

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, 2018

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 ☐
Non-accelerated Filer ☐
(Do not check if a smaller reporting company)

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** ☒

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 9, 2018.

MCORPCX, Inc.
Form 10-Q Quarterly Report

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

**McorpCX, Inc.
Balance Sheets**

	September 30, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,469,921	\$ 1,616,076
Accounts receivable	481,919	274,785
Total current assets	<u>1,951,840</u>	<u>1,890,861</u>
Long term assets:		
Property and equipment, net	89,576	86,551
Capitalized software development costs, net	156,199	301,574
Intangible assets, net	-	6,250
Other assets	62,496	27,137
Total assets	<u><u>\$ 2,260,111</u></u>	<u><u>\$ 2,312,373</u></u>
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable	\$ 481,691	\$ 218,107
Deferred revenue	68,343	80,057
Other current liabilities	2,150	-
Notes payable	-	8,169
Total current liabilities	<u>552,184</u>	<u>306,333</u>
Total liabilities	<u>552,184</u>	<u>306,333</u>
Shareholders' equity:		
Common stock, no par value, 500,000,000 shares authorized, 20,426,158 shares issued and outstanding at September 30, 2018 and December 31, 2017	-	-
Additional paid-in capital	6,439,846	6,428,997
Accumulated deficit	<u>(4,731,919)</u>	<u>(4,422,957)</u>
Total shareholders' equity	<u>1,707,927</u>	<u>2,006,040</u>
Total liabilities and shareholders' equity	<u><u>\$ 2,260,111</u></u>	<u><u>\$ 2,312,373</u></u>

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

McorpCX, Inc.
Statements of Operations
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue, net				
Consulting services	\$ 772,081	\$ 539,562	\$ 2,567,153	\$ 1,304,541
Products and other	161,755	107,874	385,191	242,799
Total revenue, net	<u>933,836</u>	<u>647,436</u>	<u>2,952,344</u>	<u>1,547,340</u>
Cost of goods sold				
Labor	407,421	146,030	1,120,502	325,482
Products and other	215,007	120,055	540,130	320,577
Total cost of goods sold	<u>622,428</u>	<u>266,085</u>	<u>1,660,632</u>	<u>646,059</u>
Gross profit	311,408	381,351	1,291,712	901,281
Expenses				
Salaries and wages	251,111	214,923	684,029	713,363
Contract services	47,202	4,758	161,453	35,468
Other general and administrative	262,851	166,139	749,612	485,357
Total expenses	<u>561,164</u>	<u>385,820</u>	<u>1,595,094</u>	<u>1,234,188</u>
Net operating loss	(249,756)	(4,469)	(303,382)	(332,907)
Interest expense	(645)	(2,449)	(1,048)	(8,191)
Other expense	<u>(3,775)</u>	<u>(3,777)</u>	<u>(4,532)</u>	<u>(783)</u>
Loss before income taxes	(254,176)	(10,695)	(308,962)	(341,881)
Income tax provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (254,176)</u>	<u>\$ (10,695)</u>	<u>\$ (308,962)</u>	<u>\$ (341,881)</u>
Net loss per share-basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</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>20,426,158</u>

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

McorpCX, Inc.
Statements of Cash Flows
(unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (308,962)	\$ (341,881)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	153,074	169,658
Stock compensation expense	10,849	88,111
Loss on disposal of assets	-	298
Unrealized loss (gain) on foreign currency transactions	-	(2,149)
Changes in operating assets and liabilities:		
Accounts receivable	(207,134)	(147,878)
Other assets	(35,359)	(2,854)
Accounts payable	263,584	98,853
Other current liabilities	2,150	2,183
Deferred revenue	(11,714)	(12,282)
Net cash used in operating activities	(133,512)	(147,941)
INVESTING ACTIVITIES		
Equipment purchases	(4,474)	(2,353)
Proceeds from sale of equipment	-	2,000
Capitalized software development costs	-	(93,803)
Net cash used in investing activities	(4,474)	(94,156)
FINANCING ACTIVITIES		
Repayment of notes payable	(8,169)	-
Net cash used in financing activities	(8,169)	-
Decrease in cash and cash equivalents	(146,155)	(242,097)
Cash and cash equivalents, beginning of period	1,616,076	1,925,744
Cash and cash equivalents, end of period	<u>\$ 1,469,921</u>	<u>\$ 1,683,647</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,048	\$ 5,966

