

**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: **March 31, 2023**

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**

SILVERSUN TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

16-1633636

(IRS Employer Identification No.)

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 May 5, 2023, there were 5,256,177 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**

	March 31, 2023	December 31, 2022
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,875,779	\$ 8,008,633
Accounts receivable, net of allowance of \$514,775 and \$490,311 as of March 31, 2023 and December 31, 2022, respectively	2,231,405	2,232,960
Unbilled services	937,418	367,165
Deferred charges	1,792,190	1,516,895
Prepaid expenses and other current assets	1,741,412	1,573,615
Total current assets	13,578,204	13,699,268
Property and equipment, net	623,752	711,314
Operating lease right-of-use assets	445,755	328,562
Intangible assets, net	4,103,392	4,265,353
Goodwill	1,139,952	1,139,952
Deferred tax assets	1,024,486	1,106,065
Deposits and other assets	187,553	187,553
Total assets	\$ 21,103,094	\$ 21,438,067
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,846,568	\$ 3,272,555
Accrued expenses	2,212,680	2,432,703
Accrued interest	23,942	23,757
Long-term debt – current portion	510,530	680,146
Long-term – related party – current portion	103,333	103,333
Finance lease obligations – current portion	208,511	214,990
Operating lease liabilities – current portion	334,237	268,345
Deferred revenue	3,976,574	3,757,090
Total current liabilities	10,216,375	10,752,919
Long-term debt net of current portion	551,342	671,014
Finance lease obligations net of current portion	352,407	401,453
Operating lease liabilities net of current portion	111,518	60,217
Total liabilities	11,231,642	11,885,603
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, 5,256,177 and 5,256,177 shares issued and outstanding as of March 31, 2023 December 31, 2022, respectively	53	53
Additional paid-in capital	10,470,498	10,429,001
Accumulated deficit	(599,099)	(876,590)
Total stockholders' equity	9,871,452	9,552,464
Total liabilities and stockholders' equity	\$ 21,103,094	\$ 21,438,067

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended	
	March 31, 2023	March 31, 2022
Revenues:		
Software product, net	\$ 3,322,329	\$ 2,610,962
Service, net	9,805,409	8,412,882
Total revenues, net	<u>13,127,738</u>	<u>11,023,844</u>
Cost of revenues:		
Product	1,932,275	1,524,579
Service	5,837,903	4,794,398
Total cost of revenues	<u>7,770,178</u>	<u>6,318,977</u>
Gross profit	<u>5,357,560</u>	<u>4,704,867</u>
Selling, general and administrative expenses:		
Selling and marketing expenses	2,178,703	1,775,811
General and administrative expenses	2,560,028	2,640,977
Share-based compensation expenses	41,497	45,945
Depreciation and amortization expenses	207,795	261,850
Total selling, general and administrative expenses	<u>4,988,023</u>	<u>4,724,583</u>
Income (loss) from operations	<u>369,537</u>	<u>(19,716)</u>
Other expense:		
Interest expense, net	(17,255)	(18,852)
Total other expense	<u>(17,255)</u>	<u>(18,852)</u>
Income (loss) before taxes	352,282	(38,568)
Provision for income taxes	<u>74,791</u>	<u>2,088</u>
Net income (loss)	<u>\$ 277,491</u>	<u>\$ (40,656)</u>
Net income (loss) per common share – basic and fully diluted	<u>\$ 0.05</u>	<u>\$ (0.01)</u>
Weighted average shares outstanding:		
Basic	5,256,177	5,136,177
Diluted	5,256,177	5,136,177

See accompanying notes to the unaudited condensed consolidated financial statements.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2023

	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, 2023	-	\$ -	-	\$ -	5,256,177	\$ 53	\$ 10,429,001	\$ (876,590)	\$ 9,552,464
Share-based compensation	-	-	-	-	-	-	41,497	-	41,497
Net income	-	-	-	-	-	-	-	277,491	277,491
Balance at March 31, 2023	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>5,256,177</u>	<u>\$ 53</u>	<u>\$ 10,470,498</u>	<u>\$ (599,099)</u>	<u>\$ 9,871,452</u>

FOR THE THREE MONTHS ENDED MARCH 31, 2022

	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, 2022	-	\$ -	-	\$ -	5,136,177	\$ 52	\$ 9,951,142	\$ (594,371)	\$ 9,356,823
Share-based compensation	-	-	-	-	-	-	45,945	-	45,945
Net loss	-	-	-	-	-	-	-	(40,656)	(40,656)
Balance at March 31, 2022	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>5,136,177</u>	<u>\$ 52</u>	<u>\$ 9,997,087</u>	<u>\$ (635,027)</u>	<u>\$ 9,362,112</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 277,491	\$ (40,656)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Deferred income taxes	81,579	2,088
Depreciation and amortization	92,541	98,425
Amortization of intangibles	161,961	190,457
Amortization of right of use assets	99,118	360,768
Provision for bad debts	24,464	-
Share-based compensation	41,497	45,945
Changes in assets and liabilities:		
Accounts receivable	(22,909)	164,565
Unbilled services	(570,253)	(337,150)
Deferred charges	(275,295)	-
Prepaid expenses and other current assets	(167,797)	(302,141)
Accounts payable	(425,987)	35,918
Accrued expenses	(220,023)	147,344
Accrued interest	185	(5,592)
Deferred revenues	219,484	(7,449)
Operating lease obligations	(99,118)	(360,768)
Net cash used in operating activities	(783,062)	(8,246)
Cash flows used in investing activities:		
Purchase of property and equipment	(4,979)	(30,548)
Acquisition of business	-	(150,000)
Net cash used in investing activities	(4,979)	(180,548)
Cash flows used in financing activities:		
Payment of long-term debt	(289,288)	(81,901)
Payment of finance lease obligations	(55,525)	(56,989)
Net cash used in financing activities	(344,813)	(138,890)
Net decrease in cash	(1,132,854)	(327,684)
Cash, beginning of period	8,008,633	6,814,117
Cash, end of period	\$ 6,875,779	\$ 6,486,433
Cash paid during period for:		
Interest	\$ 40,491	\$ 24,534
Income taxes	\$ 6,679	-

See accompanying notes to the unaudited condensed consolidated financial statements.

**SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

For the three months ended March 31, 2023:

The Company entered into an operating lease for equipment with Digital Fortress, Inc. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$115,313.

The Company entered into an operating lease for equipment and space with Cologix USA, Inc. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$114,480.

For the three months ended March 31, 2022:

On January 1, 2022, the Company entered into an asset purchase agreement with Dynamic Tech Services, Inc (“DTS”) to acquire certain assets of DTS. The purchase price for the Acquired Assets was \$1,335,000, \$500,000 of which was paid in cash in December 2021 and \$835,000 of which was paid through the issuance of a four-year \$835,000 promissory note dated January 1, 2022, paying interest at the rate of 3.25% per annum (see Note 11).

On January 22, 2022, the Company entered into an agreement to acquire certain assets of NEO3, LLC (“NEO3”). The purchase price for the customer list was \$225,000, \$150,000 of which was paid in cash and \$75,000 of which was paid through the issuance of a three-year \$75,000 promissory note dated January 22, 2022, paying interest at the rate of 2% per annum. The Company also assumed \$73,672 of prepaid time as part of the consideration for this transaction.

