MOBIVITY HOLDINGS CORP.
Form 10-Q
August 15, 2016

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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

For the transition period from ___________ to __________

Commission file number 000-53851

Mobivity Holdings Corp.

(Exact Name of Registrant as Specified in Its Charter)

Nevada	26-3439095

(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

55 N. Arizona Place, Suite 310

Chandler, Arizona 85225

(Address of Principal Executive Offices & Zip Code)

(877) 282-7660

(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

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

As of August 3, 2016, the registrant had 33,058,991 shares of common stock issued and outstanding.

MOBIVITY HOLDINGS CORP.

INDEX

Table of Contents

Part I - Financial Information

Item 1. Financial Statements

Mobivity Holdings Corp.

Condensed Consolidated Balance Sheets

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current assets		
Cash	$ 1,035,863	$ 634,129
Restricted cash	1,000,000	-
Accounts receivable, net of allowance for doubtful accounts of $233,599 and $237,383, respectively	860,674	700,356
Other current assets	199,210	131,345
Total current assets	3,095,747	1,465,830
Goodwill	3,044,341	1,921,072
Intangible assets, net	2,451,247	2,373,689
Other assets	190,901	173,022
TOTAL ASSETS	$ 8,782,236	$ 5,933,613
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 557,567	$ 375,363
Accrued interest	3,026	-
Accrued and deferred personnel compensation	444,520	414,314
Deferred revenue and customer deposits	295,240	72,624
Notes payable	1,189,911	-
Other current liabilities	129,994	197,145
Total current liabilities	2,620,258	1,059,446
Non-current liabilities		
Notes payable	225,217	-
Total non-current liabilities	225,217	-
Total liabilities	2,845,475	1,059,446
Commitments and Contingencies (See Note 9)		
Stockholders' equity		
Common stock, $0.001 par value; 50,000,000 shares authorized; 33,058,991 and 28,787,991, shares issued and outstanding	33,059	28,788

Equity payable	100,862	100,862
Additional paid-in capital	73,362,549	69,903,527
Accumulated other comprehensive loss	(45,322)	-
Accumulated deficit	(67,514,387)	(65,159,010)
Total stockholders' equity	5,936,761	4,874,167
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,782,236	$ 5,933,613

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents

Mobivity Holdings Corp.

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Revenues				
Revenues	$ 2,074,713	$ 1,091,245	$ 3,919,805	$ 2,031,417
Cost of revenues	562,311	270,038	998,941	533,952
Gross margin	1,512,402	821,207	2,920,864	1,497,465
Operating expenses				
General and administrative	931,313	1,046,839	1,985,730	2,208,226
Sales and marketing	1,105,033	797,329	2,331,044	1,890,228
Engineering, research, and development	278,875	201,562	627,814	315,706
Depreciation and amortization	161,196	82,740	307,447	138,486
Total operating expenses	2,476,417	2,128,470	5,252,035	4,552,646
Loss from operations	(964,015)	(1,307,263)	(2,331,171)	(3,055,181)
Other income/(expense)				
Interest income	1,385	492	1,753	547
Interest expense	(19,546)	-	(27,063)	-
Change in fair value of derivative liabilities	-	(25,140)	-	(6,815)
Gain on adjustment in contingent consideration	-	2,000	-	2,000
Foreign currency gain/(loss)	(14,287)	-	1,104	-
Total other income/(expense)	(32,448)	(22,648)	(24,206)	(4,268)
Loss before income taxes	(996,463)	(1,329,911)	(2,355,377)	(3,059,449)
Income tax expense	-	-	-	-
Net loss	(996,463)	(1,329,911)	(2,355,377)	(3,059,449)
Other comprehensive loss, net of income tax				
Foreign currency translation adjustments	17,897	-	(45,322)	-
Comprehensive loss	$ (978,566)	$ (1,329,911)	$ (2,400,699)	$ (3,059,449)
Net loss per share - basic and diluted	$ (0.03)	$ (0.05)	$ (0.07)	$ (0.12)
Weighted average number of shares				
during the period - basic and diluted	33,059,007	26,385,601	31,409,661	24,713,302

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents

Mobivity Holdings Corp.

Consolidated Statement of Stockholders' Equity

	Common Stock		Equity	Additional	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Dollars	Payable	Paid-in Capital	Loss	Deficit	Equity
Balance, December 31, 2014	22,748,193	$ 22,748	$ 100,862	$ 62,565,974	$ -	$ (59,025,964)	$ 3,663,620
Issuance of common stock for financing, net of transaction costs of $234,500	4,805,000	4,805	-	4,565,695	-	-	4,570,500
Issuance of common stock for services	310,870	311	-	362,690	-	-	363,001
Issuance of common stock for earnout	903,928	904	-	749,356	-	-	750,260
Stock based compensation	20,000	20	-	1,659,812	-	-	1,659,832
Net loss	-	-	-	-	-	(6,133,046)	(6,133,046)
Balance, December 31, 2015	28,787,991	$ 28,788	$ 100,862	$ 69,903,527	$ -	$ (65,159,010)	$ 4,874,167
Issuance of common stock for acquisition	1,015,000	1,015	-	709,485	-	-	710,500
Issuance of common stock for financing	3,256,000	3,256	-	1,950,344	-	-	1,953,600
Stock based compensation	-	-	-	799,193	-	-	799,193
Foreign currency	-	-	-	-	(45,322)	-	(45,322)

translation adjustment							
Net loss	-	-	-	-	-	(2,355,377)	(2,355,377)
Balance, June 30, 2016	33,058,991	$ 33,059	$ 100,862	$ 73,362,549	$ (45,322)	$ (67,514,387)	$ 5,936,761

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents

Mobivity Holdings Corp.

