the Department of Treasury, issued new guidance that creates uncertainty regarding the qualification requirements for a PPP loan for public companies, and provided a safe harbor whereby a public company could repay its PPP loan without consequence by May 7, 2020. On May 5, 2020, the SBA issued additional guidance, whereby they extended the safe harbor date until first May 14, 2020, and then subsequently extended to May 18, 2020, and furthermore committed to provide additional guidance relative to a public's company ability to retain its PPP loan. The Company reviewed the new guidance and subsequently returned the full amount of the loan on May 18, 2020.

NOTE 7 – FINANCE 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 property and equipment in the accompanying unaudited condensed consolidated balance sheets. The related obligations are based upon the present value of the future minimum lease payments with the following:

	<u>September 30, 2020</u>
Weighted average remaining lease term	1.76
Weighted average interest rate	5.01%

At September 30, 2020 future payments under finance leases are as follows:

Remainder of 2020	\$ 40,531
2021	125,591
2022	57,584
2023	6,640
Total minimum lease payments	<u>230,346</u>
Less amounts representing interest	<u>(11,501)</u>
Present value of net minimum lease payments	218,845
Less current portion	<u>(126,774)</u>
Long-term finance lease obligation	<u>\$ 92,071</u>

NOTE 8 – OPERATING LEASE LIABILITY

The Company leases office space in ten different locations with monthly payments ranging from \$720 to \$10,044 which expire at various dates through March 2025. The Company also leases equipment with a monthly payment of \$10,279 which expires February 2024.

The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease. The Company used incremental borrowing rates as of January 1, 2019 for operating leases that commenced prior to that date.

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

NOTE 8 – OPERATING LEASE LIABILITY (Continued)

The Company's weighted average remaining lease term and weighted average discount rate for operating leases as of September 30, 2020 are as follows:

	<u>September 30, 2020</u>
Weighted average remaining lease term	3.13
Weighted average discount rate	3.90%

The following table reconciles the undiscounted future minimum lease payments (displayed by year and in the aggregate) under noncancelable operating leases with terms of more than one year to the total lease liabilities recognized on the unaudited condensed consolidated balance sheet as of September 30, 2020:

Remainder 2020	\$ 145,504
2021	527,237
2022	422,213
2023	356,844
2024	141,457
Thereafter	20,510
Total undiscounted future minimum lease payments	1,613,765
Less: Difference between undiscounted lease payments and discounted lease liabilities	(200,148)
Total operating lease liabilities	\$ 1,413,617
Less current portion	(480,897)
Long-term operating lease liabilities	\$ 932,720

Total rent expense under operating leases for the three and nine months ended September 30, 2020 was \$134,147 and \$397,416 as compared to \$100,764 and \$315,235 for the three and nine months ended September 30, 2019.

NOTE 9 – EQUITYEquity

On December 24, 2018, the Company announced the payment of a \$0.05 special cash dividend per share of Common Stock. The dividend payments announced in December were paid out on January 14, 2019 for an aggregate amount of approximately \$225,038, which was applied against additional paid in capital and included in accrued expenses at December 31, 2018.

On October 10, 2019, the Company's Board of Directors authorized a new stock repurchase program, under which the Company may repurchase up to \$2 million of its outstanding common stock. Under this new stock repurchase program, the Company may repurchase shares in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The extent to which the Company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by the Company's management. The repurchase program may be extended, suspended or discontinued at any time. The Company expects to finance the program from existing cash resources. As of September 30, 2020 and December 31, 2019, no repurchases have been made.

On September 6, 2019, the Company filed a Certificate of Elimination of Certificate of Designations (the "Certificate of Elimination") with the Secretary of State of the State of Delaware. The Certificate of Withdrawal eliminated the Company's Series B Preferred Stock, par value \$.001 per share (the "Series B Preferred"), from the Company's Certificate of Incorporation. Prior to filing the Certificate of Elimination, Mark Meller, the Company's Chief Executive Officer and Chairman and owner of the only share of Series B Preferred, cancelled the only share of Series B Preferred issued and outstanding.