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-premises 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 migration and other services. Our customers are nationwide, with concentrations in the New York/New Jersey metropolitan area, Arizona, Connecticut, Southern California, North Carolina, Washington, Oregon and Illinois.

The Company is publicly traded and is 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. However, we currently do not expect a significant impact on our results of operations in the future due to COVID-19.

We currently do not expect a significant impact on our results of operations in the future due to Russia’s invasion of Ukraine, as we have minimal business in Russia and Ukraine, both directly and indirectly. However, following the invasion, the U.S. and other countries imposed significant sanctions against the Russian government and many Russian companies and individuals. Although the Company does not have significant operations in Russia, the sanctions could impact the Company’s business in other countries and could have a negative impact on the Company’s future revenue and that of its customers, either of which could adversely affect the Company’s business and financial results.

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 March 31, 2023, the results of operations for the three months ended March 31, 2023 and 2022 and cash flows for the three months ended March 31, 2023 and 2022. These results are not necessarily indicative of the results to be expected for the full year.

The unaudited condensed consolidated 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, 2022 consolidated 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 unaudited condensed consolidated 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, 2022, filed with the SEC on February 28, 2023.

The accompanying unaudited condensed consolidated financial statements include the accounts of SilverSun 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 unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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.

Accounts Receivable and Allowance for Doubtful Accounts

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. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received ASC 326-20-30-2 requires a reporting entity to use a pooled approach to estimate expected credit losses for financial assets with similar risk characteristics. If a financial asset does not share similar risk characteristics with other financial assets held by the reporting entity, the allowance for credit losses should be determined on an individual basis. Similar risk characteristics for trade receivables may include customer credit rating, trade receivable aging category (e.g., 30-90 days past due), industry, geographical location of the customer, product line, and other factors that may influence the likelihood of the customer not being able to pay for the goods or services. The Company utilizes this individual approach for its trade receivables and unbilled services as each customer does not share similar risks.

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 months ended March 31, 2023 and 2022.

Capitalization of Proprietary Developed Software

Software development costs are accounted for in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC), 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.

Business Combinations

We account for business combinations under the acquisition method of accounting. This method requires the recording of acquired assets and assumed liabilities at their acquisition date fair values. The excess of the purchase price over the fair value of assets acquired and liabilities assumed is recorded as goodwill. Results of operations related to business combinations are included prospectively beginning with the date of acquisition and transaction costs related to business combinations are recorded within general and administrative expenses.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)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 months ended March 31, 2023 and 2022.

Revenue Recognition

The Company has elected the significant financing component practical expedient in accordance with ASC 606, *Revenue from Contracts with Customers*. 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.

The Company determines revenue recognition through the following 5 steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligation in the contract; and
- Recognize revenue when or as the entity satisfies a performance obligation

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 revenues.

Components of revenue:

	For the Three Months Ending March 31,	
	2023	2022
Software revenue	\$ 3,322,329	\$ 2,610,962
Professional consulting	4,336,632	3,302,804
Maintenance revenue	1,382,969	1,348,000
Ancillary service revenue	4,085,808	3,762,078
	<u>\$ 13,127,738</u>	<u>\$ 11,023,844</u>

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 that will be earned as such services are performed over the contractual or stated period, which generally ranges from three to twelve months. As of March 31, 2023, there was \$403,850 in deferred maintenance revenues, \$522,693 in deferred support service revenues and \$3,050,031 in deposits for future consulting services. As of December 31, 2022, there was \$460,709 in deferred maintenance, \$472,266 in deferred support services, and \$2,824,115 in deposits for future consulting services.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

Fair Value of Financial Instruments

The Company estimates that the fair value of all financial instruments at March 31, 2023 and December 31, 2022, as defined in ASC 825 “Financial Instruments”, does not differ materially, except for the items discussed below, from the aggregate carrying values of its financial instruments recorded in the accompanying unaudited condensed consolidated balance sheets. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value.

The carrying amounts reported in the unaudited condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022 for cash, accounts receivable, and accounts payable approximate the fair value because of the immediate or short-term maturity of these financial instruments. For each reporting period we evaluate market conditions including available interest rates, credit spreads relative to our credit rating and liquidity in estimating the fair value of our debt. After considering such market conditions, we estimate that the fair value of debt approximates its carrying value.

Deferred Charges

The Company defers expenses until such time that the expense is consumed and charged to expense at that time. Deferred charges represent expenses related to the merger (see Note 14) and will be charged against the proceeds when the merger is consummated.

Leases

The Company accounts for its leases in accordance with ASC 842 Leases. The Company leases office space and equipment. The Company concludes on whether an arrangement is a lease at inception. This determination as to whether an arrangement contains a lease is based on an assessment as to whether a contract conveys the right to the Company to control the use of identified property, plant or equipment for period of time in exchange for consideration. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes these lease expenses on a straight-line basis over the lease term.

The Company has assessed its contracts and concluded that its leases consist of finance and operating leases. Operating leases are included in operating lease right-of-use (ROU) assets, current portion of operating lease liabilities, and operating lease liabilities in the Company’s unaudited condensed consolidated balance sheets.

ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company’s leases do not provide an implicit rate, the Company determines an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate represents a significant judgment that is based on an analysis of the Company’s credit rating, country risk, treasury and corporate bond yields, as well as comparison to the Company’s borrowing rate on its most recent loan. The Company uses the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are generally accounted for separately.

The Company finances purchases of hardware and computer equipment through finance lease agreements. Finance lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations

The Company maintains its cash with various institutions, which exceed federally insured limits throughout the year. At March 31, 2023 and December 31, 2022, the Company had cash on deposit of \$5,690,968 and \$7,050,862, respectively, in excess of the federally insured limits of \$250,000.

As of March 31, 2023, no one customer represented more than 10% of the total accounts receivable and unbilled services. As of December 31, 2022, no one customer represented more than 10% of the total accounts receivable and unbilled services.

For the three months ended March 31, 2023 and 2022, the Company's top ten customers accounted for 10% (\$1,329,501) and 11% (\$1,218,890), respectively, of total revenues. The Company does not rely on any one specific customer for any significant portion of its revenue.

For the three months ended March 31, 2023 and 2022 purchases from one supplier through a "channel partner" agreement were approximately 14% and 11% of cost of revenues, respectively. The channel partner agreements are for a one-year term and automatically renew for an additional one-year term on the anniversary of the agreement's effective date.

As of March 31, 2023, one supplier represented approximately 25% of total accounts payable. For the year ended December 31, 2022, one supplier represented approximately 28% of total accounts payable.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable and cash. As of March 31, 2023, the Company believes it has no significant risk related to its concentration of credit risk related to accounts receivable.

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

The Company accounts for income taxes using the asset and liability method described in ASC 740, "Income Taxes". Deferred tax assets arise from a variety of sources, the most significant being: a) tax losses that can be carried forward to be utilized against profits in future years; b) expenses recognized for financial reporting purposes but disallowed in the tax return until the associated cash flow occurs; and c) valuation changes of assets which need to be tax effected for book purposes but are deductible only when the valuation change is realized.