Consolidated Statements of Cash Flows

(Unaudited)

	Six Months Ended June 30, 2016	2015
OPERATING ACTIVITIES		
Net loss	$ (2,355,377)	$ (3,059,449)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	11,081	4,111
Amortization of deferred financing costs	4,351	-
Common stock issued for services	-	363,001
Stock-based compensation	799,193	766,464
Depreciation and amortization expense	307,447	138,486
Change in fair value of derivative liabilities	-	6,815
Gain on adjustment in contingent consideration	-	(2,000)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(168,190)	45,147
Other current assets	(60,237)	(57,759)
Other assets	17,700	(25,107)
Accounts payable	106,044	125,134
Accrued interest	3,026	-
Accrued and deferred personnel compensation	19,361	(27,806)
Deferred revenue and customer deposits	222,487	(112,447)
Other liabilities	(69,440)	42,938
Net cash used in operating activities	(1,162,554)	(1,792,472)
INVESTING ACTIVITIES		
Purchases of equipment	(9,753)	(50,513)
Acquisitions	10,730	-
Cash paid for patent	(12,700)	-
Capitalized software development costs	(342,381)	(402,106)
Net cash used in investing activities	(354,104)	(452,619)
FINANCING ACTIVITIES		
Deferred financing costs	(32,287)	-
Repayments of notes payable	(1,152)	-
Proceeds from issuance of common stock, net of issuance costs	1,953,600	4,570,500

Net cash provided by financing activities	1,920,161	4,570,500
Effect of foreign currency translation on cash flow	(1,769)	-
Net change in cash	401,734	2,325,409
Cash at beginning of period	634,129	848,230
Cash at end of period	$ 1,035,863	$ 3,173,639
Supplemental disclosures:		
Cash paid during period for:		
Interest	$ 27,063	$ -
Non-cash investing and financing activities:		
Restricted cash proceeds from line of credit	$ 1,000,000	$ -

See accompanying notes to condensed consolidated financial statements (unaudited).

Table of Contents

Mobivity Holdings Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Nature of Operations and Basis of Presentation

Mobivity Holdings Corp. (the "Company" or "we") is in the business of developing and operating proprietary platforms over which brands and enterprises can conduct national and localized, data-driven mobile marketing campaigns. Our proprietary platforms, consisting of software available to phones, tablets PCs, and Point of Sale (POS) systems, allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to the consumers' via mobile phones, mobile smartphone applications, and dynamically printed receipt content. We generate revenue by charging the resellers, brands and enterprises a per-message transactional fee, through fixed or variable software licensing fees, or via advertising fees.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on March 30, 2016.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of our condensed consolidated financial statements as of June 30, 2016, and for the three and six months ended June 30, 2016 and 2015. The results of operations for the three and six months ended June 30, 2016 are not necessarily indicative of the operating results for the full year ending December 31, 2016.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with 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 expenses during the reporting period. Significant estimates used are those related to stock-based compensation, asset impairments, the valuation and useful lives of depreciable tangible and certain intangible assets, the fair value of common stock used in acquisitions of businesses, the fair value of assets and liabilities acquired in acquisitions of businesses, and the valuation allowance of deferred tax assets. Management believes that these estimates are reasonable; however, actual results may differ from these estimates.

Restricted cash

Restricted cash represents funds advanced in accordance with the Company's Working Capital Line of Credit Facility which requires the Company to maintain collateral with a market value greater than or equal to the limit of liability.

Accounts Receivable, Allowance for Doubtful Accounts and Concentrations

Accounts receivable are carried at their estimated collectible amounts. We grant unsecured credit to substantially all of our customers. Ongoing credit evaluations are performed and potential credit losses are charged to operations at the time the account receivable is estimated to be uncollectible. Since we cannot necessarily predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate.

During the six months ended June 30, 2016, the Company was advanced $63,697 against certain receivables under their Working Capital Line of Credit Facility in accordance with the agreement.

As of June 30, 2016 and December 31, 2015, we recorded an allowance for doubtful accounts of $233,599 and $237,383, respectively.

Table of Contents

Goodwill and Intangible Assets

Goodwill is tested for impairment at a minimum on an annual basis. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit.

Intangible assets consist of patents and trademarks, purchased customer contracts, purchased customer and merchant relationships, purchased trade names, purchased technology, non-compete agreements, and software development costs. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to twenty years. No significant residual value is estimated for intangible assets.

Software Development Costs

Software development costs include direct costs incurred for internally developed products and payments made to independent software developers and/or contract engineers. The Company accounts for software development costs in accordance with the FASB guidance for the costs of computer software to be sold, leased, or otherwise marketed (“ASC Subtopic 985-20”). Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses technical design documentation and integration documentation, or the completed and tested product design and working model. Software development costs are capitalized once technological feasibility of a product is established and such costs are determined to be recoverable against future revenues. Technological feasibility is evaluated on a project-by-project basis. Amounts related to software development that are not capitalized are charged immediately to the appropriate expense account. Amounts that are considered ‘research and development’ that are not capitalized are immediately charged to engineering, research, and development expense.

Capitalized costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Commencing upon product release, capitalized software development costs are amortized to “Amortization Expense - Development” based on the straight-line method over a twenty-four month period.

The Company evaluates the future recoverability of capitalized software development costs on an annual basis. For products that have been released in prior years, the primary evaluation criterion is ongoing relations with the customer.

Impairment of Long-Lived Assets

We evaluate long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the undiscounted future net cash flow the asset is expected to generate.

Foreign Currency Translation

The Company translates the financial statements of its foreign subsidiary from the local (functional) currency into US Dollars using the year or reporting period end or average exchange rates in accordance with the requirements of Accounting Standards Codification subtopic 830-10, Foreign Currency Matters ("ASC 830-10"). Assets and liabilities of these subsidiaries were translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average rates in effect for the periods presented. The cumulative translation adjustment is included in the accumulated other comprehensive gain (loss) within shareholders' equity. Foreign currency transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the unaudited Condensed Consolidated Statements of Income and Comprehensive Income.

Revenue Recognition and Concentrations

Our SmartReceipt and C4 Mobile Marketing and customer relationship management are hosted solutions. We generate revenue from licensing our software to clients in our software as a service model, per-message and per-minute transactional fees, and customized professional services. We recognize license/subscription fees over the period of the contract, service fees as the services are performed, and per-message or per-minute transaction revenue when the transaction takes place. We recognize revenue at the time that the services are rendered, the selling price is fixed, and collection is reasonably assured, provided no significant obligations remain. We consider authoritative guidance on multiple deliverables in determining whether each deliverable represents a separate unit of accounting. Some customers are billed on a month to month basis with no contractual term and is collected by credit card. Revenue is recognized at the time that the services are rendered and the selling price is fixed with a set range of plans. Cash received in advance of the performance of services is recorded as deferred revenue.

Table of Contents

We generate revenue from the Stampt App through customer agreements with business owners. Revenue is principally derived from monthly subscription fees which provide a license for unlimited use of the Stampt App by the business owners and their customers. The subscription fee is billed each month to the business owner. Revenue is recognized monthly as the subscription revenues are billed. There are no per-minute or transaction fees associated with the Stampt App.

During the six months ended June 30, 2016 and 2015, one customer accounted for 47% and 34%, respectively, of our revenues.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We are required to record all components of comprehensive income (loss) in the consolidated financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive income (loss). For the three and six months ended June 30, 2016, the comprehensive loss was $978,566 and $2,400,699, respectively. For the three and six months ended June 30, 2015 the comprehensive loss was equal to the net loss.