On December 24, 2019, the Company announced the payment of a \$0.50 special cash dividend per share of Common Stock payable on January 14, 2020 for an aggregate amount of \$2,250,636, which was applied against paid in capital.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
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NOTE 9 – EQUITY (Continued)

Options

A summary of the status of the Company's stock option plans for the fiscal years ended December 31, 2019 and the nine months ending September 30, 2020 and changes during the years are presented below (in number of options):

	<u>Number of Options</u>	<u>Average Exercise Price</u>	<u>Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding options at January 1, 2019	56,280	\$ 3.75	1.0 years	\$ -0-
Options granted	-	-	-	-
Options canceled/forfeited	<u>(30,000)</u>	\$ 3.78		
Outstanding options at December 31, 2019	26,280	\$ 3.71	0.7 years	\$ -0-
Options granted	-			
Options exercised	-			
Options canceled/forfeited/expired	<u>(26,280)</u>	\$ 4.00		
Outstanding options at September 30, 2020	<u>-</u>	\$ -	-	\$ -0-
Vested Options:				
September 30, 2020:	-	\$ -	-	\$ -0-
December 31, 2019:	21,960	\$ 3.72	0.6 years	\$ -0-

As of September 30, 2020, the unamortized compensation expense for stock options was \$0.

Warrants

The following table summarizes the warrants transactions:

	<u>Warrants Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Average Remaining Contractual Term</u>
Balance, January 1, 2019	208,241	\$ 5.26	2.3 years
Granted	-	\$ -	
Exercised	16,698	\$ 5.09	
Canceled	-	\$ -	
Outstanding and Exercisable December 31, 2019	<u>191,543</u>	<u>\$ 5.28</u>	0.3 years
Granted	-	\$ -	
Exercised	-	\$ -	
Expired	186,555	\$ 5.30	
Outstanding and Exercisable September 30, 2020	<u>4,988</u>	<u>\$ 4.01</u>	1.5 years

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 – BUSINESS COMBINATION

On January 1, 2019, SWK acquired certain assets of Partners in Technology, Inc. (“PIT”) pursuant to an Asset Purchase Agreement in exchange for cash of \$60,000 and a promissory note in the aggregate principal amount of \$174,000 (“PIT Note”). The PIT Note is due in 36 months from the closing date and bears interest at a rate of two percent (2.0%). Monthly payments including interest are \$4,984. The allocation of the purchase price to customer list with an estimated life of fifteen years and goodwill, which is deductible for tax purposes, has been based on an independent valuation.

On July 31, 2020, the Company acquired certain assets of Prairie Technology Solutions Group, LLC, (“PT”) pursuant to an Asset Agreement for cash of \$185,000 and the issuance of three promissory notes each in the amount of \$103,333. Note 1 is due on the one- year anniversary of the closing date. Note 2 is due on the two-year anniversary of the closing date and Note 3 is due on the three-year anniversary of the closing date. Each note bears an interest rate of four percent (4%) per annum. Payments are due annually including interest. Upon completion of an independent valuation, the allocation of the purchase price to customer lists will be modified with the excess purchase consideration being allocated to goodwill.

The Company expects this acquisition to create synergies by combining operations and expanding geographic market share and product offerings.