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

MCORPCX, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018
(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 a customer experience services company, delivering consulting and technology solutions to customer-centric organizations. We are engaged in the business of delivering consulting and professional services that are designed to help corporations improve their customer listening and customer experience management capabilities. To augment our consultative solutions, we have developed technology products that include on-demand "cloud based" customer experience management software. 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, 2018 and 2017, are unaudited, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). The balance sheet as of December 31, 2017 was derived from the audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017. 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, 2017, filed on Form 10-K with the SEC on March 29, 2018. The results of operations for the three and nine months ended September 30, 2018, 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 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; 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 adopted ASU 2017-09 with no material impact to the financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605) and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. We adopted Topic 606 as of January 1, 2018 using the modified retrospective transition method. See Note 3 for further details.

In November 2017, the FASB issued ASU No. 2017-14, Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606) (SEC Update). The ASU amends SEC paragraphs pursuant to the SEC Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403, which bring existing guidance into conformity with Topic 606, Revenue from Contracts with Customers. The amendments were effective upon issuance. The Company has evaluated the impact on revenue recognition and does not expect these amendments to have a material effect on its financial statements.

In February 2018, the FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which retained the current framework for accounting for financial instruments in generally accepted accounting principles (GAAP) but made targeted improvements to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this Update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. The Company adopted ASU 2018-03 with no material impact to the financial statements.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income. The ASU amends ASC 220, Income Statement — Reporting Comprehensive Income, to “allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act.” In addition, under the ASU, an entity will be required to provide certain disclosures regarding standard tax effects. The ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU No. 2018-02 on its consolidated financial statements.

Note 3. Revenues

Adoption of ASC Topic 606, "Revenue from Contracts with Customers"

On January 1, 2018 we adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

We did not have a cumulative impact as of January 1, 2018 due to the adoption of Topic 606 and there was not an impact to our statements of operations for the three and nine months ended September 30, 2018 as a result of applying Topic 606.

Revenue Recognition

The Company's revenue consists primarily of professional and consulting services, as well as reimbursable expenses billed to clients, 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.

The consulting services are contracted under master terms and conditions with statements of work (“SOW”) defined for each project. A typical consulting SOW will span a period of 60-180 days and will usually be billed to the client based on certain milestones being achieved throughout the SOW. The Company recognizes revenue based upon a percentage of completion of each SOW during each project, which are typically 60-180 days in duration. In addition, we typically incur travel other miscellaneous expenses during work on each SOW which we bill to our clients for reimbursement. The travel and miscellaneous expenses are recognized in revenue on a percentage of work complete basis.

Contract costs, such as commissions, are typically incurred contemporaneously with the pattern of revenue recognition and, as such, are expensed as incurred.

Consulting Service Revenues

The Company's consulting services are project based and include the articulation of customer-centric strategies and implementation roadmaps in support of these strategies. The performance obligation in these projects is the delivery of specific findings reports as it pertains to the customer experience being analyzed. These projects include milestone payments for completion of different phases of the project and are included in the transaction price. These milestone payments are deemed to be fixed because the milestones are within the control of the Company. The projects also include reimbursable expenses, which are part of the transaction price and deemed variable consideration. These reimbursable expenses are estimated at contract inception. Given the confidentiality provisions in the agreement and the nature of the services being performed, the Company has no alternative use for the specific findings report. Therefore, the Company recognizes the transaction price over time, based on percentage of completion of the milestones in the contract.

Product and other revenue

Product and other revenue during 2018 has primarily been derived from reimbursable expenses charged to clients and to a lesser degree from product sales and related revenue. The product related portion of this revenue originates from the utilization of the Company's web-hosted Touchpoint Mapping On-Demand application ("Touchpoint Mapping"), which is designed to gather customer satisfaction data, track brand perceptions, and analyze results. Touchpoint Mapping is a SaaS (Software as a Service) subscription-based technology application, which derives revenue from the following sources: nonrefundable setup fees, subscription fees, professional service fees, and consulting fees related to implementation, customization, configuration, training, and other value-added services. Customer licenses for Touchpoint Mapping are not subject to the licensing guidance in Topic 606 because the customer can't take possession of the software at any time and the customer would not be able to operate the software on its own or with another third party. Fees charged to customers of Touchpoint Mapping may include implementation, setup, training and license fees for the application. Revenue generated from Touchpoint Mapping (either directly through licensing fees or fees received through support functions) is recognized on a straight-line basis because the Company's obligations under its contracts concerning Touchpoint Mapping are deemed to be stand-ready obligations due to the fact that the Company is contractually required to provide access to Touchpoint Mapping and customer support on a daily basis. Consequently, usage of Touchpoint Mapping by customers does not affect the ability of customers to access the application or our customer support functions. For these reasons, revenue is recognized on a straight-line basis over the contract period. If billings are front loaded, this will result in a deferral of revenue during the contract period. For recognition purposes, we do not unbundle such services into separate performance obligations as their pattern of transfer does not differ.

