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

FORM 10-Q

QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED September 30, 2017

OR

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

Commission File Number: 000-54918

MCORPCX, INC.

(Exact name of registrant as specified in its charter)

California

(State or other jurisdiction of incorporation or organization)

26-0030631

(I.R.S. Employer Identification No.)

201 Spear Street, Suite 1100

San Francisco, CA 94105

(Address of principal executive offices, including zip code)

(415) 526-2655

(Registrant's telephone number, including area code)

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

(Do not check if a 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**

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
20,426,158 as of November 1, 2017.

MCORPCX, Inc.
Form 10-Q Quarterly Report

TABLE OF CONTENTS

	Page No.
<u>Part I. - Financial Information</u>	
Item 1. Financial Statements.	3
Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016.	3
Statements of Operations for the Three and Nine Months ended September 30, 2017 and 2016 (unaudited).	4
Statements of Cash Flows for the Three and Nine Months ended September 30, 2017 and 2016 (unaudited).	5
Notes to Financial Statements (unaudited).	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.	10
Item 3. Quantitative and Qualitative Disclosure about Market Risk.	14
Item 4. Controls and Procedures.	14
<u>Part II. - Other Information</u>	
Item 1. Legal Proceedings.	15
Item 1A. Risk Factors.	15
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	15
Item 3. Defaults Upon Senior Securities.	15
Item 4. Mine Safety Disclosures.	15
Item 5. Other Information.	15
Item 6. Exhibits.	15
Signatures	16

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS.****McorpCX, Inc.
Balance Sheets**

	<u>Sept 30, 2017</u>	<u>December 31, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,683,647	\$ 1,925,744
Accounts receivable	179,767	31,889
Total current assets	<u>1,863,414</u>	<u>1,957,633</u>
Long term assets:		
Property and equipment, net	91,284	95,704
Capitalized software development costs, net	350,032	398,506
Intangible assets, net	10,000	32,906
Other assets	24,460	21,606
Total assets	<u>\$ 2,339,190</u>	<u>\$ 2,506,355</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable	\$ 165,904	\$ 67,051
Deferred revenue	38,747	51,029
Notes payable	72,237	74,386
Other current liabilities	2,721	538
Total current liabilities	<u>279,609</u>	<u>193,004</u>
Total liabilities	<u>279,609</u>	<u>193,004</u>
Shareholders' equity:		
Common stock, \$0 par value, 500,000,000 shares authorized, 20,426,158 shares issued and outstanding at Sept 30, 2017 and December 31, 2016	-	-
Additional paid-in capital	6,413,346	6,325,235
Accumulated deficit	<u>(4,353,765)</u>	<u>(4,011,884)</u>
Total shareholders' equity	<u>2,059,581</u>	<u>2,313,351</u>
Total liabilities and shareholders' equity	<u>\$ 2,339,190</u>	<u>\$ 2,506,355</u>

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

McorpCX, Inc.
Statements of Operations
(unaudited)

	Three Months Ended		Nine Months Ended	
	Sept 30,		Sept 30,	
	2017	2016	2017	2016
Revenue				
Consulting services	\$ 539,562	\$ 437,603	\$ 1,304,541	\$ 1,074,345
Products and other	107,874	109,803	242,799	199,965
Total revenue	<u>647,436</u>	<u>547,406</u>	<u>1,547,340</u>	<u>1,274,310</u>
Cost of goods sold				
Labor	146,030	75,575	325,482	156,997
Products and other	120,055	61,915	320,577	191,354
Total cost of goods sold	<u>266,085</u>	<u>137,490</u>	<u>646,059</u>	<u>348,351</u>
Gross profit	381,351	409,916	901,281	925,959
Expenses				
Salaries and wages	214,923	231,896	713,363	793,796
Contract services	4,758	32,402	35,468	101,202
Other general and administrative	166,139	246,578	485,357	873,462
Total expenses	<u>385,820</u>	<u>510,876</u>	<u>1,234,188</u>	<u>1,768,460</u>
Net operating loss	(4,469)	(100,960)	(332,907)	(842,501)
Interest expense	(2,449)	(3,972)	(8,191)	(11,822)
Other income (expense)	(3,777)	518	(783)	(7,929)
Loss before income taxes	(10,695)	(104,414)	(341,881)	(862,252)
Income tax provision	-	-	-	-
Net loss	<u>\$ (10,695)</u>	<u>\$ (104,414)</u>	<u>\$ (341,881)</u>	<u>\$ (862,252)</u>
Net loss per share-basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Weighted average common shares outstanding-basic and diluted	<u>20,426,158</u>	<u>20,426,158</u>	<u>20,426,158</u>	<u>19,998,713</u>