The following summarizes the purchase price allocation for the prior year’s acquisition and the preliminary purchase price allocation for the current year acquisition:

	<u>PIT</u>	<u>PT (preliminary)</u>
Cash consideration	\$ 60,000	\$ 185,000
Note payable	174,000	310,000
Total purchase price	<u>\$ 234,000</u>	<u>\$ 495,000</u>
Customer List	\$ 228,000	\$ 513,952
Deposits and other assets		6,922
Accounts receivable		25,874
Operating lease right-of-use asset		64,863
Goodwill	6,000	-
Total assets acquired	234,000	611,611
Deferred revenue	-	(51,748)
Operating lease liability	-	(64,863)
Net assets acquired	<u>\$ 234,000</u>	<u>\$ 495,000</u>

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

NOTE 10 – 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 PT acquisition occurred on January 1, 2019, 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 three and nine months ended September 30, 2020 and 2019 as if the PT acquisition occurred on January 1, 2019. Operating expenses have been increased for the amortization expense associated with the estimated fair value adjustment as of September 30, 2019 of expected definite lived intangible assets and interest on the notes payable.

Pro Forma	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Net revenues	\$ 10,346,995	\$ 10,492,865
Cost of revenues	6,304,878	6,617,176
Operating expenses	4,032,613	4,843,728
Income (loss) before taxes	9,504	(968,039)
Net income (loss)	\$ 7,128	\$ (968,039)
Basic and diluted income per common share	\$ (0.00)	\$ (0.22)

Pro Forma	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net revenues	\$ 30,855,859	\$ 29,890,068
Cost of revenues	18,588,494	18,424,779
Operating expenses	12,573,464	13,098,897
Loss before taxes	(306,099)	(1,633,608)
Net loss	(229,575)	(1,633,608)
Basic and diluted income per common share	\$ (0.05)	\$ (0.36)

The Company’s unaudited condensed consolidated financial statements for the three and nine months ending September 30, 2020 and 2019 include the actual results of PIT since the date of acquisition, January 1, 2019.

The three months ended September 30, 2020 pro-forma results above include one month of results of PT. The nine months ended September 30, 2020 pro-forma results above include seven months of PT. For the three months ending September 30, 2020, there is \$6,118 of estimated amortization expense and \$1,033 of estimated interest expense included in the PT pro-forma results. For the nine months ending September 30, 2020, there is \$42,829 of estimated amortization expense and \$7,231 of estimated interest expense included in the PT pro-forma results. For the three months ending September 30, 2019, there is \$18,355 of estimated amortization expense and \$3,099 of estimated interest expense included in the PT pro-forma results. For the nine months ending September 30, 2019, there is \$55,066 of estimated amortization expense and \$9,297 of estimated interest expense included in the PT pro-forma results.

For the three and nine months ended September 30, 2020, the PT operations had a net income before taxes of \$0 which represented two months operations that was included in the Company’s Condensed Unaudited Consolidated Statement of Income. This consisted of \$193,463 in revenues, \$106,405 in cost of revenues, and \$87,058 in operating expenses.

NOTE 11 – 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 \$6,177,000 as of September 30, 2020, 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 2024 to 2033.

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

NOTE 11 – INCOME TAXES (Continued)

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) from continuing operations:

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Current:		
Federal	\$ 269,327	\$ -
State and local	77,223	-
Total current tax provision	346,550	-
Deferred:		
Federal	(292,780)	-
State and local	(100,674)	-
Total deferred tax provision (benefit)	(393,454)	-
Total provision (benefit)	\$ (46,904)	\$ -

For the nine months ended September 30, 2020, 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) and 50% of meals, 100% entertainment expense which are not tax deductible. The benefit from continuing operations for the nine months ended September 30, 2020 was \$46,904. The effective tax rate consists primarily of the 21% federal statutory tax rate and a blended 5% state and local tax rate.

NOTE 12 – RELATED PARTY TRANSACTIONS

As of September 30, 2020, and December 31, 2019, long term debt and long term convertible debt issued in conjunction with various acquisitions are considered related party liabilities as holders are current employees of the Company, see Note 6.