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 accounts for uncertainties in income taxes under ASC 740-10-50 which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 requires that the Company determine whether the benefits of its tax positions are more-likely-than-not of being sustained upon audit based on the technical merits of the tax position. The Company recognizes the impact of an uncertain income tax position taken on its income tax return at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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 2019 to 2022 remain open to examination for both the U.S. federal and state jurisdictions.

Despite the Company’s belief that its tax return positions are consistent with applicable tax laws, one or more positions may be challenged by taxing authorities. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. Interest and penalties related to income tax matters, if applicable, will be recognized as income tax expense. There were no liabilities for uncertain tax positions at March 31, 2023 and December 31, 2022.

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 leases 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 using Level 3 inputs at acquisition, as discussed in Notes 6 and 11.

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 June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments*, which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For receivables, and other short-term financial instruments, companies are required to use a new forward-looking “expected loss” model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. The new standard also requires enhanced disclosures, including the requirement to disclose the information used to track credit quality by year of origination. This standard was adopted on January 1, 2023 and did not have a significant impact on our consolidated financial position and consolidated results of operations.

Recent Authoritative Pronouncements

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

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
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NOTE 3 – NET INCOME (LOSS) PER COMMON SHARE

The Company's basic income (loss) per common share is based on net income (loss) for the relevant period, divided by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is based on net income (loss), 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 months ended March 31, 2023 and 2022, the average market prices for the periods ended are less than the exercise price of all the outstanding stock options, therefore, the inclusion of the stock options would be anti-dilutive. In addition, for the three months ended March 31, 2022, since the Company has a net loss, the effect of common stock equivalents is anti-dilutive, and, as such, common stock equivalents have been excluded from the calculation.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Basic net income (loss) per share computation:		
Net income (loss)	\$ 277,491	\$ (40,656)
Weighted-average common shares outstanding	5,256,177	5,136,177
Basic net income (loss) per share	\$ 0.05	\$ (0.01)
Diluted net income (loss) per share computation:		
Net income (loss) per above	\$ 277,491	\$ (40,656)
Weighted-average common shares outstanding	5,256,177	5,136,177
Total adjusted weighted-average shares	5,256,177	5,136,177
Diluted net income (loss) per share	\$ 0.05	\$ (0.01)

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

	Three Months March 31, 2023	Three Months March 31, 2022
Stock options	158,420	165,620
Total potential dilutive securities not included in income (loss) income per share	158,420	165,620

NOTE 4 – ALLOWANCE FOR EXPECTED CREDIT LOSSES

Trade receivables and unbilled services with customers are financial assets analyzed by the Company under the expected credit loss model. To measure expected credit losses, trade receivables are grouped based on shared risk characteristics (i.e., the relevant industry sector and customer's geographical location) and days past due (i.e., delinquency status), while considering the following, if appropriate:

- Customers in the same geographical location share similar risk characteristics associated with the macroeconomic environment of their region.
- The expected credit loss rate is likely to increase as receivables move to older aging buckets. The Company used the following aging categories to estimate the risk of delinquency status: (i) 0 days past due; (ii) 1-30 days past due; (iii) 31-60 days past due; (iv) 61-90 days past due; and (v) over 90 days past due.

If a financial asset does not share similar risk characteristics with other financial assets held by the reporting entity, the allowance for credit losses should be determined on an individual basis. Similar risk characteristics for trade receivables may include customer credit rating, trade receivable aging category (e.g., 30-90 days past due), industry, geographical location of the customer, product line, and other factors that may influence the likelihood of the customer not being able to pay for the goods or services. The Company, for the most part, utilizes this individual approach for its trade receivables and unbilled services as each customer does not share similar risks.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
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NOTE 4 – ALLOWANCE FOR EXPECTED CREDIT LOSSES (Continued)Rollforward of Allowance for Doubtful Accounts

The following table represents the rollforward of the allowance for doubtful accounts for the three months ended March 31, 2023 and the year ended December 31, 2022:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Balance at beginning of period	\$ 490,311	\$ 330,311
Current period provision for expected losses	25,000	170,178
Write-offs	(536)	(10,178)
Balance at end of period	<u>514,775</u>	<u>490,311</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Leasehold improvements	\$ 165,701	\$ 165,701
Equipment, furniture and fixtures	3,826,554	3,821,575
	<u>3,992,255</u>	<u>3,987,276</u>
Less: Accumulated depreciation and amortization	<u>(3,368,503)</u>	<u>(3,275,962)</u>
Property and equipment, net	<u>\$ 623,752</u>	<u>\$ 711,314</u>

Depreciation and amortization expense related to these assets for the three months ended March 31, 2023 and 2022 were \$92,541 and \$98,425.

Property and equipment under finance leases (included in Note 8) are summarized as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Equipment, furniture, and fixtures	\$ 1,256,092	\$ 1,256,092
Less: Accumulated amortization	<u>(770,994)</u>	<u>(716,743)</u>
Property and equipment, net	<u>\$ 485,098</u>	<u>\$ 539,349</u>

NOTE 6 – 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.

On January 1, 2022 (“Effective Date”), the Company entered into an asset purchase agreement with Dynamic Tech Services, Inc (“DTS”) to acquire certain assets of DTS. The purchase price for the Acquired Assets was \$1,335,000, \$500,000 of which was paid in cash and \$835,000 of which was paid through the issuance of a four-year \$835,000 promissory note dated January 1, 2022, paying interest at the rate of 3.25% per annum (see Note 11).

On January 19, 2022, SWK acquired the customer list of NEO3, LLC (“NEO3”) pursuant to an Asset Purchase Agreement for the customer list for \$150,000 cash and the issuance of a promissory note in the aggregate principal amount of \$75,000 (the “NEO3 Note”). The NEO3 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 \$2,148. The purchase price has been recorded as an intangible asset with an estimated life of seven years.

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
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NOTE 6 – INTANGIBLE ASSETS (Continued)

The components of intangible assets are as follows:

	March 31, 2023	December 31, 2022	Estimated Useful Lives
Proprietary developed software	\$ 390,082	\$ 390,082	5 – 7
Intellectual property, customer list, and acquired contracts	7,743,283	7,743,283	5 – 15
Total intangible assets	8,133,365	8,133,365	
Less: accumulated amortization	(4,029,973)	(3,868,012)	
	<u>\$ 4,103,392</u>	<u>\$ 4,265,353</u>	

Amortization expense related to the above intangible assets for the three months ended March 31, 2023 and 2022 was \$161,961 and \$190,457, respectively.

The Company expects future amortization expense to be the following:

	Amortization
Remainder of 2023	\$ 485,883
2024	647,844
2025	644,367
2026	633,165
2027	619,516
Thereafter	1,072,617
Total	<u>\$ 4,103,392</u>

NOTE 7 – LONG-TERM AND RELATED PARTY DEBT

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”). This long-term debt is considered related party debt as a holder is a current employee of the Company. The Prairie Tech Notes bear interest at a rate of 4% per annum. Prairie Tech Note 1 had a term of one (1) year and was subject to downward adjustment based on whether certain revenue milestones are achieved. In July 2021, the Company waived its rights to any downward adjustments on these notes, and agreed to pay the full-face amount, plus interest, on those notes on the date of maturity. 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. On July 31, 2021, the Company paid Note 1 and accrued interest in the amount of \$107,543. On August 4, 2022, the Company paid Note 2 and accrued interest in the amount of \$111,924. At March 31, 2023 and December 31, 2022, the outstanding balances on the PT Notes were \$103,333 and \$103,333, respectively.