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

McorpCX, Inc.
Statements of Cash Flows
(unaudited)

	Nine Months Ended Sept 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (341,881)	\$ (862,252)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	169,658	98,067
Stock compensation expense	88,111	195,295
Loss on disposal of assets	298	-
Loss (gain) on foreign currency translation	(2,149)	5,541
Changes in operating assets and liabilities:		
Accounts receivable	(147,878)	(40,314)
Other assets	(2,854)	(21,574)
Accounts payable	98,853	77,802
Other current liabilities	2,183	3,321
Deferred revenue	(12,282)	(38,345)
Net cash used in operating activities	<u>(147,941)</u>	<u>(582,459)</u>
INVESTING ACTIVITIES		
Equipment purchases	(2,353)	(10,218)
Payments for acquisition of intangible assets	-	(30,000)
Proceeds from sale of equipment	2,000	-
Capitalized software development costs	<u>(93,803)</u>	<u>(376,878)</u>
Net cash used in investing activities	<u>(94,156)</u>	<u>(417,096)</u>
FINANCING ACTIVITIES		
Proceeds from private placement of common stock	<u>-</u>	<u>2,745,000</u>
Net cash provided by financing activities	<u>-</u>	<u>2,745,000</u>
Increase (decrease) in cash and cash equivalents	(242,097)	1,745,445
Cash and cash equivalents, beginning of period	<u>1,925,744</u>	<u>492,733</u>
Cash and cash equivalents, end of period	<u>\$ 1,683,647</u>	<u>\$ 2,238,178</u>
Supplemental disclosure of cash flow information:		
Interest paid	5,966	8,038

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

MCORPCX, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(unaudited)

Note 1: Organization and Basis of Presentation

McorpCX, Inc. (“we,” “us,” “our,” or the “Company”) was incorporated in the State of California on December 14, 2001. We are a customer experience (CX) management solutions company dedicated to helping organizations improve customer experiences, increase customer loyalty, reduce costs and increase revenue.

We are engaged in the business of developing and delivering technology-enabled products and professional services that are designed to help corporations improve their customer listening and customer experience management capabilities. Our products include on-demand “cloud based” customer experience management software such as Touchpoint Mapping® On-Demand (also marketed as McorpCX | Insights), referred to as “Touchpoint Mapping” and McorpCX | Persona. Our professional and related services include a range of customer experience management services such as research, training, strategy consulting and process optimization.

The financial statements and related disclosures as of and for the three and nine months ended September 30, 2017 and 2016, are unaudited, pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). The balance sheet as of December 31, 2016 was derived from the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair statement of the results for the interim periods. These financial statements should be read in conjunction with the financial statements included in our Annual Report for the year ended December 31, 2016, filed on Form 10-K with the SEC on March 31, 2017. The results of operations for the three and nine months ended September 30, 2017, are not necessarily indicative of the results to be expected for the full year. Unless the context otherwise requires, all references to “McorpCX,” “we,” “us,” “our” or the “Company” are to McorpCX, Inc.

Note 2: Recent Accounting Pronouncements

In August 2014, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-15, “Presentation of Financial Statements – Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”). Under generally accepted accounting principles (GAAP), continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity’s liquidation becomes imminent. Preparation of financial statements under this presumption is commonly referred to as the going concern basis of accounting. If and when an entity’s liquidation becomes imminent, financial statements should be prepared under the Liquidation Basis of Accounting. Even if an entity’s liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern. In those situations, financial statements should continue to be prepared under the going concern basis of accounting, but the amendments in ASU 2014-15 require additional disclosure of information about the relevant conditions and events. The amendments in ASU 2014-15 are effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company adopted ASU 2014-15 with no material impact to the financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, to reduce complexity in accounting standards involving several aspects of the accounting for employee share-based payment transactions, including (1) the income tax consequences, (2) classification of awards as either equity or liabilities, and (3) classification on the statement of cash flows. The amendments will be effective for financial statements issued for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and early adoption is permitted. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value should be applied using a modified retrospective transition, amendments related to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement should be applied retrospectively, amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term should be applied prospectively, and amendments related to the presentation of excess tax benefits on the statement of cash flows can be applied using either a prospective transition method or a retrospective transition method. An entity that elects early adoption must adopt all of the amendments in the same period. The Company adopted ASU 2016-09 with no material impact to the financial statements.