NOTE 13 – SALE OF EDI PRACTICE

On August 26, 2019 the Company entered into that certain Asset Purchase Agreement (the “Asset Purchase Agreement”) by and among the Company, SPS Commerce, Inc., as buyer (“Buyer” or “SPS”), and SWK, as seller (the “Seller”), pursuant to which the Buyer has agreed to acquire from the Seller certain assets (all intellectual property and accounts receivable) related to the MAPADOC business, which was the EDI practice. In consideration for the Acquired Assets (as defined in the Asset Purchase Agreement), at closing, SPS: (i) paid Seller \$10,350,000 in cash (the “Initial Cash Payment”); and (ii) delivered \$1,150,000 to an escrow account (the “Escrowed Property”) pursuant to the terms and conditions of that certain Escrow Agreement dated August 26, 2019 (the “Escrow Agreement”), for an aggregate consideration of \$11,500,000 (the “Purchase Price”). Pursuant to the terms and conditions of that certain Escrow Agreement entered into in connection with the Asset Purchase Agreement, portions of the Escrowed Property will be released at six months and at twelve months following the date of closing of the Asset Purchase Agreement, to the extent that no indemnity claims against the Escrowed Property have been filed by the Buyer. On February 28, 2020, the Company received the first half of the escrow agreement (\$575,000), per the agreement. There was also an adjustment to the Working Capital and an additional \$162,868 was added to the gain on the sale of Mapadoc which was recognized in 2019 and paid in February 2020. On August 31, 2020, the Company received the second half of the escrow agreement (\$575,000), per the agreement.

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

NOTE 14 – DISCONTINUED OPERATIONS

The financial results of our EDI Practice (“Mapadoc”) through September 30, 2019 are presented as discontinued operations. The following table presents the financial results of “Mapadoc.”

Mapadoc Income Statement for the three and nine months ended September 30, 2019

	<u>3 Months Ending</u> <u>September 30, 2019</u>	<u>9 Months Ending</u> <u>September 30, 2019</u>
Revenues:		
Software product, net	139,168	445,025
Service, net	751,203	2,936,898
Total revenues, net	<u>890,371</u>	<u>3,381,923</u>
Cost of revenues:		
Product	399	2,745
Service	382,777	1,387,926
Cost of revenues	<u>383,176</u>	<u>1,390,671</u>
Gross profit	507,195	1,991,252
Selling, general and administrative expenses:		
Selling and marketing expenses	130,929	371,061
General and administrative expenses	85,690	540,822
Depreciation and amortization expenses	21,022	90,844
Total selling, general and administrative expenses	<u>237,641</u>	<u>1,002,727</u>
Income from discontinued operations	269,554	988,525
Gain from sale of discontinued operations	10,144,287	10,144,287
Provision for income taxes	(1,795,127)	(1,823,216)
Income from discontinued operations	<u>8,618,714</u>	<u>9,309,596</u>

NOTE 15 – SUBSEQUENT EVENTS

On October 1, 2020, the Company entered into an At Market Issuance Sales Agreement (the “2020 At Market Agreement”) with a sales agent (the “Sales Agent”) under which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$3,489,499 from time to time through the Sales Agent. Sales of the Company’s common stock through the Sales Agent, if any, will be made by any method that is deemed an “at the market” offering as defined by the U.S. Securities and Exchange Commission. The Company will pay to the Sales Agent a commission rate equal to 3.0% of the gross proceeds from the sale of any shares of common stock sold through the Sales Agent under the 2020 At Market Agreement. The Company has not issued any common stock pursuant to the 2020 At Market Agreement.

On October 1, 2020, the Company acquired certain assets of Computer Management Services, LLC (“CMS”) pursuant to an Asset Purchase Agreement. In consideration for the acquired assets, the Company paid \$470 in cash and issued a promissory note to CMS in the principal aggregate amount of \$170,000. The CMS Note is due in 36 months from the closing date and bears interest at a rate of two (2%) percent per annum. Monthly payments including interest are \$4,869.

On October 12, 2020, Ms. Christine Dye informed the Board of Directors of Silversun Technologies, Inc. (the “Company”) that she was resigning from her position as Chief Financial Officer of the Company, effective as of November 13, 2020 (the “CFO Transition”).