The aggregate amount of the fees received from customers that are allocated to product and other revenue performance obligations that are unsatisfied (or partially unsatisfied) as of September 30, 2018 is \$68,343 and included in deferred revenue on the accompanying balance sheet. The Company expects to recognize revenue of \$68,343 in the next 12 months related to these unsatisfied (or partially unsatisfied) performance obligations. Revenue related to these performance obligations are not expected to be recognized beyond fiscal year 2018.

Arrangements with Multiple Performance Obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers. If the pattern of transfer of control for each obligation does not differ, the Company does not allocate revenue to specific performance obligations.

Deferred Revenues (Contract Liabilities)

The Company records deferred revenues when cash payments are received or due in advance of our performance, including amounts which are refundable.

Payment terms vary by customer and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, full or a partial payment of the entire contract is required before the products or services are delivered to the customer.

During the nine months ended September 30, 2018, we recognized revenue of \$80,057, related to our contract liabilities included in deferred revenue at December 31, 2017. During the nine months ended September 30, 2017 we recognized revenue of \$51,029, related to our contract liabilities included in deferred revenue at December 31, 2016. There was no revenue recognized for the three months ended September 30, 2018 or 2017 related to deferred revenue balances for December 31, 2017 and 2016, respectively.

Contract Assets

Given the nature of the Company's services and contracts, it has no contract assets.

Practical Expedients and Exemptions

Contract costs consist primarily of sales commissions. The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less and they are only due and payable upon receipt of payment from the client. These costs are recorded within sales and marketing expenses.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Note 4: 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 in the amount of \$93,803. There were no expenses capitalized during the nine months ended September 30, 2018.

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 \$156,199 and \$301,574 as of September 30, 2018 and December 31, 2017, respectively. Amortization expense incurred during the nine months ended September 30, 2018 and 2017 was \$145,375 and \$142,277, respectively and is included in cost of goods sold in the statements of operations.

Note 5: Intangible Assets

Intangibles consist of the following as of September 30, 2018.

	2018		
	Gross	Accumulated Amortization	Net Book Value
Website development costs	\$ 70,188	\$ (70,188)	\$ -
Media distribution rights	25,000	(25,000)	-
Intellectual property	5,000	(5,000)	-
LinkedIn Group	2,500	(2,500)	-
Organization costs	1,377	(1,377)	-
Total intangibles	\$ 104,065	\$ (104,065)	\$ -

Total amortization of intangible assets was \$6,250 and \$22,906 for the nine months ended September 30, 2018 and 2017, respectively.

Note 6: Stock-Based Compensation

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.

At September 30, 2018, 1,350,000 stock options were exercisable and \$10,849 of total compensation cost related to share-based compensation grants had been recognized for the nine months ended September 30, 2018. Unrecognized compensation expense from stock options was \$116,226 at September 30, 2018, which is expected to be recognized over a weighted-average vesting period of 2.88 years beginning October 1, 2018.

The following table summarizes our stock option activity for the nine months ended September 30, 2018:

	Number of	Weighted Average Exercise	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
	Shares	Price		
Outstanding at December 31, 2017	1,350,000	\$ 0.60	6.07	-
Granted	700,000	0.23	6.00	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at September 30, 2018	2,050,000	\$ 0.47	6.88	-
Exercisable at September 30, 2018	1,350,000	\$ 0.60	5.32	\$ -

During the nine months ended September 30, 2018, the Company granted 700,000 options to certain employees of the Company with an incremental vesting schedule over 3 years and a weighted-average grant date fair value of \$0.17. Of the total options granted during the period 400,000 have a ten year term and 300,000 have a five year term. The following assumptions were used to calculate weighted average fair values of the options granted in the nine months ended September 30, 2018. There were no options granted during the nine months ended September 30, 2017.