[Table of Contents](#)

In January 2017, the FASB issued ASU No. 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323). The ASU adds SEC disclosure requirements for both the quantitative and qualitative impacts that certain recently issued accounting standards will have on the financial statements of a registrant when such standards are adopted in a future period. Specially, these disclosure requirements apply to the adoption of ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606); ASU No. 2016-02, Leases (Topic 842); and ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. In addition, ASU No. 2017-03 conforms certain paragraphs within the SEC Staff Guidance to the guidance issued in Accounting Standards Update No. 2014-01, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects. The Company is currently evaluating the impact of these amendments on its financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting, to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The ASU provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. The amendments are effective for fiscal years beginning after December 15, 2017, and should be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the impact of this amendment on its financial statements.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which defers the effective date of ASU No. 2014-09 by one year allowing early adoption as of the original effective date January 1, 2017. The deferral results in the new revenue standard being effective for the Company as of January 1, 2018. Additional ASUs have been issued to amend or clarify the new guidance in ASC Topic 606 as follows:

- ASU No. 2016-08 Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) was issued in March 2016. ASU No. 2016-08 requires an entity to determine whether the nature of its promise to provide goods or services to a customer is performed in a principal or agent capacity and to recognize revenue in a gross or net manner based on its principal or agent designation.
- ASU No. 2016-10 Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing was issued in April 2016. ASU No. 2016-10 addresses implementation issues identified by the FASB-International Accounting Standards Board Joint Transition Resource Group for Revenue Recognition concerning identifying performance obligations and accounting for licenses of intellectual property.
- ASU No. 2016-12 Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients was issued in May 2016. ASU No. 2016-12 amends the new revenue recognition standard to clarify the guidance on assessing collectability, measuring noncash consideration, presenting sales taxes and certain transition matters.
- ASU No. 2016-20 Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers was issued in December 2016. ASU No. 2016-20 provides additional clarification on 13 issues or corrects unintended application of FASB Accounting Standards Codification (Topic 606).

The standard permits the use of either the full retrospective or modified retrospective method. The Company has not completed its analysis in identifying which revenue streams will be impacted by the new guidance. It is unknown at this time whether there will be a material impact to revenues. The Company continues to analyze the potential impacts to its consolidated financial statements and related disclosures. Based on our ongoing review, we expect to adopt the requirements of the new standard in the first quarter of 2018 using the modified retrospective method. The Company has not concluded on the effect of the aforementioned updates on its consolidated financial statements.

Note 3: Capitalized Software Development Costs

Costs incurred to develop Software as a Service (SaaS) technology consist of external direct costs of materials and services and payroll and payroll-related costs for employees who directly devote time to the project. Research and development costs incurred during the preliminary project stage are expensed as incurred. Capitalization begins when technological feasibility is established. Costs incurred during the operating stage of the software application relating to upgrades and enhancements are capitalized to the extent that they result in the extended life of the product. All other costs are expensed as incurred. Expenses relating to upgrades and enhancements were capitalized during the nine months ended September 30, 2017 and September 30, 2016 in the amount of \$93,803 and \$376,878, respectively.

Amortization of software development costs commenced when the product was available for general release to customers. The capitalized costs are amortized on a straight-line basis over the three-year expected useful life of the software. Capitalized software development costs, net of amortization, were \$350,032 and \$398,506 as of September 30, 2017 and December 31, 2016, respectively. Amortization expense incurred during the nine months ended September 30, 2017 and 2016 was \$142,277 and \$66,751, respectively and is included in cost of goods sold in the statements of operations.

Note 4: Intangible Assets

Intangibles consist of the following as of September 30, 2017.

	2017		
	Gross	Accumulated Amortization	Net Book Value
Website development costs	\$ 70,188	\$ (70,188)	\$ -
Media distribution rights	25,000	(16,667)	8,333
Intellectual property	5,000	(3,333)	1,667
LinkedIn Group	2,500	(2,500)	-
Organization costs	1,377	(1,377)	-
Total intangibles	\$ 104,065	\$ (94,065)	\$ 10,000

We began development of a new Company website in September 2014; related costs incurred during the design and production stages of website development were capitalized prior to its go-live date, which occurred in March 2015. Now that the website is live, all capitalized costs are amortized using straight-line basis over two years, the estimated economic life of the completed website.

Acquisition of media distribution rights occurred in May 2016 and all capitalized costs are amortized using straight-line basis over two years, the estimated economic life of this asset.

Acquisition of intellectual property occurred in June 2016 and capitalized costs are amortized using straight-line basis over two years, the estimated economic life of this asset.

Our intangible assets are reviewed for impairment when facts or circumstances suggest that the carrying value of the asset may not be recoverable. There were no impairment charges during the nine months ended September 30, 2017 and 2016.

Total amortization of intangible assets was \$22,906 and \$29,710 for the nine months ended September 30, 2017 and 2016, respectively.

Note 5: Stock-Based Compensation

Our stock-based compensation plan was originally established in 2008. The shares of our common stock issuable pursuant to the terms of such plan (the "Plan Shares") could not exceed 30% of any outstanding issue or 2,500,000 shares, whichever was the lower amount.