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 subsidiaries, SWK Technologies, Inc., Secure Cloud Services, Inc., and Critical Cyber Defense Corp. (collectively the “Company”, “we”, “our”, and “us”) 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, 2019, 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 unaudited condensed consolidated 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 consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our consolidated 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”), Human Capital Management (“HCM”), Warehouse Management Systems (“WMS”), Customer Relationship Management (“CRM”), and Business Intelligence (“BI”). Additionally, we have our own development staff building software solutions for various ERP enhancements. Our value-added services focus on consulting and professional services, specialized programming, training, and technical support. We have a dedicated Information Technology (“IT”) network services practice that provides managed services, cybersecurity, application hosting, disaster recovery, business continuity, cloud and other services. Our customers are nationwide, with concentrations in the New York/New Jersey metropolitan area, Arizona, Southern California, North Carolina, Washington, Oregon and Illinois.

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 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 cloud-based ERP solutions, we also have in our ERP portfolio 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 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 manage their business and 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.

Network and Managed Services

We provide comprehensive IT 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-site and off-site backups, complete encryption, and automatic failure testing. We also provide cybersecurity, application hosting, IT consulting and managed network 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, 2020 and 2019.

During the nine months ended September 30, 2020 the Company continued to expand its customer base, which prior to Covid-19, we believed would provide a basis for future growth, as revenues increased 4.83% from the same nine month period in the prior year. The Company will continue to monitor the Covid-19 situation as it pertains to the disruption of our business and growth in future quarters and will take steps to establish mitigation strategies in order to try and minimize risk of any potential downturn for shareholders as well the health, safety and wellbeing of its employees and customers.

Revenues

Revenues for the three months ended September 30, 2020 increased \$51,287 (0.51%) to \$10,159,152 as compared to \$10,107,865 for the three months ended September 30, 2019. Revenues for the nine months ended September 30, 2020 increased \$1,377,023 (4.83%) to \$29,911,619 as compared to \$28,534,596 for the nine months ended September 30, 2019. The increase for the three months ended September 30, 2020, can be attributed to the increase in consulting revenue offset by a decrease in software revenue while the increase for the nine months ended September 2020 can be attributed to both an increase in software sales and consulting revenue.

Software sales decreased \$228,726 (12.24%) to \$1,639,245 for the three months ended September 30, 2020 as compared to \$1,867,971 for the three months ended September 30, 2019 due to a decrease in timing for both software sales and third party software sales. For the nine months ended September 30, 2020 software sales increased \$436,226 (8.90%) to \$5,335,112 from \$4,898,886 for the same period in 2019. The increase is attributable to increased sales of third party solutions which add functionality to customer's existing systems.

Service revenue increased by \$280,013 to \$8,519,907 for the three months ended September 30, 2020 from \$8,239,894 for the same period in 2019, which represents an overall increase of 3.40%. Service revenue increased by \$940,797 to \$24,576,507 for the nine months ended September 30, 2020 from \$23,635,710 for the same period in 2019, representing an overall increase of 3.98%. This increase is attributed to the increase in both consulting and subscription revenue.

Gross Profit

Gross profit for the three months ended September 30, 2020 increased \$351,215 (9.49%) to \$4,051,991 as compared to \$3,700,776 for the three months ended September 30, 2019. For the three month period ended September 30, 2020, the overall gross profit percentage was 39.89% as compared to 36.61% for the period ended September 30, 2019.

Gross profit for the nine months ended September 30, 2020 increased \$887,459 (8.10%) to \$11,842,804 as compared to \$10,955,345 for the nine months ended September 30, 2019. For the nine month period ended September 30, 2020, the overall gross profit percentage was 39.59% as compared to 38.39% for the period ended September 30, 2019.