Net Loss Per Common Share

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three and six months ended June 30, 2016 and 2015, we had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

Accounting standards promulgated by the FASB are subject to change. Changes in such standards may have an impact on the Company's future financial statements. The following are a summary of recent accounting developments.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company elected to early adopt the new guidance in the second quarter of fiscal year 2016 which requires us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The primary impact of adoption was the recognition of additional stock compensation expense and paid-in capital for all periods in fiscal year 2016. Additional amendments to the recognition of excess tax benefits, accounting for income taxes and minimum statutory withholding tax requirements had no impact to retained earnings as of January 1, 2016, where the cumulative effect of these changes are required to be recorded. We have elected to account for forfeitures as they occur to determine the amount of compensation cost to be recognized in each period.

Table of Contents

Adoption of the new standard impacted our previously reported quarterly results for the fiscal year 2016 as follows:

	Three Months Ended March 31, 2016	
	As reported	As adjusted
Income statement:		
Net loss	$ (1,288,989)	$ (1,359,226)
Comprehensive net loss	$ (1,352,208)	$ (1,422,445)
Net loss per share - basic and diluted	$ (0.04)	$ (0.05)
Balance Sheet:		
Common stock, equity payable and paid in capital	$ 73,053,886	$ 73,124,123
Retained earnings	$ (66,447,999)	$ (66,518,236)

In April 2015, the FASB issued ASU 2015-05 regarding Subtopic 350-40, "Intangibles - Goodwill and Other - Internal-Use Software." The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments in ASU 2015-05 are effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The amendments in ASU 2015-05 may be applied either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Company is currently evaluating the impact of the adoption of this standard will have on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606, "Revenue from Contracts with Customers." ASU 2014-09 provides principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 to defer the effective date by one year with early adoption permitted as of the original effective date. ASU 2014-09 will be effective for our fiscal year beginning January 1, 2018 unless we elect the earlier date of January 1, 2017. In addition, the FASB issued ASU 2016-08, ASU 2016-10, and ASU 2016-12 in March 2016, April 2016, and May 2016, respectively, to help provide interpretive clarifications on the new guidance in ASC Topic 606. The Company is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

3. Acquisitions

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation ("LiveLenz"), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders, our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz, and the assumption of their existing liabilities. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders' agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz' working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date.

Table of Contents

The allocation of the purchase price to assets and liabilities based upon fair value determinations was as follows:

Cash	$ 10,730
Accounts receivable, net	2,843
Inventory	4,457
Other assets	2,617
Fixed assets	4,407
Intangible assets	20,300
Goodwill	1,123,269
Total assets acquired	1,168,623
Liabilities assumed	(458,123)
Net assets acquired	$ 710,500

The purchase price consists of the following:

Common stock	$ 710,500
Total purchase price	$ 710,500

The following information presents unaudited pro forma consolidated results of operations for the six months ended June 30, 2015 as if the Livelenz acquisition described above had occurred on January 1, 2015. The pro forma financial information is not necessarily indicative of the operating results that would have occurred if the acquisition been consummated as of the date indicated, nor are they necessarily indicative of future operating results.

Mobivity Holdings Corp.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Six Months Ended June 30, 2015

	Mobivity	Livelenz	Pro forma adjustments	Pro forma combined
Revenues				
Revenues	$ 2,031,417	$ 133,597	$ -	$ 2,165,014
Cost of revenues	533,952	43,701	-	577,653
Gross margin	1,497,465	89,896	-	1,587,361
Operating expenses				
General and administrative	2,208,226	47,427	-	2,255,653
Sales and marketing	1,890,228	144,466	-	2,034,694
Engineering, research, and development	315,706	-	-	315,706
Depreciation and amortization	138,486	2,045	-	140,531
Total operating expenses	4,552,646	193,938	-	4,746,584
Loss from operations	(3,055,181)	(104,042)	-	(3,159,223)
Other income/(expense)				
Interest income	547	-	-	547
Interest expense	-	(20,580)	-	(20,580)
Change in fair value of derivative liabilities	(6,815)	-	-	(6,815)
Gain on adjustment in contingent consideration	2,000			2,000
Foreign Currency Gain/(Loss)	-	21,045	-	21,045
Total other income/(expense)	(4,268)	465	-	(3,803)
Loss before income taxes	(3,059,449)	(103,577)	-	(3,163,026)
Income tax expense	-	-	-	-
Net loss	$ (3,059,449)	$ (103,577)	$ -	$ (3,163,026)
Net loss per share - basic and diluted	$ (0.12)			$ (0.13)
Weighted average number of shares during the period - basic and diluted	24,713,302			24,713,302

Table of Contents

4. Goodwill and Purchased Intangibles

Goodwill

The carrying value of goodwill at June 30, 2016 and December 31, 2015 was $3,044,341 and $1,921,072, respectively.

Intangible assets

The following table presents details of our purchased intangible assets as of June 30, 2016 and December 31, 2015:

	Balance at December 31, 2015	Additions	Impairments	Amortization	Fx and Other	Balance at June 30, 2016
Patents and trademarks	$ 78,931	$ 24,700	$ -	$ (5,156)	$ 1,383	$ 99,858
Customer and merchant relationships	1,373,513	-	-	(83,243)	-	1,290,270
Non-compete agreement	-	7,200	-	(3,623)	779	4,356
Trade name	135,567	1,100	-	(8,328)	127	128,466
Acquired technology	187,298	-	-	(11,351)	-	175,947
	$ 1,775,309	$ 33,000	$ -	$ (111,701)	$ 2,289	$ 1,698,897

The intangible assets are being amortized on a straight line basis over their estimated useful lives of one to twenty years.

Amortization expense for intangible assets was $58,321 and $53,692 for the three months ended June 30, 2016 and 2015, respectively.

Amortization expense for intangible assets was $111,701 and $107,384 for the six months ended June 30, 2016 and 2015, respectively.

The estimated future amortization expense of our intangible assets as of June 30, 2016 is as follows:

Year ending December 31,	Amount
2016	$ 112,150
2017	216,797
2018	216,394
2019	216,394
2020	216,394
Thereafter	720,768
Total	$ 1,698,897

5. Software Development Costs

The Company has capitalized certain costs for software developed or obtained for internal use during the application development stage as it relates to specific contracts. The amounts capitalized include external direct costs of services used in developing internal-use software and for payroll and payroll-related costs of employees directly associated with the development activities.

The following table presents details of our software development costs as of June 30, 2016 and December 31, 2015:

	Balance at December 31, 2015	Additions	Amortization	Balance at June 30, 2016
Software Development Costs	$ 598,380	$ 342,381	$ (188,411)	$ 752,350
	$ 598,380	$ 342,381	$ (188,411)	$ 752,350

Software development costs are being amortized on a straight line basis over their estimated useful life of two years.