In December 2015, we adopted a revised share option plan in which Plan Shares cannot exceed 10% of the total issued and outstanding shares at any given time. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of the grant and all option grants have a 10-year term. This share option plan was approved by the Company's shareholders at the annual meeting of shareholders on August 10, 2016.

To calculate the fair value of stock options at the date of grant, we use the Black-Scholes option pricing model. The volatility used is based on a blended historical volatility of our own stock and similar sized companies due to the limited historical data available for our own stock price. The expected term was determined based on the simplified method outlined in Staff Accounting Bulletin No. 110. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

[Table of Contents](#)

At September 30, 2017, 1,265,000 stock options were exercisable and \$88,111 of total compensation cost related to vested share-based compensation grants had been recognized for the nine months ended September 30, 2017. Unrecognized compensation expense from stock options was \$21,520 at September 30, 2017, which is expected to be recognized over a weighted-average vesting period of 0.37 years beginning October 1, 2017.

The following table summarizes our stock option activity for the nine months ended September 30, 2017:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2016	1,575,000	\$ 0.70	7.35	394,000
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	(150,000)	1.38	-	-
Outstanding at Sept 30, 2017	1,425,000	\$ 0.63	6.43	-
Exercisable at Sept 30, 2017	1,265,000	\$ 0.61	6.26	\$ -

There were no options granted during the nine months ended September 30, 2017.

Note 6: Concentrations

We sell products and services under various terms to a broad range of companies across multiple industries ranging from start-ups to Fortune 500 companies, with sales historically concentrated among a few large clients. We continue to make efforts to mitigate risk from loss of a single client and shift sales concentration to a more even distribution among our clients. For the nine months ended September 30, 2017 and 2016, the percentage of sales and the concentrations are:

	2017	2016
Largest client	31%	24%
Second largest client	17%	21%
Third largest client	16%	17%
Next three largest clients	23%	22%
All other clients	13%	16%
	100%	100%

Sales are made without collateral and the credit-related losses have been insignificant or non-existent. Accordingly, there is no provision made to include an allowance for doubtful accounts.

Note 7: Debt

On September 16, 2011, a \$100,000 CAD note was executed with an individual, a 1.86% shareholder. The note is structured to incur a balloon payment of the principal and 4% APR non-compounding accrued interest on its amended maturity date of October 31, 2017. Effective October 31, 2016 the note's previous maturity date of September 16, 2016 was amended to extend the maturity date to October 31, 2017. We have recorded an unrealized gain of \$1,409 and a loss of \$5,682 during the nine months ended September 30, 2017 and 2016, respectively, related to the revaluation of this note's principal from CAD to USD. As of September 30, 2017, principal and accrued interest was \$72,237 and \$2,721, respectively. The note was paid in full on November 7, 2017.

Interest expense was \$8,191 and \$11,822 for the nine months ended September 30, 2017 and 2016, respectively and consists of interest on our short-term promissory notes, and credit card balances.

Note 8: Going Concern

The accompanying financial statements and notes have been prepared assuming that the Company will continue as a going concern.

We have had material operating losses and have not yet created positive cash flows. These factors raise substantial doubt as to our ability to continue as a going concern. However, during this year we have taken steps to improve our core consulting services revenue and contain costs in order to reduce our net operating losses. We believe that our increased revenues and improved net losses in 2017 coupled with our cash balance of \$1,683,647 as at September 30, 2017 and our belief that sufficient funding may be available from private placements of equity securities or additional borrowings if needed will enable us to meet our liquidity needs over the next 12 months. Notwithstanding the foregoing, our longer term ability to continue as a going concern is entirely dependent upon our ability to achieve a level of profitability, and/or to raise additional capital through debt financing and/or through sales of common stock. We cannot provide any assurance that profits from operations, if any, will generate sufficient cash flow to meet our working capital needs and service our existing debt, nor that sufficient capital can be raised through debt or equity financing. The financial statements do not include adjustments related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

[Table of Contents](#)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Cautionary Statement

This Management's Discussion and Analysis includes a number of "forward-looking statements", that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: "believe," "expect," "plan", "estimate," "anticipate," "intend," "project," "will," "predicts," "seeks," "may," "would," "could," "potential," "continue," "ongoing," "should" and similar expressions, or words which, by their nature, refer to future events. Although we believe that our expectations as reflected in forward-looking statements are reasonable, we cannot assure readers that those expectations will prove to be correct. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this Form 10-Q. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or from our predictions. Other than as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

Unless the context otherwise requires, all references to "McorpCX," "we," "us," "our" or the "Company" are to McorpCX, Inc. and our subsidiaries.