On October 1, 2020, SWK acquired certain assets of Computer Management Services, LLC, (“CMS”) pursuant to an Asset Purchase Agreement for cash of \$410, clients’ deposits related to technical support in the amount of \$50,115, prepaid time from clients in the amount of \$67,073, and the issuance of a promissory note in the aggregate principal amount of \$170,000 (the “CMS Note”) for a total of \$287,598. The CMS 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 \$4,869. At March 31, 2023 and December 31, 2022, the outstanding balances on the CMS Note were \$33,858 and \$48,249, respectively.

On December 1, 2020, SWK acquired certain assets of Business Software Solutions (“BSS”) pursuant to an Asset Purchase Agreement for a promissory note in the aggregate principal amount of \$230,000 (the “BSS Note”). The BSS Note is due in 60 months from the closing date and bears interest at a rate of two percent (2.0%) per annum. Monthly payments including interest are \$4,031. At March 31, 2023 and December 31, 2022, the outstanding balances on the BSS Note were \$129,339 and \$140,748, respectively.

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NOTE 7 – LONG-TERM AND RELATED PARTY DEBT (Continued)

On April 1, 2021, SWK acquired certain assets of CT-Solution, Inc. (“CTS”) pursuant to an Asset Purchase Agreement for a promissory note in the aggregate principal amount of \$130,000 (the “CTS Note”). The CTS 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 \$3,724. At March 31, 2023 and December 31, 2022, the outstanding balances on the CTS Note were \$47,846 and \$58,741, respectively.

On May 1, 2021, SWK acquired certain assets of PeopleSense, Inc. (“PSI”) pursuant to an Asset Purchase Agreement for cash of \$145,703, customer deposits related to prepaid time from clients in the amount of \$99,938, and the issuance of a promissory note in the aggregate principal amount of \$450,000 (the “PSI Note”). The PSI 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 \$12,889. At March 31, 2023 and December 31, 2022, the outstanding balances on the PSI Note were \$178,213 and \$215,863, respectively.

On January 1, 2022, SWK acquired certain assets of Dynamic Tech Services, Inc. (“DTSI”) pursuant to an Asset Purchase Agreement for \$500,000 cash and the issuance of a promissory note in the aggregate principal amount of \$835,000 (the “DTSI Note”). The DTSI Note bears interest at a rate of three and one-quarter percent (3.25%) per annum. The principal amount of the Note is subject to a downward adjustment in the event the Company loses any subscription renewal revenue during the one-year period immediately following the Effective Date from any persons that were customers of DTS immediately prior to the Effective Date (the “DTS Customers”). Any such downward adjustment will be determined by calculating the percentage of loss of Acumatica subscription renewals during the one-year period immediately following the Effective Date from DTS Customers. In the event that subscription renewal revenue received from DTS Customers during the one-year period immediately following the Effective Date is less than 95% of the subscription renewal revenue received by DTS from DTS Customers during the one-year period immediately preceding the Effective Date, the principal amount of the Note will be reduced. The measuring period for any downward adjustment will be as of the one-year anniversary of the Effective Date. Notwithstanding the foregoing, under no circumstances will the principal amount of the Note be reduced by reason of such downward adjustment by more than \$150,000 (*i.e.*, to a principal amount below \$685,000). The Note will be amortized as follows: The first payment of principal and interest due under the Note, which will be an annual payment, is due and payable on January 1, 2023, after the revised principal amount of the Buyer Note is determined and thereafter, payments will be made quarterly in twelve equal installments. At March 31, 2023 and December 31, 2022, the outstanding balances on the DTSI Note was \$626,250 and \$835,000, respectively (see Note 11).

On January 19, 2022, SWK acquired the customer list of NEO3, LLC (“NEO3”) pursuant to an Asset Purchase Agreement for the customer list for \$150,000 cash and the issuance of a promissory note in the aggregate principal amount of \$75,000 (the “NEO3 Note”). The NEO3 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 \$2,148. At March 31, 2023 and December 31, 2022, the outstanding balance on the NEO3 Note was \$46,366 and \$52,559, respectively.

Total long-term and related party debt balances at March 31, 2023 and December 31, 2022 were \$1,165,205 and \$1,454,493, respectively, of which \$613,863 and \$783,479 was classified as current portion at March 31, 2023 and December 31, 2022, respectively.

At March 31, 2023, future payments of long-term debt are as follows:

Remainder of 2023	\$ 494,190
2024	360,091
2025	258,736
2026	52,188
Total	<u>\$ 1,165,205</u>

NOTE 8 – 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 weighted average interest rate as of March 31, 2023 was 7.27% and the following weighted-average lease term:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Weighted average remaining lease term	3.30	3.44

SILVERSUN TECHNOLOGIES, INC. AND SUBSIDIARIES
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NOTE 8 – FINANCE LEASE OBLIGATIONS (Continued)

At March 31, 2023 future payments under finance leases are as follows:

	March 31, 2023
Remainder of 2023	\$ 186,413
2024	177,214
2025	115,608
2026	115,608
2027	48,170
Total minimum lease payments	643,013
Less amounts representing interest	(82,095)
Present value of net minimum lease payments	560,918
Less current portion	(208,511)
Long-term finance lease obligation	<u>\$ 352,407</u>

NOTE 9 – OPERATING LEASE LIABILITY

The Company leases space in four different locations and also has an equipment lease rental with monthly payments ranging from \$3,180 to \$10,279 which expire at various dates through October 2025.

The Company entered into an operating lease for equipment with Digital Fortress, Inc. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$115,313 during the period ended March 31, 2023.

The Company entered into an operating lease for equipment and space with Cologix USA, Inc. Accordingly, operating lease right of use assets and operating lease liabilities were recognized in the amount of \$114,480 during the period ended March 31, 2023.

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 asset and liability was valued using an weighted average interest rate of 4.77%.

The Company's weighted average remaining lease term for operating leases as of March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Weighted average remaining lease term	1.48	1.19

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 March 31, 2023:

Remainder 2023	\$ 272,712
2024	157,958
2025	31,800
Total undiscounted future minimum lease payments	462,470
Less: Difference between undiscounted lease payments and discounted lease liabilities	(16,715)
Total operating lease liabilities	445,755
Less current portion	(334,237)
Long-term operating lease liabilities	<u>\$ 111,518</u>

Total rent expense under operating leases for the three months ended March 31, 2023 and 2022 was \$82,666 and \$119,329, respectively.

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NOTE 10 – EQUITYStock Repurchase Program

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. On November 5, 2021, the Board of Directors voted to increase the authorized amount of the buyback from \$2 million to \$5 million. As of March 31, 2023, no repurchases have been made.

Stock Options

The Company adopted the 2019 Equity and Incentive Plan (the "2019 Plan") to order provide long-term incentives for employees and non-employees to contribute to the growth of the Company and attain specific performance goals.

The fair value of each option awarded is estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatilities are based on historical volatility of Common Stock. The expected life of the options granted represents the period of time from date of grant to expiration. The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant.