Amortization expense for software development costs was $98,949 and $26,793 for the three months ended June 30, 2016 and 2015, respectively.

Amortization expense for software development costs was $188,411 and $26,793 for the six months ended June 30, 2016 and 2015, respectively.

Table of Contents

The estimated future amortization expense of software development costs as of June 30, 2016 is as follows:

Year ending December 31,	Amount
2016	$ 269,184
2017	375,635
2018	107,531
2019	-
2020	-
Thereafter	-
Total	$ 752,350

6. Notes Payable and Interest Expense

The following table presents details of our notes payable as of June 30, 2016 and December 31, 2015:

Facility	Maturity	Interest Rate	Balance at June 30, 2016	Balance at December 31, 2015
BDC Term Loan	December 15, 2017	12%	$ 345,965	$ -
ACOA Note	May 1, 2021	-	69,163	-
SVB Working Capital Line of Credit Facility	March 30, 2018	Variable	1,000,000	-
Total Debt			1,415,128	-
Less current portion			(1,189,911)	-
Long-term debt, net of current portion			$ 225,217	$ -

BDC Term Loan

On January 8, 2016, Livelenz (a wholly-owned subsidiary of the Company,) entered into an amendment of their original loan agreement dated August 26, 2011 with the Business Development Bank of Canada (“BDC”). Under this agreement the loan will mature, and the commitments will terminate on December 15, 2017.

ACOA Note

On April 29, 2016, Livelenz (a wholly-owned subsidiary of the Company), entered into an amendment of the original agreement dated December 2, 2014 with the Atlantic Canada Opportunities Agency (“ACOA”). Under this agreement the note will mature, repayments began on June 1, 2016, and the commitments will terminate on May 1, 2021.

SVB Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank (“SVB”) to provide up to $2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. During the six months ended June 30, 2016, the Company borrowed $1,000,000, under this facility.

Under the terms of the Facilty, the Company is obligated to pay a commitment fee on the available unused amount of the Facility commitments equal to 0.5% per annum.

The Company capitalized debt issuance costs of $32,287 as of June 30, 2016 related to the Facility, which are being amortized on a straight-line basis to interest expense over the two-year term of the Facility.

Interest Expense

Interest expense was $19,546 and $0 during the three months ended June 30, 2016 and 2015, respectively.

Interest expense was $27,063 and $0 during the six months ended June 30, 2016 and 2015, respectively.

Table of Contents

7. Stockholders' Equity

Common Stock

2015

On January 13, 2015, Michael Bynum, president and a member of the board of directors of Mobivity Holdings Corp, resigned as an officer, director and employee of the Company and all subsidiaries. In connection with Mr. Bynum's resignation, he and the Company entered into a customary separation agreement providing for mutual releases and other standard covenants and acknowledgements. In addition, the separation agreement modified Mr. Bynum's rights to severance under his employment agreement dated May 17, 2013 with the Company. Pursuant to his employment agreement, Mr. Bynum was entitled to one year of salary, or $200,000, upon his resignation. However, under the separation agreement, Mr. Bynum agreed to accept 260,870 shares of the common stock of the Company in lieu of cash severance. The shares were valued on the closing market price on the date of the separation agreement of January 9, 2015 of $1.15 which provided a fair market value of the share consideration of $300,001. In addition, pursuant to his employment agreement, Mr. Bynum's options would continue to vest for three months following his resignation and all vested options would remain exercisable for a period of six months following his resignation. However, under the separation agreement, Mr. Bynum agreed that his options would cease vesting upon his resignation, all unvested options would expire upon resignation and all vested options would remain exercisable for a period of 12 months following his resignation.

On January 21, 2015, the board of directors of Mobivity Holdings Corp. appointed William Van Epps to serve as executive chairman of the Company. In connection with the appointment, the Company entered into an employment agreement dated January 19, 2015 with Mr. Van Epps. Pursuant to his employment agreement, the Company has agreed to pay Mr. Van Epps a base salary $310,000, subject to annual review by the board. The Company has also agreed to pay Mr. Van Epps a signing bonus of 50,000 shares of the Company's common stock. The shares were valued on the closing market price on the date of the employment agreement of January 19, 2015 of $1.26 which provided a fair market value of the share consideration of $63,000.

In March 2015, we conducted the private placement of our securities for the gross proceeds of $4,805,000. In the private placement, we sold 4,805,000 units of our securities at a price of $1.00 per unit. As of May 1, 2015, net proceeds of $4,570,500 have been received by the Company (this amount is less offering costs of $234,500). Each unit consists of one share of our common stock and a common stock purchase warrant to purchase one-quarter share of our common stock, over a five year period, at an exercise price of $1.20 per share and grant date fair value of $0.93. We entered into a Registration Rights Agreement with the investors, pursuant to which we agreed to cause a resale registration statement covering the common shares made part of the units to be filed by April 30, 2015.

EGE acted as placement agent for the private placement and received $234,500 in commissions from us. In addition, for its services as placement agent, we issued to EGE warrants to purchase an aggregate of 234,500 units, as defined above, exercisable for a period of five years from the closing date, at an exercise price of $1.00 per unit.

On July 31, 2015 we issued 903,928 shares of our common stock in satisfaction of the SmartReceipt earn-out payable. The earn-out payment was at the rate of $1.85 per share as further described in Note 10.

On August 14, 2015 we issued 20,000 Restricted Stock Units to a former employee at $1.18 per share for services and recorded share-based compensation of $23,800 in general and administrative expense.

2016

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date. The Consideration Shares were valued using the closing price on the acquisition closing date of $0.70 per share for a total acquisition purchase price of $710,500.

In March 2016, we conducted the private placement of 3,256,000 shares of our common stock, at a price of $0.60 per share, for the gross proceeds of $1,953,600. The offering was conducted by our management and no commission or other selling fees were paid by us. Pursuant to the terms of the offering, we entered into registration rights agreement with the investors pursuant to which we agreed to file with the SEC a resale registration statement covering the common shares. The registration statement was declared effective by the SEC on August 8, 2016.

Table of Contents

Stock-based Plans

Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2015 and for the six months ended June 30, 2016:

	Options
Outstanding at December 31, 2014	5,382,923
Granted	3,348,000
Exercised	-
Canceled/forfeited/expired	(3,687,695)
Outstanding at December 31, 2015	5,043,228
Granted	925,500
Exercised	-
Canceled/forfeited/expired	(583,051)
Outstanding at June 30, 2016	5,385,677

The weighted average exercise price of stock options granted during the period was $0.70 and the related weighted average grant date fair value was $0.59 per share.