Overview

We are a customer experience (CX) management solutions company dedicated to helping organizations improve customer experiences, increase customer loyalty, reduce costs and increase revenue. We believe that delivering better customer experiences is a powerful, sustainable way for any organization to differentiate from their competition, and are engaged in the business of developing and delivering technology-enabled products and professional services that are designed to help corporations improve their customer listening and customer experience management capabilities with the goal of helping them design and deliver better experiences for their customers.

Our products include on-demand "cloud based" customer experience management software such as Touchpoint Mapping® On-Demand (also marketed as McorpCX | Insights), referred to as "Touchpoint Mapping", and McorpCX | Persona.

Touchpoint Mapping is a research-based online Software-as-a-Service ("SaaS") solution designed to provide insights to organizations that can help them improve customer and employee experience, brand, and loyalty. It is designed to be a solution for customer-centric organizations to measure and gather customer data across all their touchpoints, channels and interactions with their customers. Data is analyzed and can be displayed across multiple axes including customer segments, location, time and many other variables of interest to personnel within an organization.

McorpCX | Persona, another online SaaS solution, is designed for developing and managing customer persona, as well as automating the currently manual process of developing, managing and sharing persona across corporations. It is designed to help customer-centric businesses and the agencies and consultancies that serve them to better understand, connect with and serve their customers.

Our professional and related services are intended to help primarily large and medium sized organizations plan, design and deliver better customer experiences in order to maximize their return on investment, improve efficiency, and increase the adoption of our products and services. Our services offered include a range of customer experience management consulting services in the areas of research, strategy development, planning, education, training and best practices, as well as providing customer-centric strategies and implementation roadmaps in support of these strategies.

There are many potential unforeseen and significant market and competitive risks associated our current products and services. Though we released the first version of Touchpoint Mapping in 2013, and we released the first version of McorpCX | Persona in 2016, neither product has generated significant sales revenue to date, and we cannot predict the timing or probability of generating material sales revenue from either of them.

As of the date of this report, we have yet to engage the necessary sales and marketing staff or the capabilities required to identify, develop, and close material product sales opportunities, and currently lack sufficient resources to market and sell our products in the manner which we believe is required to achieve our product sales and revenue growth objectives. It is our expectation that numerous unforeseen challenges will be encountered as we continue to develop, market, distribute and sell our products and services.

We cannot assure you that we will be able to compete successfully against current or potential competitors, or that competition will not have a material adverse effect on our business, financial condition and operations.

[Table of Contents](#)

Sources of Revenue

Our revenue consists primarily of professional and consulting services, as well as software-enabled product sales and other revenues. Consulting services include customer experience management consulting in the areas of strategy development, planning, education, training and program design, and includes the articulation of customer-centric strategies and implementation roadmaps in support of these strategies. Product revenue is from productized and software-enabled service sales not elsewhere classified, while other revenue includes reimbursement of related travel costs and out-of-pocket expenses.

Cost of Revenue and Operating Expenses

Our costs of revenue and operating expenses are detailed at the sub-category level in our Statements of Operations. And while the financial results for these categories are further explained in the Results of Operations section below, a general description of these categories follows:

Cost of Goods Sold

Cost of goods sold has historically consisted primarily of expenses directly related to providing professional and consulting services. Those expenses include contract labor, third-party services, and materials and travel expenses related to providing professional services to our clients. Costs of goods also includes product-related hosting and monitoring costs, licenses for products embedded in the application, amortization of capitalized software development costs, related sales commissions, service support, account and subscription management, as applicable.

General and Administrative Expenses

General and administrative expenses consist primarily of salary and related expenses for management, client delivery, finance and accounting, and marketing personnel. Expenses also include contract services, as well as marketing and promotion costs, professional fees, software license fee expenses, administrative costs, insurance, rent and a portion of travel expenses and other overhead, which are categorized as “other general and administrative expenses” in our financial statements.

Sales and marketing expenses are currently reflected in salaries and wages, commissions, contract labor, sales, marketing and promotion, and other related overhead expense categories. Since we currently recognize revenue over the terms of the subscriptions or professional services engagements, we expect to experience a delay between increases in selling and marketing expenses and the recognition of revenue.

Results of Operations

Revenue	2017	2016	Change from Prior Year	Percent Change from Prior Year
Three Months Ended Sept 30,	\$ 647,436	\$ 547,406	\$ 100,030	18%
Nine Months Ended Sept 30,	\$ 1,547,340	\$ 1,274,310	\$ 273,030	21%

Revenues increased for the three months ended September 30, 2017 compared to the same period in the prior year primarily due to increased revenues from consulting services while software products and software related services remained flat period over period.