	2018
Expected life (in years)	3.50- 6.00
Risk-free interest rate	2.79%
Volatility	139.34%-162.16%
Dividend yield	-
Weighted average grant date fair value per option granted	\$ 0.17

Note 7: 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, 2018 and 2017, the percentage of sales and the concentrations are:

	2018	2017
Largest client	39%	31%
Second largest client	28%	17%
Third largest client	13%	16%
Next three largest clients	15%	23%
All other clients	5%	13%
	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 8: 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. In October 2017, \$66,217 was paid to the note holder and the remaining balance of \$8,169 was paid in February 2018 fully satisfying the debt. The balance of \$8,169 is presented under notes payable on the balance sheet as of December 31, 2017 and there were no fees or penalties incurred by the Company. There was no notes payable balance as of September 30, 2018. We have recorded a foreign currency loss of \$911 and gain of \$1,409 during the nine months ended September 30, 2018 and 2017, respectively, related to the revaluation of this note's principal from CAD to USD.

Interest expense was \$1,048 and \$8,191 for the nine months ended September 30, 2018 and 2017, respectively and consists of interest on our short-term promissory notes, and credit card balances.

Note 9: 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, we continue to improve our core consulting services revenue and are seeking ways and have implemented plans to reduce operating cost in order to reduce our net operating losses. We believe that our increased revenues and improved net losses in the year ended December 31, 2017 and the nine months ended September 30, 2018 compared to our financial results for the nine months ended September 30, 2017 coupled with our cash balance of \$1,469,921 at September 30, 2018 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.

Note 10: Basic and Diluted Net Income / (Loss) per Share

The Company follows FASB ASC 260, “Earnings Per Share”, when reporting Earnings Per Share resulting in the presentation of basic and diluted earnings per share. Net income (loss) per share was computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. For the three and nine months ended September 30, 2018 and 2017, the assumed exercise of share options is anti-dilutive and are excluded from the determination of net income (loss) per share – basic and diluted. The share options were anti-dilutive due to the Company’s net loss or the Company’s common stock average market price was less than the share options exercise price. Accordingly, net income (loss) per share basic and diluted are equal in all periods presented. Securities that were not included in the diluted per share calculations because they would be anti-dilutive were vested options to purchase common stock of 1,350,000 and 1,425,000 as of September 30, 2018 and 2017, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net loss	\$ (254,176)	\$ (10,695)	\$ (308,962)	\$ (341,881)
Basic and diluted weighted average common shares outstanding	20,426,158	20,426,158	20,426,158	20,426,158
Net loss per share, basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.02)

Note 11: Related-Party Transactions

During the nine months ended September 30, 2018, a company controlled by the Company’s former Chief Executive Officer purchased from the Company an internet domain name that was obsolete and not being used in the business nor needed for the go-forward business for \$2,000 that is included in other income (expense) on the statements of operations.

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. 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. 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.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. We believe that the assumptions and estimates associated with revenue recognition, income taxes, stock-based compensation, research and development costs and impairment of long-lived assets have the greatest potential impact on our financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

A description of the Company's critical accounting policies and related judgments and estimates that affect the preparation of the Company's financial statements is set forth in under the heading "Critical Accounting Policies and Estimates" in Item 7, Management's Discussion and Analysis of the Company's Annual Report on Form 10-K for the year ended December 31, 2017. With the exception of the adoption of Topic 606 discussed in Note 3, such policies were unchanged during the nine months ended September 30, 2018.

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 themselves from their competition. As such, we are engaged in the business of providing customer experience focused consulting services and where applicable, 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 primary source of revenue is derived from our consulting services which 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.

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.

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.

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.

Although management still believes that offering technology enabled consulting services can provide long-term profitability and we intend to continue to explore ways to successfully commercialize our software products, in the short-term, we are focused on expanding our consulting business which we believe may lead to greater revenues for the Company and which could be utilized for cross sale of technology products to our consulting clients. We intend to continue to evaluate our software products to determine the next phase of new product development and potential enhancements to our existing product suite or identify other software products that may be more conducive to supporting our CX consulting expertise.

The Company is in the process of determining the optimal path forward for our software products based on current market dynamics, the competitive environment and customer feedback. We continue to evaluate various potential strategies with the goal of improving our ability to achieve additional revenue and profit growth for both our software products as well as our consultant services. These possible strategies, which are generally focused on ways to create a more complete slate of customer experience solutions for our clients, include further software or technology development expenditures, pursuit of merger, acquisitions or joint ventures with companies that provide complimentary products and services, software licensing arrangements, and investment in additional infrastructure within our Company. Each of these possible strategies will be thoroughly vetted by our board of directors to assess the expected level of enterprise value creation for each strategy compared to the various risks associated with each possible scenario. In addition, we may require financing to pursue these strategies that is beyond our current financial resources. Accordingly, there is no assurance that we will be able to pursue any strategies that are identified by our board of directors.