2015

On January 1, 2015, the Company granted one employee 15,000 options to purchase shares of the Company common stock at the closing price as of January 1, 2015 of $1.19 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until January 1, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $1.07 was $16,050.

On January 22, 2015, the Company granted one employee 900,000 options to purchase shares of the Company common stock at the closing price as of January 22, 2015 of $1.28 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until January 22, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $1.15 was $1,035,000.

On January 22, 2015, the Company granted three employees 471,500 options to purchase shares of the Company common stock at the closing price as of January 22, 2015 of $1.28 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until January 22, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $1.15 was $542,225.

On February 11, 2015, the Company granted one employee 3,000 options to purchase shares of the Company common stock at the closing price as of February 11, 2015 of $1.20 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until February 11, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $1.08 was $3,240.

On February 16, 2015, the Company granted one employee 300,000 options to purchase shares of the Company common stock at the closing price as of February 16, 2015 of $1.30 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until February 16, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $1.17 was $351,000.

On March 2, 2015, the Company granted one employee 100,000 options to purchase shares of the Company common stock at the closing price as of March 2, 2015 of $1.20 per share. The options vest in forty-eight equal monthly installments following the grant date and are exercisable until March 2, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $1.08 was $108,000.

On April 16, 2015, the Company granted five employees 445,000 options to purchase shares of the Company common stock at the closing price as of April 16, 2015 of $1.20 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until April 16, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $1.08 was $480,600.

On April 27, 2015, the Company granted one employee 20,000 options to purchase shares of the Company common stock at the closing price as of April 27, 2015 of $1.10 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly

installments thereafter and are exercisable until April 27, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $0.99 was $19,800.

On May 4, 2015, the Company granted two employees 25,000 options to purchase shares of the Company common stock at the closing price as of May 4, 2015 of $1.00 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until May 4, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $0.90 was $22,500.

On May 13, 2015, the Company granted one employee 20,000 options to purchase shares of the Company common stock at the closing price as of May 13, 2015 of $0.99 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until May13, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $0.89 was $17,800.

On June 1, 2015, the Company granted one employee 2,000 options to purchase shares of the Company common stock at the closing price as of June 1, 2015 of $0.85 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until June 1, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $0.77 was $1,540.

On August 20, 2015, the Company granted three employees 400,000 options to purchase shares of the Company common stock at the closing price as of August 20, 2015 of $0.75 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until August 20, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 132% and a call option value of $0.67 was $268,000.

On October 16, 2015, the Company granted 18 employees 514,000 options to purchase shares of the Company common stock at the closing price as of October 16, 2015 of $0.48 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until October 16, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 116% and a call option value of $0.36 was $185,040.

On November 19, 2015, the Company granted four employees 132,500 options to purchase shares of the Company common stock at the closing price as of November 19, 2015 of $0.41 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until November 19, 2025. The total estimated value using the Black-Scholes Model, based on a volatility rate of 116% and a call option value of $0.31 was $41,075.

2016

On January 15, 2016, the Company granted four employees 167,500 options to purchase shares of the Company common stock at the closing price as of January 15, 2016 of $0.70 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until January 15, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of $0.59 was $98,825.

On January 19, 2016, the Company granted one employee 500,000 options to purchase shares of the Company common stock at the closing price as of January 19, 2016 of $0.70 per share. The options vest 300,000 in equal monthly installments over 48 months, 100,000 upon a four-year cliff or $13 million in annual reported revenue, whichever is earlier to occur, and 100,000 upon a four-year cliff or $22 million in annual reported revenue, whichever is earlier to occur and are exercisable until January 15, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of $0.59 was $295,000.

On March 24, 2016, the Company granted nine employees 258,000 options to purchase shares of the Company common stock at the closing price as of March 24, 2016 of $0.70 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until March 24, 2026. The total estimated value using the Black-Scholes Model, based on a volatility rate of 114% and a call option value of $0.59 was $152,220.

Table of Contents

Stock-Based Compensation Expense from Stock Options and Warrants

The impact on our results of operations of recording stock-based compensation expense for the three and six months ended June 30, 2016 and 2015 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
General and administrative	$ 232,003	$ 219,798	$ 485,990	$ 406,603
Sales and marketing	81,658	54,385	172,001	113,629
Engineering, research, and development	38,599	26,410	83,615	44,451
	$ 352,260	$ 300,593	$ 741,606	$ 564,683

Valuation Assumptions

The fair value of each stock option award was calculated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the six months ended June 30, 2016 and 2015.

	Six Months Ended June 30,	
	2016	2015
Risk-free interest rate	1.56 %	1.56 %
Expected life (years)	6.00	6.03
Expected dividend yield	- %	- %
Expected volatility	114 %	132 %

The risk-free interest rate assumption is based upon published interest rates appropriate for the expected life of our employee stock options.

The expected life of the stock options represents the weighted-average period that the stock options are expected to remain outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards.

The dividend yield assumption is based on our history of not paying dividends and no future expectations of dividend payouts.

The expected volatility in 2016 and 2015 is based on the historical publicly traded price of our common stock.

Restricted stock units

The following table summarizes restricted stock unit activity under our stock-based plans for the year ended December 31, 2015 and for the six months ended June 30, 2016:

	Shares	Weighted Average Grant Date Fair Value		Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	
Outstanding at December 31, 2014	591,436	$	0.75	0.89	$	305,572
Awarded	82,501	$	0.29	-	$	-
Released	(20,000)	$	1.18	-	$	-
Canceled/forfeited/expired	-	$	-	-	$	-
Outstanding at December 31, 2015	653,937	$	0.32	0.08	$	339,570
Awarded	116,070	$	0.70	-	$	-
Released	-	$	-	-	$	-
Canceled/forfeited/expired	-	$	-	-	$	-
Outstanding at June 30, 2016	770,007	$	0.38	-	$	399,570
Expected to vest at June 30, 2016	770,007	$	-	-	$	693,006
Exercisable at June 30, 2016	703,012	$	-	-	$	632,711
Unvested at June 30, 2016	96,725	$	-	-	$	87,053
Unrecognized expense at June 30, 2016	$ 61,162					

Table of Contents

2015

On January 22, 2015 the Company granted three independent directors a total of 62,501 restricted stock units. The units were valued based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning January 31, 2015. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) January 22, 2018, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

On February 10, 2015 the Company granted an employee 20,000 restricted stock units in accordance with a separation agreement. The units were valued based on the closing stock price on the date of grant. All units vest equally in 6 monthly installments beginning on the grant date. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement were issued on August 14, 2015 in accordance with the agreement.