Revenues increased for the nine months ended September 30, 2017 compared to the same period in the prior year primarily due to increased revenues from consulting services of \$230,196. Revenues also increased from our software products and software related services in the first nine months of 2017 compared to the same period in 2016 by \$42,834.

The growth in revenue during the first nine months of 2017 compared to the same period in 2016 was mainly a result of management’s re-focus on business development and revenue generating efforts primarily related to consulting services.

Cost of Goods Sold	2017	2016	Change from Prior Year	Percent Change from Prior Year
Three Months Ended Sept 30,	\$ 266,085	\$ 137,490	\$ 128,595	94%
Nine Months Ended Sept 30,	\$ 646,059	\$ 348,351	\$ 297,708	85%

Cost of goods sold increased by \$128,595 and \$297,708 for the three and nine months ended September 30, 2017, respectively, when compared to the same periods in 2016 due primarily to an increase of \$70,455 and \$168,485 in professional fee costs during the third quarter and first nine months of 2017, respectively. This increase corresponds with the increase in revenues from consulting services and is primarily due to the Company's need to contract outside services to assist with delivery of our consulting services. There was also an increase in reimbursable expenses of \$49,275 and \$82,396 for the three and nine months ended September 30, 2017, respectively, in line with increases in consulting services revenue. The remaining increase was primarily due to an increase in software amortization mainly due to amortization of the increased capitalized expenses related to updates and enhancements to our current software. We recorded \$142,277 in capitalized expenses related to software amortization for the nine months ended September 30, 2017, compared to \$66,751 in expenses related to software amortization for the nine months ended September 30, 2016.

Salaries and Wages	2017	2016	Change from Prior Year	Percent Change from Prior Year
Three Months Ended Sept 30,	\$ 214,923	\$ 231,896	\$ (16,973)	(7.32%)
Nine Months Ended Sept 30,	\$ 713,363	\$ 793,796	\$ (80,433)	(10.13%)

[Table of Contents](#)

Salaries and wages decreased for the three months ended September 30, 2017 when compared to the three months ended September 30, 2016 mostly as a result of a decrease of \$59,691 in employee wages and other employee expenses primarily as a result of fewer employees combined with a decrease in stock based compensation expense of \$45,882. These decreases were partially offset by a \$88,600 decrease in the amount of software development salaries and wages that were capitalized during the third quarter of 2017.

Software development costs decreased for the three months ended September 30, 2017 compared to 2016 primarily due to product development nearing completion. There were no capitalized expenses for the three months ended September 30, 2017 compared to the capitalization of a certain portion of salaries and wages totaled \$88,600 for three months ended September 30, 2016. In addition, the aggregate cost for independent software designers, developers, programmers and project management professionals was \$0 and \$119,829 for three months ended September 30, 2017 and 2016, respectively.

Salaries and wages decreased slightly for the nine months ended September 30, 2017 when compared to the nine months ended September 30, 2016 mostly as a result of a decrease of \$144,607 in officer salaries, employee wages, and other employee expenses in 2017 primarily due to fewer employees. There was also a decrease in stock based compensation expense of \$107,184 during the first nine months of 2017 compared to the same period last year. These decreases were partially offset by a \$171,358 decrease in the amount of software development salaries and wages that were capitalized during the current period.

Software development costs decreased for the nine months ended September 30, 2017 compared to 2016 primarily due to product development nearing completion. Capitalization of a certain portion of salaries and wages totaled \$21,175 and \$192,533 for nine months ended September 30, 2017 and 2016, respectively. The aggregate cost for independent software designers, developers, programmers and project management professionals was \$72,628 and \$184,345 for nine months ended September 30, 2017 and 2016, respectively.

Contract Services	2017	2016	Change from Prior Year	Percent Change from Prior Year
Three Months Ended Sept 30,	\$ 4,758	\$ 32,402	\$ (27,644)	(85.32%)
Nine Months Ended Sept 30,	\$ 35,468	\$ 101,202	\$ (65,734)	(64.95%)

Contract services expenses decreased for the three and nine months ended September 30, 2017 compared to the same period in 2016 primarily due to decreases in corporate and investor relations, business development, product development, and marketing expenses in 2017.

Other General and Administrative	2017	2016	Change from Prior Year	Percent Change from Prior Year
Three Months Ended Sept 30,	\$ 166,139	\$ 246,578	\$ (80,439)	(32.62%)
Nine Months Ended Sept 30,	\$ 485,357	\$ 873,462	\$ (388,105)	(44.43%)

Other general and administrative costs decreased for the three months ended September 30, 2017 compared to the same period in 2016 primarily due to \$28,847 in professional fees incurred in the prior year associated with our listing on the TSX-V exchange and the closing of our private placement in February 2016 as well as decreased aggregate expenses of \$69,222 across all of the following categories during the current third quarter: administrative expenses, computers and software, rent, and dues and subscriptions. These decreases were partially offset by an increase of \$17,630 in sales, marketing and promotion.