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The gross profit attributed to software sales increased \$42,416, or 6.67%, to \$677,941 for the three months ending September 30, 2020 as compared to \$635,525 in the three months ending September 30, 2019. This increase is due to sales of software with higher gross margins. Gross profit attributed to software sales increased \$152,201, or 8.19%, to \$2,011,251 for the nine months ending September 30, 2020 as compared to \$1,859,050 in the nine months ending September 30, 2019. This increase is attributed to the increase in software sales for the period.

The gross profit attributed to services increased \$308,799, or 10.07%, to \$3,374,050 for the three months ending September 30, 2020 as compared to \$3,065,251 for the three months ending September 30, 2019, while gross profit attributed to services increased \$735,258, or 8.08%, to \$9,831,553 for the nine months ending September 30, 2020 as compared to \$9,096,295 for the nine months ending September 30, 2019. This increase is attributed to both the increase in subscription and maintenance revenue for the period.

Operating Expenses

Selling and marketing expenses decreased \$12,952 (0.73%) to \$1,752,319 for the three months ending September 30, 2020 from \$1,765,271 in the three months ending September 30, 2019. Selling and marketing expenses increased \$353,428 (6.97%) to \$5,427,115 for the nine months ended September 30, 2020 compared to \$5,073,687 for the nine months ended September 30, 2019. This is due to both additional headcount as well as increased variable compensation as a result of increased sales.

General and administrative expenses decreased \$441,038 (17.87%) to \$2,026,477 for the three months ending September 30, 2020 from \$2,467,515 in the three months ending September 30, 2019. General and administrative expenses decreased \$466,020 (7.06%) to \$6,133,865 for the nine months ended September 30, 2020 as compared to \$6,599,885 for the nine months ended September 30, 2019. This is primarily as a result of decreases in travel expenses as a result of less employees traveling during the pandemic, reduced credit card expenses as well as department changes for various employees, thereby reducing salary and benefit expense.

Depreciation and amortization expense increased \$948 for the three months ended September 30, 2020 to \$179,057 as compared to \$178,109 for the three months ended September 30, 2019. Depreciation and amortization expense decreased \$10,271 for the nine months ended September 30, 2020 to \$528,636 as compared to \$538,907 for the nine months ended September 30, 2019. This decrease is due to some equipment being fully depreciated in 2020.

Income (loss) from Continuing operations

For the three months ended September 30, 2020, the Company had income from continuing operations of \$55,205 as compared to loss from continuing operations of \$949,873 for the three months ended September 30, 2019. The increase is primarily due to increased revenue, as well as less general and administrative expenses.

For the nine months ended September 30, 2020, the Company had a loss from continuing operations of \$203,396 as compared to loss from continuing operations of \$1,547,609 for the nine months ended September 30, 2019. The decrease in loss is primarily due to increased revenue as well as less general and administrative expenses.

Liquidity and Capital Resources

The negative impact of Covid-19 on the economy creates tremendous uncertainty for the Company in the coming months and quarters. Recent government reports indicate that there are currently over 10 million people unemployed in the U.S., many of whom work at our customer's businesses or businesses similar to our customers. The negative impact on our business is impossible to determine at this point, although it is likely that we will suffer negative consequences as many of these companies go out of business or decrease their technology spending. The current confusion in SBA guidance as to whether the Company, as a publicly-traded entity, was eligible to retain its PPP Loan means that we may need to rely on our own limited resources to weather the anticipated economic downturn. Our competitors, almost all of whom are privately-held, and able to avail themselves of the PPP program, will make it more difficult for the Company to compete in the marketplace. Management will continue to monitor developments, explore various cost-cutting measures, and explore other sources of funding, but there is no guarantee we will be successful in doing so.