2016

On April 1, 2016 the Company granted five independent directors a total of 116,070 restricted stock units. The units were valued based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning April 1, 2016. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) April 1, 2019, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

Stock Based Compensation from Restricted Stock

The impact on our results of operations of recording stock-based compensation expense for restricted stock units for the three and six months ended June 30, 2016 and 2015 was as follows:

Three Months Ended June 30,		Six Months Ended June 30,	
2016	2015	2016	2015

General and administrative	$ 20,087	$ 121,603	$ 57,587	$ 201,781
	$ 20,087	$ 121,603	$ 57,587	$ 201,781

As of June 30, 2016, there was unearned restricted stock unit compensation as described in the tables above. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel all or a portion of the remaining unearned restricted unit compensation expense. Future unearned restricted unit compensation will increase to the extent we grant additional equity awards.

Warrants Issued to Non-Employees

We issued warrants to purchase 150,556 shares of common stock to non-employees in 2010 and 2011. The valuation assumptions used are consistent with the valuation information for options above. A summary of non-employee warrant activity from December 31, 2015 to June 30, 2016 is presented below:

	Number Outstanding
Outstanding at December 31, 2015	33,333
Granted	-
Exercised	-
Canceled/forfeited/expired	(33,333)
Outstanding at June 30, 2016	-

Warrants Issued to Investors and Placement Agents

2015

In March 2015, we issued warrants to the purchase of 1,201,250 common stock units at $1.20 per share in connection with the equity financing. The grant date fair value of the warrants was $4,462,482 or $0.93 per share. Additionally, we issued to EGE warrants to purchase an aggregate of 234,500 units, exercisable for a period of five years from the closing date, at an exercise price of $1.00 per unit.

At June 30, 2016, we have warrants to purchase 8,112,772 and 234,500 shares of common stock at $1.20 and $1.00 per share, respectively, which are outstanding. Of this amount, warrants to purchase 34,229 shares expire in 2016, warrants to purchase 5,153,358 shares expire in 2018, warrants to purchase 1,723,935 shares expire in 2019, and warrants to purchase 1,435,750 shares expire in 2020.

Table of Contents

8. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions. This hierarchy requires companies to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure certain financial assets and liabilities at fair value.

The following table presents assets that are measured and recognized at fair value as of June 30, 2016 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	$ -	$ -	$ 3,044,341	$ -
Intangibles, net (non-recurring)	$ -	$ -	$ 2,451,247	$ -

The following table presents assets that are measured and recognized at fair value as of December 31, 2015 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	$ -	$ -	$ 1,921,072	$ -
Intangibles, net (non-recurring)	$ -	$ -	$ 2,373,689	$ (21,188)

9. Commitments and Contingencies

Lease Abandonment

On June 8, 2015, the Company incurred a lease abandonment charge of $54,849 for the three and six months ended June 30, 2015, for the former corporate headquarters located at 58 W. Buffalo St. Suite #200 in Chandler, Arizona. Due to the growth of the Company, occupancy has been taken under a new leased spaced. The Company estimated the liability under operating lease agreements and accrued lease abandonment costs in accordance with Accounting Standards Codification (“ASC”) 420, Exit or Disposal Cost Obligation ("ASC 420"), as the Company has no future economic benefit from the abandoned space and the lease does not terminate until November 30, 2015. All leased space related to this lease was abandoned and ceased to be used by the Company on June 30, 2015.

Litigation

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject.

10. Related Party Transactions

As discussed previously, we conducted the private placement of our securities during six months ended June 30, 2015 for the gross proceeds of $4,805,000. Two officers and two directors of the company participated in the private placement investing a total of $2,150,000, resulting in 2,150,000 common stock shares and 537,500 of common stock purchase warrants.

As discussed previously, we conducted the private placement of our securities during the six months ended June 30, 2016 for the gross proceeds of $1,953,600. One officer and one director of the company participated in the private placement investing a total of $1,025,000, resulting in 1,708,333 common stock shares.

11. Subsequent Events

There were no subsequent events through the date that the financial statements were issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with the Private

Table of Contents

Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements Such forward-looking statements include statements about our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” or “will,” and similar expressions or variat Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those risks disclosed under the caption “Risk Factors” included in our 2015 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on March 30, 2016 and in our subsequent filings with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Overview

We are in the business of developing and operating proprietary platforms over which resellers, brands and enterprises can conduct localized mobile marketing campaigns. Our proprietary platforms allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to the consumers’ mobile phones, content on printed receipts, mobile device applications, which consists of software available to both phones and tablet PCs. We generate revenue by charging the brands and enterprises a per-message transactional fee, or through fixed or variable software licensing fees. Our customers include national franchisers, professional sports teams and associations and other national brands such as Sonic, Subway, Jamba Juice, Chick-Fil-A, Baskin Robbins, and others.

Mobile phone users represent a large and captive audience. While televisions, radios, and even PCs are often shared by multiple consumers, mobile phones are personal devices representing a unique and individual address to the end user. We believe that the future of digital media will be significantly influenced by mobile phones where a direct, personal conversation can be had with the world’s largest target audience. According to a report published by International Data Corporation (IDC), by 2015, more U.S. Internet users will access the Internet through mobile devices than through PCs or other wireline devices (Worldwide New Media Market Model 1H-2012 Highlights: Internet Becomes Ever More Mobile, Ever Less PC-Based (IDC #237459)). The IDC study further reports that the number of people accessing the Internet, in the U.S., through PCs will shrink from 240 million consumers in 2012 to 225 million in 2016. At the same time, the number of mobile users will increase from 174 million to 265 million. We believe the future of mobile applications and services includes banking, commerce, advertising, video, games and just about every other aspect of both on and offline life.

Our unique approach to personalized, targeted offline marketing is marketed through our “SmartSuite” portfolio of solutions that all leverage our proprietary path to point-of-sale data. Our primary SmartSuite product is “SmartSMS” which utilizes SMS text messaging as a communications channel for targeted awareness and offers messages to consumers, leveraging purchase data to measure and target those messages much in the same way an e-commerce operator, like Amazon, uses online shopping cart data. For example, a consumer might receive a text message near lunch time offering a special discount to purchase a six-inch sub at their nearest Subway location. Once the consumer shows that text message at check out, our SmartReceipt technology kicks in to match that customer’s purchase with their offer redemption, thereby providing the ability to assess the effectiveness of the SMS offer. It also builds a purchase history of that customer for more targeted offers in the future.