There were no stock options granted for the three months ended March 31, 2023.

A summary of the status of the Company's stock option plans for the three months ended March 31, 2023 and the year ended December 31, 2022 and changes during the periods are presented below (in number of options):

	<u>Number of Options</u>	<u>Average Exercise Price</u>
Outstanding options at January 1, 2022	165,620	\$ 6.256
Options granted	-	-
Options canceled/forfeited	(7,200)	\$ 6.530
Outstanding options at December 31, 2022	158,420	\$ 6.245
Options granted	-	-
Options canceled/forfeited	-	-
Outstanding options at March 31, 2023	<u>158,420</u>	<u>\$ 6.245</u>

For the three months ended March 31, 2023, the Company recorded share-based compensation expense of \$41,497 as compared to \$45,945 for the three months ended March 31, 2022.

As of March 31, 2023 and December 31, 2022, the unamortized compensation expense for stock options was \$-0- and \$41,497, respectively.

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NOTE 11 – BUSINESS COMBINATIONS

On January 1, 2022 (“Effective Date”), the Company entered into an asset purchase agreement with Dynamic Tech Services, Inc (DTS”) to acquire certain assets of DTS. The purchase price for the Acquired Assets was \$1,335,000, \$500,000 of which was paid in cash and \$835,000 of which was paid through the issuance of a four-year \$835,000 promissory note dated January 1, 2022, paying interest at the rate of 3.25% per annum. The principal amount of the Note is subject to a downward adjustment in the event the Company loses any subscription renewal revenue during the one-year period immediately following the Effective Date from any persons that were customers of DTS immediately prior to the Effective Date (the “DTS Customers”). Any such downward adjustment will be determined by calculating the percentage of loss of Acumatica subscription renewals during the one-year period immediately following the Effective Date from DTS Customers. In the event that subscription renewal revenue received from DTS Customers during the one-year period immediately following the Effective Date is less than 95% of the subscription renewal revenue received by DTS from DTS Customers during the one-year period immediately preceding the Effective Date, the principal amount of the Note will be reduced. The measuring period for any downward adjustment will be as of the one-year anniversary of the Effective Date. Notwithstanding the foregoing, under no circumstances will the principal amount of the Note be reduced by reason of such downward adjustment by more than \$150,000 (*i.e.*, to a principal amount below \$685,000). There was no downward adjustment necessary as measured on the one-year anniversary of the note, January 1, 2023. The Note is amortized as follows: The first payment of principal and interest due under the Note, which will be an annual payment, is due and payable on January 1, 2023, after the revised principal amount of the Buyer Note is determined and thereafter, payments will be made quarterly in twelve equal installments. Upon completion of an independent valuation, the allocation of the purchase price was \$1,207,000 to customer lists with the excess purchase consideration of \$128,000 being allocated to goodwill.

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

The following summarizes the purchase price allocation for all prior year and current year’s acquisitions:

	2022 Purchase DTS
Cash consideration	\$ 500,000
Note payable	835,000
Total purchase price	<u>\$ 1,335,000</u>
Customer list	\$ 1,207,000
Goodwill	128,000
Total assets acquired	<u>1,335,000</u>
Deferred revenue	-
Net assets acquired	<u>\$ 1,335,000</u>

The Company’s unaudited condensed consolidated financial statements for the three months ended March 31, 2023 and 2022 include the actual results of DTS, and as such, pro forma results are not required.

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NOTE 12 – INCOME TAXES

FASB ASC 740-10, “Accounting for Uncertainty in Income Taxes” (“ASC 740-10”) prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company does not have any unrecognized tax benefits.

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 \$5,000,000 as of March 31, 2023, which is subject to limitations under Section 382 of the Internal Revenue Code. These carryforward losses are available to offset future taxable income and a portion begin to expire in the year 2025 to 2033.

The tax effect of temporary differences, primarily net operating loss carryforwards, asset reserves and depreciation, gave rise to the Company’s deferred tax asset. Deferred income taxes are recognized for the tax consequence of such temporary differences at the enacted tax rate expected to be in effect when the differences reverse. The Company had approximately \$1,024,000 and \$1,106,000 in deferred tax assets at March 31, 2023 and December 31, 2022, respectively.

For the three months ended March 31, 2023, the Company’s Federal and State provision requirements were calculated based on the estimated tax rate. For the three months ended March 31, 2023, the Company recorded a tax provision of \$74,791 as compared to \$2,088 for the three months ended March 31, 2022. This increase in the tax provision is primarily the result of the increase in income before taxes for the three months ended March 31, 2023 as compared to the three months ended March 31, 2022.

NOTE 13 – RELATED PARTY TRANSACTIONS

At March 31, 2023 and December 31, 2022, certain long-term debt is considered a related party liability as a holder of Prairie Tech is current employee of the Company. As of March 31, 2023 and December 31, 2022, the outstanding balances of this debt were \$103,333 and \$103,333, respectively.

NOTE 14 – MERGER

On September 29, 2022, the Company entered into a definitive agreement and plan of merger (the “Merger Agreement”) with Rhodium Enterprises, Inc. (“Rhodium”), an industrial-scale digital asset technology company utilizing proprietary technologies to mine bitcoin.

Under the terms of the Merger Agreement, which has been unanimously approved by the Boards of Directors of both SilverSun and Rhodium, upon the consummation of the business combination, the Company will receive \$10 million in cash and will retain 3.2% equity in SilverSun upon consummation of the merger. Each holder of an outstanding share of SilverSun common stock will receive:

- A cash dividend of \$1.50 per share, which equates to \$7,884,266 in the aggregate;
- A stock dividend of one share of SilverSun Technologies Holdings, Inc. (“HoldCo”), a recently formed subsidiary of SilverSun. HoldCo’s sole assets are its 100% ownership of SWK and SCS (together the “Subsidiaries”), which Subsidiaries accounted for the large majority of SilverSun’s revenue in 2022. It is expected that the capital structure of HoldCo will roughly approximate the current capital structure of SilverSun;
- Following the consummation of the business combination, the business of the Subsidiaries will continue to be operated consistent with past practices. The current management and Board of Directors of SilverSun, including Mark Meller, the Chief Executive Officer of both SilverSun and SWK, will continue in their current roles at both HoldCo and the Subsidiaries. HoldCo will apply for public listing and the shares distributed in the stock dividend will be registered pursuant to a Form 10 that will be filed by HoldCo with the SEC (subject to regulatory and exchange regulations and approvals); and
- The shares of SilverSun’s common stock to be retained by the current SilverSun stockholders following the consummation of the business combination will collectively represent approximately 3.2% of SilverSun’s pro forma common equity ownership.

The proposed Mergers are expected to close in the first half of 2023, subject to the receipt of any applicable regulatory approvals, the approval of SilverSun’s and Rhodium’s respective stockholders, and other customary closing conditions.