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.

Summary of Financial Results

Select financial highlights for the three and nine months ended September 30, 2018:

- Total revenue increased by 44% from \$647,436 during the third quarter of 2017 to \$933,836 during the third quarter of 2018 and by 91% from \$1,547,340 in the first nine months of 2017 to \$2,952,344 in the first nine months of 2018.
- We recorded net losses of \$254,176 and \$308,962 in the third quarter and first nine months of 2018, respectively, compared to net losses of \$10,695 and \$341,881 for the third quarter and first nine months of 2017.
- The Company reported EBITDA⁽¹⁾ of (\$204,478) and (\$154,840) in the third quarter and first nine months of 2018, respectively, compared to \$45,962 and (\$164,032) in the third quarter and first nine months of 2017.
- The Company had a cash balance of \$1,469,921 at September 30, 2018 compared to a cash balance of \$1,616,076 at December 31, 2017.

⁽¹⁾ We define EBITDA as net income (loss) plus interest, tax, depreciation and amortization expenses. We consider EBITDA to be a meaningful supplement to net income (loss) as a performance measure primarily because depreciation and amortization expenses are not actual cash costs, and interest and tax expenses are not related to our direct operating activities. See below for a reconciliation of net income (loss) to EBITDA.

Sources of Revenue

Our revenue consists primarily of professional and consulting services, reimbursable expenses billed to clients, and 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 and other revenue during 2018 was principally related to revenue from reimbursement of expenses billed to clients and to a lesser degree from productized and software-enabled service sales.

Our current plan of operations is based on enhancing our consulting service revenue to open possible opportunities to cross-sell our third party licensed products to our clients in order to establish more recurring revenue. We anticipate that fees for professional and consulting services will remain our most significant revenue source in the foreseeable future. We have not obtained material stand-alone sales commitments for Touchpoint Mapping or McorpCX | Persona, and do not anticipate being able to do so until we engage the necessary sales and marketing staff to develop and execute product sales opportunities. During the second half of 2017, we stopped further development of our software in order to re-assess the product roadmap to better define the future direction of our software platform.

Cost of Goods Sold and General and Administrative Expenses

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, but is not limited to, product-related hosting and monitoring costs, the cost of licenses for products embedded in the application, amortization of capitalized software development costs, service support costs, and costs related to account and subscription management.

General and Administrative Expenses

General and administrative expenses consist primarily of salary and related expenses for management, client delivery, finance and accounting, and sales and marketing. These 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. In addition, the other general and administrative expenses include the professional fees, filing, and registration costs necessary to meet the requirements associated with having to file reports with the United States Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as well as having our stock listed on the TSX Venture Exchange (the “TSX-V”) in Canada and quoted on the OTCQB venture marketplace in the United States.

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 term 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. We expect to continue to incur significant sales and marketing expenses in both absolute dollars and as a percentage of expenses as we seek to increase the level of our sales and marketing activities. We expect that total general and administrative expenses will increase as we continue to add resources in connection with the growth of our business.

Results of Operations

Revenue	2018	2017	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ 933,836	\$ 647,436	\$ 286,400	44%
Nine Months Ended September 30,	\$ 2,952,344	\$ 1,547,340	\$ 1,405,004	91%

Overall, the 44% increase in total revenues for the three months ended September 30, 2018 compared to the same period in 2017 was attributed to a 43% increase in consulting services revenue as well as a 50% increase in products and other revenue for the three months ended September 30, 2018 compared to same period in the prior year. The increase in products and other revenue was primarily the result of an increase in revenue from reimbursable expenses, which was partially offset by a decrease in product revenue. The increase in consulting services revenue from \$539,562 for the three months ended September 30, 2017 to \$772,081 for the same period in 2018 was primarily the result of increased revenues from both new clients as well as from existing clients in 2018 compared to 2017. We have continued to improve upon our sales and marketing efforts which allowed us to attract new clients and cross-sell add-on services to our existing clients. Product and other revenue largely consisted of reimbursable expense income of \$154,580 and \$68,570 and only \$7,175 and \$39,304 in product revenue for the three months ended September 30, 2018 and 2017, respectively. As such, the increase in product and other revenue from \$107,874 for the three months ended September 30, 2017 to \$161,755 for the same period in 2018 was attributed to a \$86,010 increase in recognized revenue for reimbursable travel and miscellaneous expenses, which we provided in connection with our consulting services, being partially offset by a \$32,129 decrease in product revenue during the current quarter compared to the same quarter in 2017.