On July 31, 2020, the Company acquired certain assets of Prairie Technology Solutions Group, LLC ("Prairie Tech") pursuant to an Asset Purchase Agreement. In consideration for the acquired assets, the Company paid \$185,000 in cash and issued three promissory notes to Prairie Tech ("Prairie Tech Note 1", "Prairie Tech Note 2" and "Prairie Tech Note 3"), each in the principal aggregate amount of \$103,333 (collectively the "Prairie Tech Notes"). The Prairie Tech Notes bear interest at a rate of 4% per annum. Prairie Tech Note 1 has a term of one (1) year and is subject to downward adjustment based on whether certain revenue milestones are achieved. Prairie Tech Note 2 has a term of two (2) years and is also subject to downward adjustment based on whether certain revenue milestones are achieved. Prairie Tech Note 3 has a term of three (3) years and is not subject to a downward adjustment.

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On October 1, 2020, the Company acquired certain assets of Computer Management Services, LLC (“CMS”) pursuant to an Asset Purchase Agreement. In consideration for the acquired assets, the Company paid \$470 in cash and issued a promissory note to CMS in the principal aggregate amount of \$170,000. The CMS Note is due in 36 months from the closing date and bears interest at a rate of two (2%) percent per annum. Monthly payments including interest are \$4,869.

On October 1, 2020, the Company entered into an At Market Issuance Sales Agreement (the “2020 At Market Agreement”) with a sales agent (the “Sales Agent”) under which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$3,489,499 from time to time through the Sales Agent. Sales of the Company’s common stock through the Sales Agent, if any, will be made by any method that is deemed an “at the market” offering as defined by the U.S. Securities and Exchange Commission. The Company will pay to the Sales Agent a commission rate equal to 3.0% of the gross proceeds from the sale of any shares of common stock sold through the Sales Agent under the 2020 At Market Agreement. The Company has not issued any common stock pursuant to the 2020 At Market Agreement.

The Company currently has no line of credit or other credit facility with any lender.

As of September 30, 2020, the Company has \$1,175,900 notes outstanding from acquisitions occurring between 2014 and 2020. Future payments on these notes are as follows:

Remainder of 2020	\$	84,378
2021		445,096
2022		396,714
2023		249,712
Total	\$	<u>1,175,900</u>

During the nine months ended September 30, 2020, the Company had a net decrease in cash of \$1,585,806. The Company’s principal sources and uses of funds were as follows:

Cash provided by (used in) operating activities of continuing operations

Operating activities for the nine months ended September 30, 2020 provided cash of \$247,135 as compared to using cash of \$1,201,035 for the same period in 2019. This increase in cash is primarily due to a decrease in the net loss for the period.

Cash provided by investing activities of continuing operations

Investing activities for the nine months ended September 30, 2020 provided cash of \$867,005 as compared to \$9,965,623 for the same period in 2019. This decrease in cash is due to proceeds received from the sale of the EDI practice in August 2019.

Cash used in financing activities of continuing operations

Financing activities for the nine months ended September 30, 2020 used cash of \$2,699,946 as compared to \$715,675 for the same period in 2019. The use was due primarily to the payment of the cash dividend in January 2020.

Cash flows from discontinued operations

Operating activities for discontinued operations for the nine months ended September 30, 2020 provided cash of \$0 as compared to \$899,537 for the same period in 2019. This is due to the fact that the EDI practice was sold in August 2019, providing eight months of operating activities in 2019.

Investing activities of discontinued operations for the nine months ended September 30, 2020 used cash of \$0 as compared to \$127,678 for the same period in 2019. This was due to having no software being put into production in 2020 as a result of the EDI practice being sold in 2019.

The Company believes that as a result of the growth in business, and the funds available from the sale of its Mapadoc division, it has adequate liquidity to fund its operating plans for at least the next twelve months, provided however, that the Company cannot currently quantify the uncertainty related to the recent pandemic and its effects on the business in the coming quarters. The belief that the Company has sufficient liquidity may be incorrect as the impact of Covid-19 becomes clearer over the coming months and quarters.

There was no significant impact on the Company's operations as a result of inflation for the nine months ended September 30, 2020.