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

NOTE 14 – MERGER (Continued)

Prior to the Mergers, SilverSun will hold a special meeting of its shareholders as of a pre-Merger record date to be determined (the “Special Meeting”). At the Special Meeting, the SilverSun stockholders will be asked to vote on the proposals set forth in the Form S-4 Registration Statement of SilverSun (the “Form S-4”) filed on October 19, 2022, as amended on January 9, 2023, February 14, 2023, April 4, 2023 and April 28, 2023 and as may be further amended in the future. These proposals include, but are not limited to, approval of (i) the Mergers; (ii) the Amended and Restated Certificate of Incorporation (and the matters covered thereby including the Reverse Stock Split); (iii) the Separation and Distribution Agreement; (iv) the SilverSun Technologies, Inc. 2023 Omnibus Incentive Plan; (v) the share issuances related to the Mergers requiring Nasdaq approval; and (vi) the post-Merger board nominees. These proposals are set forth in greater detail in the Form S-4. The Mergers are conditioned upon the approval of the Merger Proposal, subject to terms of the Merger Agreement. If the Merger Proposal is not approved, the other proposals (except the adjournment proposal, as described in the S-4) will not be presented to the shareholders for a vote. Similarly, approval of the Merger proposal is subject to the approval of the Amended and Restated Certificate of Incorporation proposal, the Separation and Distribution.

On March 13, 2023, SilverSun Technologies, Inc. (the “Company”) entered into the Third Amendment to Merger Agreement (the “Amendment”) with Rhodium Enterprises Acquisition Corp., a Delaware corporation and direct wholly owned subsidiary of the Company, Rhodium Enterprises Acquisition LLC, a Delaware limited liability company and direct wholly owned subsidiary of the Company, and Rhodium Enterprises, Inc., a Delaware corporation (“Rhodium”), amending that certain Agreement and Plan of Merger, dated as of September 29, 2022 by and among the parties referenced above (as amended from time to time, the “Merger Agreement”). The Amendment provides that the Merger Agreement may be terminated, and the transactions abandoned, by either the Company or Rhodium at any time before the First Effective Time (as defined in the Merger Agreement), by written notice from one to the other if the closing has not occurred on or before June 30, 2023. No other provisions of the Merger Agreement were modified by the Amendment.

The Merger Agreement may be terminated, whether before or after obtaining the requisite vote of SilverSun shareholders, by mutual written consent of SilverSun and Rhodium.

The Merger Agreement may be terminated, and the transactions abandoned, by either SilverSun or Rhodium at any time before the effective time of the merger, by written notice from one to the other if (i) the Closing has not occurred on or before June 30, 2023 or such later date mutually agreed to by SilverSun and Rhodium (the “Termination Date”), except that the right to terminate the Merger Agreement for this reason is not available to any party who is then in material breach of the Merger Agreement; (ii) the requisite vote of SilverSun shareholders has not been obtained by reason of the failure to obtain the required vote at the SilverSun Shareholders’ Meeting (or any adjournment or postponement of such meeting) duly convened for such purpose, except that the right to terminate the Merger Agreement for this reason shall not be available to SilverSun where the failure to obtain the requisite vote has been caused by the action or failure to act of any of the SilverSun Entities or such action or failure to act constitutes a material breach by any of the SilverSun Entities of the Merger Agreement; or (iii) any law or order is enacted, issued, promulgated or entered by a governmental authority of competent jurisdiction (including Nasdaq) that permanently enjoins, or otherwise prohibits the consummation of the transactions, and (in the case of any order) such order has become final and non-appealable.

The Merger Agreement may be terminated, and the transactions abandoned, by SilverSun at any time before the First Effective Time, if (i) Rhodium breaches any of its representations, warranties, covenants or agreements contained in the Merger Agreement, which breach (a) would give rise to the failure to satisfy the general closing conditions or the closing conditions to the obligations of SilverSun at the Closing and (b) such breach cannot be cured by the Termination Date, or, if curable, has not been cured by Rhodium within the earlier of (A) 30 days after Rhodium’s receipt of written notice of such breach from SilverSun and (B) three business days prior to the Termination Date, subject to certain conditions; or (ii) all of the general closing conditions and the closing conditions to the obligations of Rhodium at the Closing have been satisfied (other than any condition the failure of which to be satisfied has been principally caused by the breach of the Merger Agreement by Rhodium or any of its affiliates and conditions that, by their nature, are to be satisfied at Closing and which are, at the time of termination, capable of being satisfied) and Rhodium has failed to fulfill its obligations and agreements contained in the Merger Agreement to consummate the Closing within three business days following written notice of such satisfaction from SilverSun and SilverSun is ready, willing and able to consummate the Closing.

If the Merger Agreement is validly terminated pursuant to the termination section of the Merger Agreement, except as provided below, it shall become void and of no further force and effect, with no liability (except as provided below) on the part of any party (or any stockholder, affiliate or representative of such party), except that, if such termination results from (a) fraud or (b) the willful and material (i) failure of any party to perform its covenants, obligations or agreements contained in the Merger Agreement or (ii) breach by any party of its representations or warranties contained in the Merger Agreement, then such party shall be liable for any damages incurred or suffered by the other parties as a result of such failure or breach.

SilverSun shall pay, or cause to be paid, to Rhodium (or its designee(s)) by wire transfer of immediately available funds an amount equal to \$5,000,000, if the Merger Agreement is terminated by Rhodium pursuant to the unilateral termination provisions in favor Rhodium described above.

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

NOTE 14 – MERGER (Continued)

Rhodium shall pay, or cause to be paid, to SilverSun (or its designee(s)) by wire transfer of immediately available funds an amount equal to \$5,000,000, if the Merger Agreement is terminated by SilverSun pursuant to the unilateral termination provisions in favor of SilverSun described above.

SilverSun Technologies Holdings, Inc. filed its Form 10 with the SEC on December 23, 2022. The Form 10 was withdrawn on February 21, 2023 because the financial statements contained therein were stale. SilverSun Technologies Holdings, Inc. refiled the Form 10 on March 3, 2023. On May 1, 2023, the Form 10 was withdrawn as the contemplated merger has not yet occurred.

On April 4, 2023, the Company filed Amendment 3 to its Form S-4 Registration Statement with the SEC.

On April 28, 2023 the Company filed Amendment 4 to its Form S-4 Registration Statement with the SEC.

Set forth below is the description of each class of securities of SilverSun Technologies, Inc. (the “Company”) outstanding as of December 31, 2022. The following description summarizes the most important terms of these securities. This summary does not purport to be complete and is qualified in its entirety by the provisions of our Certificate of Incorporation and our Bylaws, copies of which have been previously filed with the Securities and Exchange Commission and are incorporated by reference into the Annual Report on Form 10-K for the year ended December 31, 2022. You should refer to our Articles of Incorporation, Bylaws and the applicable provisions of the Delaware General Corporation Law for a complete description.

Common stock, par value \$0.00001 per share (the “Common Stock”) is the only class of our securities currently registered under Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”). Our Common Stock is listed on the Nasdaq Capital Market under the symbol “SSNT.”

NOTE 15 – SUBSEQUENT EVENTS

On April 4, 2023, the Company filed Amendment 3 to its Form S-4 Registration Statement with the SEC.

On April 28, 2023 the Company filed Amendment 4 to its Form S-4 Registration Statement with the SEC.

On May 1, 2023, the Form 10 was withdrawn as the contemplated merger has not yet occurred.

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, 2022, 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 unaudited condensed consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our unaudited condensed 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 unaudited condensed consolidated financial statements and notes thereto appearing elsewhere in this report.