Overall, the 91% increase in total revenues for nine months ended September 30, 2018 compared to the same period in 2017 was attributed to a 97% increase in consulting services revenue and a 59% increase in products and other revenue for the nine months ended September 30, 2018 compared to same period in the prior year. The increase in consulting services revenue from \$1,304,541 for the nine months ended September 30, 2017 to \$2,567,153 for the same period in 2018 was primarily the result of increased revenues from both new clients as well as from existing clients in 2018 compared to 2017. We have continued to improve our sale and marketing efforts which allowed us to attract new clients and cross-sell add-on services to our existing clients. Product and other revenue largely consisted of reimbursable expense income of \$362,979 and \$151,973 and only \$22,212 and \$90,826 in product revenue for the three months ended September 30, 2018 and 2017, respectively. As such, the increase in product and other revenue from \$242,799 for the nine months ended September 30, 2017 to \$385,191 for the same period in 2018 was attributed to a \$211,006 increase in recognized revenue for reimbursable travel and miscellaneous expenses we provided in connection with our consulting services being partially offset by a \$68,613 decrease in product revenue.

Cost of Goods Sold	2018	2017	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ 622,428	\$ 266,085	\$ 356,343	134%
Nine Months Ended September 30,	\$ 1,660,632	\$ 646,059	\$ 1,014,573	157%

Cost of goods sold increased by \$356,343 and \$1,014,573 for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017 due primarily to increased resources required to support the increase in consulting services revenue provided during the three- and nine-month periods respectively. In the three and nine months ended September 30, 2018, our labor costs increased by \$261,391 and \$795,020 compared to the respective periods in the prior year mainly as a result of the Company's need to contract outside services to assist with delivery of our consulting services in 2018. There was also an increase in reimbursable expenses of \$91,919 and \$202,866 for the three- and nine-month periods ended September 30, 2018 respectively compared to the same periods in the prior year, which was related to an increase in travel and miscellaneous expenses associated with the delivery of the increased consulting services in 2018. The remaining increase was due to increases in other non-reimbursable expenses.

Net Operating Income (Loss)	2018	2017	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ (249,756)	\$ (4,469)	\$ (245,287)	5,489%
Nine Months Ended September 30,	\$ (303,382)	\$ (332,907)	\$ 29,525	9%

For the three months ended September 30, 2018, we had a net operating loss of \$249,756 compared to a net operating loss of \$4,469 for the three months September 30, 2017. The increase in net operating loss in the current quarter was primarily a result of increased labor costs combined with increased operating expenses, which more than offset increased total revenues in the third quarter of 2018 compared to the same quarter in 2017. During the third quarter of 2018, we increased our revenues compared to the prior year period mostly as a result of certain large projects having very short sales cycles, coupled with the completion of some uniquely complex projects. To ensure that we could complete these projects, we were required to utilize some short-term, higher expense third-party resources which increased our labor costs and therefore reduced our profitability. This increased cost of resources was the primary driver of the 18% decrease in gross profit in the three months ended September 30, 2018 compared to the same period in the previous year. This reduction in gross profit margin coupled with higher administrative expenses also resulted in a net loss of \$254,176 in the third quarter of 2018 compared to a net loss of \$10,695 in the same quarter of 2017, as well as a decrease in EBITDA by \$250,440 to a loss of \$204,478 for the three months ended September 30, 2018 compared to a gain of \$45,962 for the three months ended September 30, 2017.

For the nine months ended September 30, 2018 we had a net operating loss of \$303,382 compared to a net operating loss of \$332,907 for the nine months September 30, 2017. The decrease in net operating loss for the current period compared to the same period in 2017 was primarily a result of increased total revenues in the first nine months of 2018 compared to the same period in 2017 being partially offset by increased labor costs combined with increased operating expenses in the current year period compared to the prior year period. During 2018, we focused on growing our consulting services operations through increased business development activities which resulted in a 43% increase in gross profit for the nine months ended 2018 compared to the same period in the previous year. Net loss decreased to \$308,962 in the first nine months of 2018 compared to a net loss of \$341,881 in the same period of 2017, while EBITDA improved slightly by \$9,192 to a loss of \$154,840 for the nine months ended September 30, 2018 compared to a loss of \$164,032 for the nine months ended September 30, 2017.