Other general and administrative costs decreased by \$388,105 for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016 primarily due to a decrease of \$191,340 in professional fees associated with our listing on the TSX-V exchange and the closing of our private placement in February 2016, and a decrease of \$173,508 in sales, marketing, and promotion expenses, and administration costs. There was also decreased aggregate expenses of \$48,313 across all of the following categories during the current period: computers and software, travel and meals, and dues and subscriptions. These decreases were partially offset by an increase of \$25,056 in insurance costs associated with the Company's first director and officer insurance policy that began in August 2016 as well as increases in rent costs for the Company's corporate headquarters.

Other Income/Expense	2017	2016	Change from Prior Year	Percent Change from Prior Year
Three Months Ended Sept 30,	\$ (3,777)	\$ 518	\$ (4,295)	(829.15%)

Nine Months Ended Sept 30,	\$	(783)	\$	(7,929)	\$	7,146	90.12%
----------------------------	----	-------	----	---------	----	-------	--------

Other expenses fluctuated for the three and nine months ended September 30, 2017 when compared to the corresponding periods in 2016 primarily due to the net effect of fluctuating unrealized gains and losses associated with the revaluation of a promissory note from Canadian dollars to United States dollars.

[Table of Contents](#)**Liquidity and Capital Resources**

We measure our liquidity in a variety of ways, including the following:

	Sept 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 1,683,647	\$ 1,925,744
Working capital	\$ 1,583,805	\$ 1,764,629

As of September 30, 2017, our cash and cash equivalents and working capital had decreased to \$1,683,647 and \$1,583,805, respectively, from \$1,925,744 and \$1,764,629 as at December 31, 2016, respectively.

For the nine months ended September 30, 2017 and the year ended December 31, 2016, we were able to finance our operations, including capital expenditures for infrastructure, product development and marketing activities with cash generated through operating activities, and cash on hand. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As reflected in the financial statements included in this report, for the nine months ended September 30, 2017 we had a net loss of \$341,881 and a net loss of \$1,158,854 for the year ended December 31, 2016. In the year over year comparison, we have focused our efforts on consulting services business development combined with cost containment to reduce our level of net losses in the quarter and year to date ended September 30, 2017 compared to 2016 by \$93,719 and \$520,371, respectively. Further, EBITDA increased by \$588,331 to (\$164,032) for the nine months ended September 30, 2017 compared to (\$752,363) for the nine months ended September 30, 2016. EBITDA increased by \$106,226 to \$45,962 for the three months ended September 30, 2017 compared to (\$60,264) for the three months ended September 30, 2016.

We consider EBITDA to be a meaningful supplement to net income (loss) as a performance measure primarily because depreciation expense is not an actual cash costs, and interest and tax expenses are not related to our operations. In addition, we believe EBITDA is commonly used by investors and other interested parties to evaluate our financial performance. EBITDA does not reflect the impact of a number of items that affect our net income (loss), including financing costs. EBITDA should not be considered as an alternative to net income (loss) or income (loss) from operations as a measure of performance, or as an alternative to net cash from operating activities as a measure of liquidity. EBITDA is an internal measure and therefore may not be comparable to other companies. EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that EBITDA does not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; and (iii) the interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt. Because of these limitations, EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. Because all companies do not calculate EBITDA in the same manner, EBITDA as calculated by us may differ from EBITDA as calculated by other companies. We compensate for these limitations by using EBITDA as a supplemental measure of our performance and by relying primarily on our GAAP financial statements.

The following table provides a reconciliation of net income (loss) to EBITDA for the periods indicated:

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2017	2016	2017	2016
Net Income (Loss)	\$ (10,695)	\$ (104,414)	\$ (341,881)	\$ (862,252)
Depreciation and Amortization	(54,208)	(40,178)	(169,658)	(98,067)
Interest expense	(2,449)	(3,972)	(8,191)	(11,822)
EBITDA	\$ 45,962	\$ (60,264)	\$ (164,032)	\$ (752,363)

Our material losses from operations raise substantial doubt as to our ability to continue as a going concern. During this year we have taken steps to improve our core consulting services revenue and contain costs in order to reduce our net operating losses. We believe that our increased revenues and improved net losses in 2017 coupled with our cash balance of \$1,683,647 as at September 30, 2017 and our belief that sufficient funding will be available from private placements of equity securities or additional borrowings if needed will enable us to meet our liquidity needs over the next 12 months. Notwithstanding the foregoing, our longer term ability to continue as a going concern is entirely dependent upon our ability to achieve a level of profitability, and/or to raise additional capital through debt financing and/or through sales of common stock. We cannot provide any assurance that profits from operations, if any, will generate sufficient cash flow to meet our working capital needs and service our existing debt, nor that sufficient capital can be raised through debt or equity financing. The financial statements do not include adjustments

related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

[Table of Contents](#)

Anticipated Uses of Cash

In 2016 and the first nine months of 2017, our primary areas of investment were professional staff to support our professional services and SaaS product delivery business, including client relationship management, and product development staff as well as investments in sales and marketing activities, such as sales and marketing staff, marketing and sales automation software and other related services.