Overview

The Company is engaged in providing transformational business management applications and technologies and professional consulting services to small and medium size companies, primarily in the manufacturing, distribution and service industries.

We are executing a multi-pronged business strategy centered on recurring revenue, customer retention and on rapidly increasing the size of our installed customer base. The growth of our customer base is accomplished via our traditional marketing programs and acquisitions. After a customer is secured, our strategy is to up-sell and cross-sell, providing the customer with advanced technologies and third-party add-ons that help them digitally transform their business. These add-on products could include application hosting, cybersecurity, warehouse management, human capital management, payment automation, sales tax compliance or any number of other products or services that we represent. Many of these incremental products and services are billed on a subscription basis, often paying monthly for the service, which increases our monthly recurring revenue (“MRR”). This strategy increases the average revenue per customer, which facilitates our continued growth, and reduces our cost of customer acquisition, which enhances our profitability profile.

Our core strength is rooted in our ability to discover and identify the driving forces of change that are affecting – or will affect – businesses in a wide range of industries. We invest valuable time and resources to fully understand how technology is transforming the business management landscape and what current or emerging innovations are deserving of a clients’ attention. By leveraging this knowledge and foresight, our growing list of clients are empowered with the means to more effectively manage their businesses; to capitalize on real-time insight drawn from their data resources; and to materially profit from enhanced operational functionality, process flexibility and expedited process execution.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued).

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, Infrastructure-as-a-Service, 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, Connecticut, 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 have recently added Sage Intacct, a cloud-based solution for core financials to our offerings of cloud-based solutions. 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.

IT Managed Network Services and Business Consulting

We provide comprehensive IT managed services, Infrastructure-as-a-Service, cybersecurity, business continuity, disaster recovery, data back-up, network maintenance and service upgrades designed to eliminate the IT concerns of our customers. We are a Microsoft Solutions Provider. Our staff includes engineers who maintain certifications from Microsoft and Sage Software. They are Microsoft Certified Systems Engineers and Microsoft Certified Professionals, and they provide a host of services for our clients, including remote network monitoring, server implementation, support and assistance, operation and maintenance of large central systems, technical design of network infrastructure, technical troubleshooting for large scale problems, network and server security, and backup, archiving, and storage of data from servers. There are numerous competitors, both larger and smaller, nationally and locally, with whom we compete in this market.

Cybersecurity

We provide enterprise level security services to the mid-market. Our cybersecurity-as-a-service offering includes a security operations center, incident response, cybersecurity assessments, and hacking simulations. The service is particularly well-suited for customers in compliance-driven and regulated industries, including financial services, pension administration, insurance, and the land and title sector.

Application Hosting

Application hosting is a type of SaaS (Software-as-a-Service) hosting solution that allows applications to be available from a remote cloud infrastructure and to be accessed by users through the internet.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued).

Investing in the acquisition of other companies and proprietary business management solutions has been an important growth strategy for our Company, allowing us to rapidly expand into new geographic markets and create new and exciting profit centers. To date, we have completed a series of strategic ventures that have served to fundamentally strengthen our Company’s operating platform and materially expand our footprint to nearly every U.S. state. More specifically, over the past fifteen years, we have outright acquired select assets of or entered into revenue sharing agreements with Business Tech Solutions Group, Inc.; Wolen Katz Associates; AMP-BEST Consulting, Inc.; IncoTech; Micro-Point, Inc.; HighTower, Inc.; Point Solutions, LLC; SGEN, LLC., ESC, Inc., 2000 SOFT, Inc., Productive Tech Inc., The Macabe Associates, Oates & Co; Pinsight Technology, Inc.; Info Sys Management, Inc., Nellnube, Inc., Partners in Technology Inc., Prairie Technology Solutions Group, Inc., Computer Management Services, LLC, Business Software Solutions, PeopleSense, Inc., and more recently Dynamic Tech Services, Inc. and NEO3, LLC.

Additionally, it is our intention to continue to increase our business by seeking additional opportunities through potential acquisitions, revenue sharing arrangements, partnerships or investments. Such acquisitions, revenue sharing arrangements, partnerships or investments may consume cash reserves or require additional cash or equity. Our working capital and additional funding requirements will depend upon numerous factors, including: (i) strategic acquisitions or investments; (ii) an increase to current company personnel; (iii) the level of resources that we devote to sales and marketing capabilities; (iv) technological advances; and (v) the activities of competitors.

During the first quarter of 2023, the Company continued to expand its customer base and growth trend which we believe will provide a basis for future growth.

Results of Operations for the Three Months Ended March 31, 2023 and 2022.

Our strategy is to grow our business through organic growth of our software applications, technology solutions and managed services, as well as expansion through acquisitions. We have established a national presence via our internal marketing, sales programs, and acquisitions and now have ERP customers throughout most of the United States. To remain competitive and continue to grow, we continue to invest resources in our people, product development, marketing, and sales capabilities, and we expect to continue to do so in the future. During the three months ended March 31, 2023 the Company continued to expand its customer base, which we believe provides a basis for future growth. Revenues increased 19.1% to \$13.1 million for the three months ended March 31, 2023 as compared to \$11.0 million for the corresponding period in 2022, despite the current economic conditions, as we continue to grow our customer base.

The Company continues to monitor the Covid-19 situation as it pertains to the disruption of our business, and that of some of our customers, and growth in future quarters and will take steps, if necessary, to establish mitigation strategies to try and minimize risk of any potential downturn for shareholders as well the health, safety and wellbeing of its employees and customers. The Company’s strategies are focused on assisting our customers in their digital transformation in this new environment. We believe the new “work from home environment” (workforce of the future), coupled with the continued rise of E-Commerce and security and compliance could help drive our future revenues.

For the three months ended March 31, 2023, inflation has impacted the Company’s profitability, as it has resulted in increased costs necessary to recruit and retain personnel. As the Company returns back to its pre-Covid marketing and trade show schedules, the higher costs of travel and meals will also have a negative impact on the Company’s profitability.

On September 29, 2022, the Company entered into a definitive agreement and plan of merger (the “Merger Agreement”) with Rhodium Enterprises, Inc. (“Rhodium”), an industrial-scale digital asset technology company utilizing proprietary technologies to mine bitcoin (see Note 14 to Notes to Condensed Consolidated Financial Statements).

The proposed business combination is expected to close in the first half of 2023, subject to the receipt of any applicable regulatory approvals, the approval of SilverSun's and Rhodium's respective stockholders, and other customary closing conditions.

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

Revenues

For the three months ended March 31, 2023, revenues increased \$2,103,894 (19.1%) to \$13,127,738 as compared to \$11,023,844 for the three months ended March 31, 2022. This increase is mostly attributed to an increase in professional consulting revenues as well as an increase in software revenue.

Software revenues increased \$711,367 (27.2%) to \$3,322,329 for the three months ended March 31, 2023 as compared to \$2,610,962 for the three months ended March 31, 2022, primarily as a result of an increase in our ERP software sales, especially for Acumatica and Sage Intacct.