In addition to SmartSMS, our SmartReceipt solution is capable of controlling the printed receipt to print targeted, graphical messages, including offers and coupons, on the front of the receipt consumer’s receive following a purchase. With SmartRecept, we can also transform the underutilized, printed receipt into a targeted messaging opportunity. As an example, say a consumer purchases a sandwich but doesn’t purchase a beverage. SmartReceipt sees the customer’s purchase information in real-time – and as the receipt is being printed, it can automatically see that the consumer didn’t buy a beverage and dynamically, in real time, add a strong beverage coupon to the printed receipt in an effort to influence that consumer to add a beverage on their next visit.

Our SmartSuite portfolio of solutions is rounded out with “SmartAnalytics,” which provides a set of reporting and analytics tools enabling brands to better understand their sales data across what could be a disparate collection of various point-of-sale devices.

Our goal is to expand our solution offerings to include applications that will leverage offline purchase data to provide attribution and better power mobile and online ad networks, shape marketing from real-time inventory and sales data, and apply emerging machine learning and artificial intelligence technologies to the massive purchase data sets we’re accumulating to drive predictive and automated solutions.

Table of Contents

Recent Events

LiveLenz Acquisition

On January 15, 2016, we acquired all of the outstanding capital stock of LiveLenz Inc., a Nova Scotia corporation ("LiveLenz"), pursuant to an agreement dated January 15, 2016 among the Company and the stockholders of LiveLenz. Pursuant to the agreement, we acquired all of the capital stock of LiveLenz in consideration of our issuance of 1,000,000 shares ("Consideration Shares") of our common stock to the LiveLenz stockholders and our issuance of an additional 15,000 share of our common stock in satisfaction of certain liabilities of LiveLenz. The agreement included customary representations, warranties, and covenants by us and the LiveLenz stockholders, including the LiveLenz stockholders' agreement to indemnify us against certain claims or losses resulting from certain breaches of representations, warranties or covenants by the LiveLenz stockholders in the agreement. Pursuant to the agreement, the LiveLenz stockholders have agreed to adjust the number of Consideration Shares downward based on LiveLenz' working capital as of the closing and in the event of any claims for indemnification by us. The LiveLenz stockholders have agreed that 100% of the Consideration Shares will be escrowed for a period of 18 months and subject to forfeiture based on indemnification claims by us or the final determination of LiveLenz' working capital as of the closing date.

2016 Private Placement

In March 2016, we conducted the private placement of 3,256,000 shares of our common stock, at a price of $0.60 per share, for the gross proceeds of $1,953,000. The offering was conducted by our management and no commission or other selling fees were paid by us. Pursuant to the terms of the offering, we entered into registration rights agreement with the investors, pursuant to which we filed with the SEC a registration statement to register the resale of the private placement shares. The registration rights agreement was declared effective by the SEC on August 8, 2016.

Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the "Facility") with Silicon Valley Bank to provide up to $2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy.

2015 Securities Purchase Agreement

In March 2015, we conducted the private placement of our securities for the gross proceeds of $4,805,000. In the private placement, we sold 4,805,000 units of our securities at a price of $1.00 per unit. Each unit consists of one share of our common stock and a common stock purchase warrant to purchase one-quarter share of our common stock, over a five year period, at an exercise price of $1.20 per share. We entered into a Registration Rights Agreement with the investors, pursuant to which we filed a resale registration statement covering the common shares made part of the units on April 30, 2015.

Emerging Growth Equities, Ltd. (“EGE”) acted as placement agent for the private placement and received $234,500 in commissions from us. In addition, for its services as placement agent, we issued to EGE warrants to purchase an aggregate of 234,500 units, as defined above, exercisable for a period of five years from the closing date, at an exercise price of $1.00 per unit.

Results of Operations

Revenues

Revenues consist of several different lines of business. These include, 800 hosted call-in (“IVR”); short message service (“SMS”); Stampt (our loyalty application); Smart Receipt; point-of-purchase (“POP”) marketing display; campaign revenue which is derived from a flat monthly subscription fee associated with “text-to-win” campaigns by our customers; Ad Model revenues which are paid on a per coupon redemption basis, and other revenues.

Revenues for the three months ended June 30, 2016 were $2,074,713, an increase of $983,468, or 90%, compared to the same period in 2015. The net increase is primarily attributable to an increase in SMS and Smart Receipt revenue of $1,025,626. This increase was offset by decreases in IVR, Campaign, Ad Model, and other revenues, which decreased $68,291 compared to the same period in 2015.

Revenues for the six months ended June 30, 2016 were $3,919,805, an increase of $1,888,388, or 93%, compared to the same period in 2015. The net increase is primarily attributable to an increase in SMS and Smart Receipt revenue of $1,938,802. This increase was offset by decreases in IVR and Ad Model revenues, which decreased $83,241 compared to the same period in 2015.

Table of Contents

Cost of Revenues

Cost of revenues consist primarily of cloud based software licensing fees, short code maintenance expenses, personal related expenses and other expenses.

Cost of revenues for the three months ended June 30, 2016 was $562,311, an increase of $292,273, or 108%, compared to the same period in 2015. This increase is primarily due to higher SMS and application costs as they relate to the increase in revenues.

Cost of revenues for six months ended June 30, 2016 was $998,941, an increase of $464,989, or 87%, compared to the same period in 2015. This increase is primarily due to higher SMS and application costs as they relate to the increase in revenues.

General and Administrative

General and administrative expenses consist primarily of salaries and personnel related expenses, consulting costs and other expenses.

General and administrative expenses decreased $115,526, or 11%, during the three months ended June 30, 2016 compared to the same period in 2015. The decrease in general and administrative expense was primarily due to decreased facilities expense and share based compensation expenses. Share based compensation, decreased $89,311 and facilities expense decreased $35,205 as compared to the same period in 2015. The facilities expense decrease was primarily related to the lease termination charge incurred during the three months ended June 30, 2015.

General and administrative decreased $222,496, or 10%, during the six months ended June 30, 2016 compared to the same period in 2015. The decrease in general and administrative expense was primarily due to decreased personnel expenses and facilities expenses. Personnel related expenses decreased $178,636, which included $64,807 of stock based compensation, compared to the same period in 2015. Facilities expense decreased $17,160 primarily related to the lease termination charge during 2015.

Sales and Marketing

Sales and marketing expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses

Sales and marketing expenses increased $307,704, or 39%, during the three months ended June 30, 2016 compared to the same period in 2015. The increase was primarily due to higher personnel costs and also a result of the Livelenz acquisition. During the three months ended June 30, 2016, personnel related expenses, including share-based compensation, increased $301,256 primarily due to an increase in personnel to support revenue growth and the acquisition of personnel with Livelenz.