We consider EBITDA to be a meaningful supplement to net income (loss) as a performance measure primarily because depreciation and amortization expenses are not an actual cash costs, and interest and tax expenses are not related to our direct operating activities. 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 (if any). 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income (Loss)	\$ (254,176)	\$ (10,695)	\$ (308,962)	\$ (341,881)
Depreciation and Amortization	(49,053)	(54,208)	(153,074)	(169,658)
Interest expense	(645)	(2,449)	(1,048)	(8,191)
EBITDA	<u>\$ (204,478)</u>	<u>\$ 45,962</u>	<u>\$ (154,840)</u>	<u>\$ (164,032)</u>

			Change from	Percent Change from Prior Year
Salaries and Wages	2018	2017	Prior Year	
Three Months Ended September 30,	\$ 251,111	\$ 214,923	\$ 36,188	17%
Nine Months Ended September 30,	\$ 684,029	\$ 713,363	\$ (29,334)	(4%)

Salaries and wages increased by \$36,188 during the three months ended September 30, 2018 compared to the same period in 2017 mostly as a result of an increase in salaries of \$19,300, an increase of \$6,200 in payroll taxes, and an increase of \$15,600 in commissions offset partially by a \$4,900 reduction in stock-based compensation expense primarily related to certain options forfeited late in 2017.

Salaries and wages decreased by \$29,334 during the nine months ended September 30, 2018 compared to the same period in 2017 mostly as a result of a decrease in stock-based compensation expense of approximately \$77,300, which was primarily driven by the Company not granting options to employees until later in 2018 as well as a number of options forfeited in late 2017. Stock compensation expense was \$10,849 and \$88,111 for the nine months ended September 30, 2018 and 2017, respectively. These decreases are partially offset with an increase of \$29,900 in salaries and a \$2,400 increase in payroll taxes as well as an increase in commissions of \$15,600 during the first nine months of 2018 compared to the same period in 2017. From the total officer's salary costs incurred during the nine months ended September 30, 2017, \$21,000 was capitalized.

We did not incur any software development costs for either the three or nine months ended September 30, 2018 primarily due to the decision to curtail additional software development halfway through 2017.

Contract Services	2018	2017	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ 47,202	\$ 4,758	\$ 42,444	892%
Nine Months Ended September 30,	\$ 161,453	\$ 35,468	\$ 125,985	355%

Contract services expenses increased during the three and nine months ended September 30, 2018 compared to the same periods in 2017 primarily due to increased accounting and administrative costs as well as other expenses associated with the additional personnel required to support increased consulting projects and from the contractor fees related to our Chief Financial Officer during the current quarter and first nine months of 2018 compared to the same periods in 2017.

Other General and Administrative	2018	2017	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ 262,851	\$ 166,139	\$ 96,712	58%
Nine Months Ended September 30,	\$ 749,612	\$ 485,357	\$ 264,255	54%

Other general and administrative costs increased for the three months ended September 30, 2018 compared to the same period in 2017 primarily due to an increase in sales and marketing expenses of \$50,400 as well as an increase in professional and legal fees of \$42,100 mostly due to increased accounting fees, legal fees, and other professional fees related to business development and corporate governance activities during the current quarter compared to the same period in 2017.

Other general and administrative costs increased for the nine months ended September 30, 2018 compared to the same period in 2017 primarily due to an increase in sales and marketing expenses of \$134,400 as well as an increase in professional fees and legal fees of \$143,700 mostly due to increased accounting fees associated with additional work related to the adoption of new accounting standard ASC 606 in January 2018, the year-over-year timing of incurring accounting fees, as well as an increase in legal fees and other professional fees related to business development and corporate governance activities during the current period compared to the same period in 2017. Computer and software expenses also increased by \$18,200 compared to the same period in 2017. These increases were partially offset by a \$38,300 decrease in expenses related to administration, rent and utilities in the first nine months of 2018 compared to the same period in 2017.

Other Income/Expense	2018	2017	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ (3,775)	\$ (3,777)	\$ 2	(0%)
Nine Months Ended September 30,	\$ (4,532)	\$ (783)	\$ (3,749)	(479%)

Other income (expense) increased for the nine months ended September 30, 2018 when compared to the corresponding period in 2017 primarily due to an increase in state use tax expenses.