Off Balance Sheet Arrangements

During the nine months ended September 30, 2020 or for fiscal 2019, 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 and Control Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In designing and evaluating our disclosure controls and procedures, our management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act. Based on the controls evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the date of their evaluation, our disclosure controls and procedures were effective to provide reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (b) such information is accumulated and communicated to our management, including our Chief Executive Officer and President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during our most recent fiscal quarter 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. To our knowledge, 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 our subsidiaries, threatened against or affecting our Company, our common stock, our subsidiaries or of our Company's or our Company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors

We face risks related to Novel Coronavirus (COVID-19) which could significantly disrupt our, operations, sales, consulting services, and financial results.

Our business will be adversely impacted by the effects of the Novel Coronavirus (COVID-19). In addition to global macroeconomic effects, the Novel Coronavirus (COVID-19) outbreak and any other related adverse public health developments will cause disruption to our operations, including but not limited to disruption to the labor workforce, unavailability of products and supplies used in operations, and the potential decline in value of assets held by the Company, including property and equipment. Our customers have been and will be disrupted by worker absenteeism, quarantines and restrictions on employees' ability to work, including but not limited to office closures and disruptions to travel or health-related restrictions. Depending on the magnitude of such effects on our activities or the operations of our customers, our on-site consulting will be delayed, which could adversely affect our business, operations and customer relationships. There can be no assurance that any decrease in sales resulting from the Novel Coronavirus (COVID-19) will be offset by increased sales in subsequent periods. Although the magnitude of the impact of the Novel Coronavirus (COVID-19) outbreak on our business and operations remains uncertain, the continued spread of the Novel Coronavirus (COVID-19) or the occurrence of other epidemics and the imposition of related public health measures and travel and business restrictions will adversely impact our business, financial condition, operating results and cash flows. In addition, we have experienced and will experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our ability to perform on-site consulting services and maintenance of our products in a timely manner or meet required milestones or customer commitments.

Other than the foregoing, 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, 2019, filed with the SEC on March 26, 2020.

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

Other than disclosed above in the financial statements and footnotes, 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

On October 1, 2020, the Company entered into an At Market Issuance Sales Agreement (the “2020 At Market Agreement”) with a sales agent (the “Sales Agent”) under which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$3,489,499 from time to time through the Sales Agent. Sales of the Company’s common stock through the Sales Agent, if any, will be made by any method that is deemed an “at the market” offering as defined by the U.S. Securities and Exchange Commission. The Company will pay to the Sales Agent a commission rate equal to 3.0% of the gross proceeds from the sale of any shares of common stock sold through the Sales Agent under the 2020 At Market Agreement. The Company has not issued any common stock pursuant to the 2020 At Market Agreement.

This Item 5 contains only a brief description of the material terms of the 2020 At the Market Agreement and does not purport to be a complete description of the rights and obligations of the parties to the 2020 At Market Agreement, and such descriptions are qualified in their entirety by reference to the full text of the 2020 At Market Agreement, filed as an exhibit to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

- 1.1 [At The Market Issuance Sales Agreement between SilverSun Technologies, Inc. and H.C. Wainwright & Co., LLC \(incorporated herein by reference to Exhibit 1.1 on that Form S-3 registration statement filed with the SEC on October 2, 2020\).](#)
- 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 10, 2020

By: /s/ Mark Meller
Mark Meller
Principal Executive Officer

Dated: November 10, 2020

By: /s/ Christine Dye
Christine Dye
Principal Financial Officer and 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 10, 2020

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, Christine Dye, 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 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 10, 2020

By: /s/ Christine Dye
Christine Dye
Principal Financial Officer and Principal Accounting 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, 2020, 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, 2020 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, 2020 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2020

By: /s/ Mark Meller

Mark Meller
Principal Executive Officer
SilverSun Technologies, Inc.

**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, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Christine Dye, 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, 2020 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, 2020 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2020

By: /s/ Christine Dye
Christine Dye
Principal Financial Officer and Principal Accounting Officer
SilverSun Technologies, Inc.