Sales and marketing expenses increased $440,816, or 23%, during the six months ended June 30, 2016 compared to the same period in 2015. The increase was primarily due to higher personnel costs and also as a result of the Livelenz acquisition. During the six months ended June 30, 2016, personnel related expenses, including share-based compensation, increased $431,865 primarily due to an increase in personnel to support revenue growth and the acquisition of personnel with Livelenz.

Engineering, Research & Development

Engineering, research & development costs include salaries, stock based compensation expenses, travel, consulting costs, and other expenses.

Engineering, research & development expenses increased $77,313, or 38%, during the three months ended June 30, 2016 compared to the same period in 2015. The increase was primarily due to an increase in personnel related costs as compared to 2015 to support the Company’s growth.

Engineering, research & development expenses increased $312,108, or 99%, during the six months ended June 30, 2016 compared to the same period in 2015. The increase was primarily due to an increase in personnel related costs as compared to 2015 to support the Company’s growth.

Depreciation and Amortization

Depreciation and amortization expense consists of depreciation on our equipment and amortization of our intangible assets. Depreciation and amortization expense increased $78,456 or 95%, during the three months ended June 30, 2016 compared to the same period in 2015. Depreciation and amortization expense increased $168,961 or 122%, during the six months ended June 30, 2016 compared to the same period in 2015.

Table of Contents

Interest Expense

Interest expense consists of stated or implied interest expense on our notes payable, amortization of note discounts, and amortization of deferred financing costs. Interest expense increased $19,546, or 100%, during the three months ended June 30, 2016 compared to the same period in 2015. The increase in interest expense is primarily related to interest on notes payable for the Livelenz subsidiary. Interest expense increased $27,063, or 100%, during the six months ended June 30, 2016 compared to the same period in 2015. The increase in interest expense is primarily related to interest on notes payable for the Livelenz subsidiary.

Change in Fair Value of Derivative Liabilities

The change in fair value of derivative liabilities for the three months ended June 30, 2016 compared to three months ended June 30, 2015 was a decrease of $25,140.

The change in fair value of derivative liabilities for the six months ended June 30, 2016 compared to six months ended June 30, 2015 was a decrease of $6,815.

The value of the derivative liabilities at any given date is based primarily on the value and volatility of our common stock, among other less significant factors. In periods when our stock price or volatility rises, we expect to record a loss in the change in fair value of the derivative liabilities. The conversion of convertible notes payable into common shares in June 2013, reducing the number of warrants subject to derivative liability treatment, significantly reduced our ongoing exposure to derivative liability valuation adjustments. All warrants which included embedded derivative liabilities expired as of December 31, 2015, which was the primary cause of the gain during 2015.

Gain on Adjustment in Contingent Consideration

The gain on adjustment in contingent consideration decreased $2,000 during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015. The gains related to a decrease in the fair value of the contingent consideration resulting from re-measurement of the SmartReceipt and Stampt earn-out liabilities. These earnouts were settled during 2015.

Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for three and six months ended June 30, 2016 was $1 Canadian equals $0.78 and $0.76 U.S. Dollars, respectively. This compares to an average rate of $1 Canadian equals $0.81 U.S. Dollar during the same periods of 2015. The Company's functional or measurement currency is the U.S. Dollar. Based on a U.S. Dollar functional currency, the following are the key areas impacted by foreign currency volatility:

The Company sells products primarily in U.S. Dollars; therefore, reported revenues are not highly impacted by foreign currency volatility.

A portion of the Company's expenses are incurred in Canadian Dollars and therefore fluctuate in U.S. Dollars as the U.S. Dollar varies. A weaker U.S. Dollar results in an increase in translated expenses, and a stronger U.S. Dollar results in a decrease.

Changes in foreign currency rates also impact the translated value of the Company's working capital that is held in Canadian Dollars. Foreign exchange rate fluctuations result in foreign exchange gains or losses based upon movement in the translated value of Canadian working capital into U.S. Dollars.

The change in foreign currency was a loss of $14,287 for the three months ended June 30, 2016 and a gain of $1,104 for the six months ended June 30, 2016.

Liquidity and Capital Resources

As of June 30, 2016, we had current assets of $3,095,747, including $1,035,863 in cash, $1,000,000 in restricted cash and current liabilities of $2,620,258, resulting in working capital of $475,489.

As of the date of this report, we believe we have working capital on hand to fund our current level of operations at least through the end of the year. However, there can be no assurance that we will not require additional capital. If we require additional capital, we will seek to obtain additional working capital through the sale of our securities and, if available, bank lines of credit. However, there can be no assurance we will be able to obtain access to capital as and when needed and, if so, the terms of any available financing may not be subject to commercially reasonable terms.

Table of Contents

Cash Flows

	Six Months Ended June 30, 2016	2015
Net cash provided by (used in):		
Operating activities	$ (1,162,554)	$ (1,792,472)
Investing activities	(354,104)	(452,619)
Financing activities	1,920,161	4,570,500
Effect of foreign currency translation on cash flow	(1,769)	-
Net change in cash	$ 401,734	$ 2,325,409

Operating Activities

We used cash in operating activities totaling $1,162,554 during the six months ended June 30, 2016 and $1,792,472 during the six months ended June 30, 2015. The decrease in cash used in operating activities was primarily due to a lower net loss.

Investing Activities

Investing activities during the six months ended June 30, 2016 includes $342,381 of capitalized software development costs, $12,700 of cash paid for patents, $9,753 of equipment purchases, and $10,730 of cash proceeds from acquisitions.

Investing activities during the six months ended June 30, 2015 includes $50,513 of equipment purchases and $402,106 of capitalized software development costs.

Financing Activities

Financing activities for the six months ended June 30, 2016 includes net proceeds from the sale of common stock units of $1,953,600 offset by $32,287 of cash paid for deferred financing fees and repayments of debt of $1,152.

Financing activities for the six months ended June 30, 2015 includes net proceeds from the sale of common stock units of $4,570,500.

Critical Accounting Policies and Estimates

Refer to Note 2, "Summary of Significant Accounting Polices," in the accompanying notes to the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company as defined by section 10(f)(1) of Regulation S-K. As such, we are not required to provide the information set forth in this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures that are designed to ensure that 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. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that as of June 30, 2016 our disclosure controls and procedures were effective.

Table of Contents

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by Chief Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
31.2	Certification by Chief Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
32.1	Certification Pursuant to 18 U.S.C. Section 1350 *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Definition Linkbase Document *
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document *

* Filed electronically herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

		Mobivity Holdings Corp.
Date: August 15, 2016	By:	/s/ Dennis Becker Dennis Becker Chief Executive Officer (Principal Executive Officer)
Date: August 15, 2016	By:	/s/ Christopher Meinerz Christopher Meinerz Chief Financial Officer (Principal Accounting Officer)