Liquidity and Capital Resources

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

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 1,469,921	\$ 1,616,076
Working capital	\$ 1,399,656	\$ 1,584,528

Anticipated Uses of Cash

For the nine months ended September 30, 2018 and the year ended December 31, 2017, we were able to finance our operations, including capital expenditures for 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 GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

In 2017 our primary area of investment was professional staff to support our consulting services, including client relationship management, software development costs during the first half of 2017 and staff for administration, sales and marketing activities.

During the first nine months of 2018, our primary uses of cash included cash paid to professional staff to support our consulting services, professional services along with our general and administrative support and new business development activities. It is currently anticipated that our primary uses of cash for the remainder of 2018 will closely mirror our uses of cash during the first nine months of 2018.

We currently plan to fund our expenditures with cash flows generated from ongoing operations and/or if needed, the possibility may exist to raise additional capital through debt financing and/or through sales of common stock. We do not intend to pay dividends in the foreseeable future. Based upon the current level of our pipeline of signed contracts and pipeline of potential new projects plus our current expectations for future periods in light of the current economic environment, we believe that cash flow from operations and available cash will be adequate to finance the capital requirements for our business during the next 12 months.

We continue to seek ways to expand upon our business and as such, in the future we may make acquisitions of businesses or assets or commitments to additional capital projects. To achieve the long-term goals of expanding our assets and earnings, including through acquisitions, capital resources may be required. Depending on the size of a transaction, the capital resources that may be required can be substantial. The necessary resources may be generated from cash flow from operations, cash on hand, borrowing against our assets or the issuance of securities, and there is no assurance these capital resources will be available to us when required.

Cash Flow – Nine months Ended September 30, 2018 and 2017

Operating Activities. Net cash used in operating activities decreased to \$133,512 for the nine months ended September 30, 2018 compared to \$147,941 for the nine months ended September 30, 2017, mostly as a result of increased cash from a reduction in net loss of \$32,919 combined with a \$164,731 increase in accounts payable during the current period compared to the same period of 2017, being partially offset by a \$91,761 increase in accounts receivable and other assets as well as a reduction of the non-cash stock compensation expenses by \$77,262, in the first nine months of 2018 compared to the first nine months of 2017.

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, increased in the first nine months of 2018 compared to the same period of the prior year. During the nine months ended September 30, 2018, DSO was approximately 45 days, up from approximately 31 days during the nine months ended September 30, 2017. The increase in DSO was mostly attributed to the timing of collections from clients which increased our accounts receivable balance at September 30, 2018 compared to September 30, 2017. In addition to the increased DSO, our accounts receivable increased largely due to the 44% and 91% increase in revenue during the three and nine months ended September 30, 2018, respectively. 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. There was \$4,474 net cash used in investing activities for the nine months ended September 30, 2018 compared to \$94,156 in net cash used in investing activities for the same period in 2017. 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. Net cash used in financing activities for the nine months ended September 30, 2018 amounted to \$8,169 which related to the repayment of a \$100,000 CAD note during the period. There was no cash provided by, or used in, financing activities for the nine months ended September 30, 2017.

Off Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

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 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, as a result of the material weaknesses identified in connection with our financial statements as of December 31, 2017, as disclosed on our Form 10-K annual report for the year ended December 31, 2017.

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. However, in order to address the deficiencies in the Company's internal control over financial reporting, the Company engaged an external firm during 2018 to provide outsourced controller services and segregation of certain duties within the accounting function.

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.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "2017 Annual Report"), which could materially affect our business, results of operations or financial condition.

The risk factors affecting the Company have not materially changed as of September 30, 2018 from those disclosed in the 2017 Annual Report. However, it is important to note that the risks described in our 2017 Annual Report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may eventually prove to materially adversely affect our business, results of operations or financial condition.

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, 2018.

Purchases of Equity Securities

During the nine months ended September 30, 2018, 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.SCHXBRL Taxonomy Extension – Schema
- 101.CALXBRL Taxonomy Extension – Calculations
- 101.DEF XBRL Taxonomy Extension – Definitions
- 101.LABXBRL 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 14th day of November 2018.

MCORPCX, INC.

BY:/s/Gregg Budoï

Gregg Budoï
Chief Executive Officer

BY:/s/Tricia Tomko

Tricia Tomko
Chief Financial Officer

EXHIBIT INDEX

- 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.SCHXBRL Taxonomy Extension - Schema
- 101.CALXBRL Taxonomy Extension - Calculations
- 101.DEF XBRL Taxonomy Extension - Definitions
- 101.LABXBRL Taxonomy Extension - Labels
- 101.PRE XBRL Taxonomy Extension - Presentation

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