We currently anticipate that our uses of cash for the remainder of 2017 will mirror the primary uses of cash during the last quarter of 2016, which included cash paid to professional staff to support our professional services and SaaS product delivery business.

Cash Flow – Nine Months Ended September 30, 2017 and 2016

Operating Activities. Net cash used in operating activities decreased to \$147,941 for the nine months ended September 30, 2017 compared to \$582,459 for the nine months ended September 30, 2016. This decrease in cash used by operating activities was attributable primarily to a \$520,371 decrease in net losses in the nine months ended September 30, 2017 compared to the same period in 2016 partially offset by changes in net working capital.

Days Sales Outstanding (“DSO”), which the Company defines as the average number of days it takes to collect revenue once a sale has been made, decreased in 2017 compared to the same period of the prior year. During the nine months ended September 30, 2017, DSO was approximately 31 days compared to 33 days during the nine months ended September 30, 2016. DSO can fluctuate due to the timing and nature of contracts that lead to up-front billings related to deferred revenue on services not yet performed.

Investing Activities. Net cash used in investing activities for the nine months ended September 30, 2017 decreased to \$94,156 compared to \$417,096 in net cash used in investing activities for the same period in 2016. Net cash used in investing activities in 2017 primarily consisted of cash used for capitalized software development costs of \$93,803 partially offset by proceeds from the sale of equipment.

Financing Activities. There was no cash provided by, or used in, financing activities for the nine months ended September 30, 2017. Net cash provided by financing activities for the nine months ended September 30, 2016 amounted to \$2,745,000. Cash provided in 2016 was the result of a completed private placement of our common stock during the first quarter of 2016.

Off Balance Sheet Arrangements

We did not have any off balance sheet arrangements as of September 30, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and as such, are not required to provide the associated information under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedure

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were not effective.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report 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 involved in any legal actions or claims and to our knowledge no such actions or claims are pending.

ITEM 1A. RISK FACTORS.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, and as such, are not required to provide the associated information under this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Securities

There were no unregistered sales of our equity securities during the nine-month period ended on September 30, 2017.

Purchases of Equity Securities

During the nine months ended September 30, 2017, there were no purchases of our common stock made by, or on behalf of, the Company or any "affiliated purchaser," as defined by Rule 10b-18 of the Exchange Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.

(a) Not applicable.

ITEM 6. EXHIBITS.

- 3.1 [Articles of Incorporation \(Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 25, 2012\).](#)
 - 3.2 [Amended Articles of Incorporation \(Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 25, 2012\).](#)
 - 3.3 [Amended Articles of Incorporation \(Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 25, 2012\).](#)
 - 3.4 [Amended Articles of Incorporation \(Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on July 13, 2015\).](#)
 - 3.5 [Amended Articles of Incorporation \(Incorporated by reference to the Company's Form 10-Q filed with the Securities and Exchange Commission on November 14, 2016\).](#)
 - 3.6 [Amended and Restated Bylaws \(Incorporated by reference to Exhibit 3. 2.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on November 24, 2015\).](#)
 - 31.1 [Certification of Chief Executive Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\).](#)
 - 31.2 [Certification of Chief Financial Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\).](#)
 - 32.1* [Certification of Chief Executive Officer and Chief Financial Officer required by Rule 13a-14\(b\) or Rule 15d-14\(b\) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350](#)
- 101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension - Schema
101.CAL XBRL Taxonomy Extension - Calculations
101.DEF XBRL Taxonomy Extension - Definitions
101.LAB XBRL Taxonomy Extension - Labels
101.PRE XBRL Taxonomy Extension - Presentation

*Furnished, not filed

Notes to Exhibits List:

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Balance Sheet, (ii) Statements of Operations, (iii) Statements of Cash Flows, and (iv) Notes to the Financial Statements. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report has been signed on its behalf by the undersigned, thereunto duly authorized on this 7th day of November 2017.

MCORPCX, INC.

BY: /s/ MICHAEL HINSHAW

Michael Hinshaw
Chief Executive Officer, Treasurer, Principal Accounting Officer,
Secretary and Director

BY: /s/ GREGG BUDOI

Gregg Budo
Chief Financial Officer