Service revenue increased \$1,392,527 (16.6%) to \$9,805,409 for the three months ended March 31, 2023 as compared to \$8,412,882 the three months ended March 31, 2022. This increase is mainly attributed to the increase in professional services, especially for our Acumatica, Sage 100, Sage Intacct and Custom products as well as an increase in our hosting services. Our efforts to increase and train our internal consulting staff as well as system improvements has yielded a positive result. We have also utilized some outside contractors to assist in projects because of our growth.

Gross profit

Gross profit for the three months ended March 31, 2023 increased \$652,693 (13.9%) to \$5,357,560 as compared to \$4,704,867 for the three months ended March 31, 2022. For the three months ended March 31, 2023, the overall gross profit percentage was 40.8% as compared to 42.7% for the three months ended March 31, 2022.

The gross profit attributed to software revenues increased \$303,671 (28.0%) to \$1,390,054 for the three ended March 31, 2023 as compared to \$1,086,383 for the three months ended March 31, 2022, due mostly to the increased volume of software sold. For the three months ended March 31, 2023, the gross profit percentage on software revenue was 41.8% as compared to 41.6% for the three months ended March 31, 2022.

The gross profit attributed to services increased \$349,022 (9.6%) to \$3,967,506 for the three months ended March 31, 2023 as compared to \$3,618,484 for the three months ended March 31, 2022. This increase is attributed to revenue increases in professional services and application hosting. This was partially offset by lower gross profit for professional consulting. For the three months ended March 31, 2023, the gross profit percentage on service revenue was 40.5% as compared to 43.0% for the three months ended March 31, 2022.

Operating expenses

Selling and marketing expenses increased \$402,892 (22.7%) to \$2,178,703 for the three months ended March 31, 2023 as compared to \$1,775,811 for the three months ended March 31, 2022. This increase is primarily due to increased salary increases, new personnel, higher commissions to employees as a result of the increased revenues as well as increased travel expenses associated with attendance at trade shows and conferences. This was partially offset by lower advertising expenses and sponsorship fees received for our conferences that help offset the costs.

General and administrative expenses decreased \$80,949 (3.1%) to \$2,560,028 for the three months ended March 31, 2023 as compared to \$2,640,977 for the three months ended March 31, 2022. This decrease is a result of several factors, including a decrease in credit card fees, lower rent and supply expenses as well as lower state excise taxes offset partially by salary increases and higher travel, bad debt and license expenses.

Share-based compensation decreased \$4,448 to \$41,497 for the three months ended March 31, 2023 as compared to \$45,945 for the three months ended March 31, 2022.

Depreciation and amortization expense decreased \$54,055 to \$207,795 for the three months ended March 31, 2023 as compared to \$261,850 for the three and months ended March 31, 2022. This decrease is primarily due to the lower amortization of intangible assets as a result of certain intangible assets being fully amortized.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued).

Income (loss) income from operations

As a result of the above, for the three months ended March 31, 2023, the Company had net income from operations of \$369,537 as compared to a loss from operations of \$19,716 for the three months ended March 31, 2022.

Liquidity and Capital Resources

The uncertainty on the economy continues to create uncertainty for the Company in the coming months and quarters. While our Company has not been significantly impacted because of this uncertainty nor from the impact of Covid-19, the potential negative impact on our business, in the future, is impossible to determine at this point, although it is likely that we could suffer negative consequences as many companies go out of business or decrease their technology spending. As such, we need to rely on our own limited resources to weather any economic downturn. 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.

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

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

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

At March 31, 2023, future payments of long-term and related party debt are as follows:

Remainder of 2023	\$	494,190
2024		360,091
2025		258,736
2026		52,188
Total	\$	<u>1,165,205</u>

The Company’s working capital was \$3,361,829 at March 31, 2023 and cash on hand at March 31, 2023 was \$6,875,779.

During the three months ended March 31, 2023, the Company had a net decrease in cash of \$1,132,854. The Company’s principal sources and uses of funds were as follows:

Cash used in operating activities:

Operating activities for the three months ended March 31, 2023 used \$783,062 of cash as compared to using \$8,246 of cash for the same period in 2022. This increase in cash used in operating activities is primarily due to the decrease in accounts payable and accrued expenses and the increases in unbilled services and deferred charges, offset partially by the improvement in cash from operations, excluding the non-cash items, such as depreciation, amortization, share-based compensation and bad debt expense.

Cash used in investing activities:

Investing activities for the three months ended March 31, 2023 used cash of \$4,979 as compared to using \$180,548 cash for the same period in 2022, primarily as a result of lower acquisition costs for new businesses and purchases of property and equipment.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Continued).

Liquidity and Capital Resources (Continued)

Cash used in financing activities:

Financing activities for the three months ended March 31, 2023 used cash of \$344,813 as compared to using cash in the amount of \$138,890 for the same period in 2022. The increase in cash used is because of the higher payments of long-term debt associated with prior acquisitions.

The Company believes that as a result of the growth in business, and the funds on hand, 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.

For the three months ended March 31, 2023, inflation has impacted the Company’s profitability, as it has resulted in increased costs necessary to recruit and retain personnel. As the Company returns back to its pre-Covid marketing and trade show schedules, the higher costs of travel and meals will also have a negative impact on the Company’s profitability.

Off Balance Sheet Arrangements

During the three months ended March 31, 2023 or for fiscal 2022, 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

COVID-19

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.

Russia

We currently do not expect a significant impact on our results of operations in the future due to Russia's invasion of Ukraine, as we have minimal business in Russia and Ukraine, both directly and indirectly. However, following the invasion, the U.S. and other countries imposed significant sanctions against the Russian government and many Russian companies and individuals. Although the Company does not have significant operations in Russia, the sanctions could impact the Company's business in other countries and could have a negative impact on the Company's future revenue and that of its customers, either of which could adversely affect the Company's business and financial results.

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, 2022, filed with the SEC on February 28, 2023.

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

There were no unregistered sales of the Company's equity securities during the quarter ended March 31, 2023.

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

None

Item 6. Exhibits

2.1	Third Amendment to Agreement and Plan of Merger among SilverSun Technologies, Inc., Rhodium Enterprises Acquisition Corp., Rhodium Enterprises Acquisition LLC and Rhodium Enterprises, Inc. executed on March 13, 2023 (incorporated herein by reference to Exhibit 2.4 on that Form 8-K current report filed with the SEC on March 15, 2023).
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	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* 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: May 9, 2023

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

Dated: May 9, 2023

By: /s/ Joseph P. Macaluso
Joseph P. Macaluso
Principal Financial Officer and Principal Accounting Officer

EXHIBIT 31.1

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

Dated: May 9, 2023

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

Dated: May 9, 2023

By: /s/ Joseph P. Macaluso
Joseph P. Macaluso
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 March 31, 2023, 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 March 31, 2023 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 March 31, 2023 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2023

By: */s/ Mark Meller*

Mark Meller

Principal Executive Officer

SilverSun Technologies, Inc.

EXHIBIT 32.2

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

In connection with this Quarterly Report of SilverSun Technologies, Inc. (the “Company”), on Form 10-Q for the quarter ended March 31, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Joseph P. Macaluso, 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 March 31, 2023 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 March 31, 2023 fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2023

By: /s/ Joseph P. Macaluso
Joseph P. Macaluso
Principal Financial Officer and Principal Accounting Officer
SilverSun Technologies, Inc.