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DELTA REPORT

10-Q

CISO - CISO GLOBAL, INC.

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	564
CHANGES	200
DELETIONS	106
ADDITIONS	258

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

FORM 10-Q

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

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

For the Quarterly Period Ended March 31, June 30, 2024

or

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

For the Transition Period from _________ to _________
Commission file number: 001-41227

CISO GLOBAL, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other Jurisdiction of Incorporation or Organization)	**83-4210278** (I.R.S. Employer Identification No.)
6900 E. Camelback Road, Suite 900, Scottsdale, Arizona (Address of Principal Executive Offices)	**85251** (Zip Code)

(480) 389-3444
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.00001 par value	CISO	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small 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	☒
		Emerging growth company	☒

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

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

As of May 15, 2024 August 14, 2024, there were 12,279,341 11,821,866shares of the registrant's common stock outstanding.

CISO GLOBAL, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, JUNE 30, 2024 (unaudited)
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

The information contained in this report should be read in conjunction with the financial statements and related notes contained elsewhere in this Quarterly Report on Form 10-Q. Certain statements made in this report are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements are based upon beliefs of, and information currently available to, us as of the date hereof, as well as estimates and assumptions made by us. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used herein, the words "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue" or the negative of these terms and similar expressions identify forward-looking statements. Such statements reflect our current view with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks relating to our business, industry, and our operations and results of operations. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Forward-looking statements made in this Quarterly Report on Form 10-Q include statements about:

- our ability to maintain an effective system of internal controls and accurately report our financial results;
- that we will continually seek to identify and acquire cybersecurity talent to expand our service scope and geographical coverage to provide the best possible service for our clients;
- our belief that our cash balance as of the date of this filing, together with anticipated revenues, will be sufficient to meet our anticipated cash requirement for the near term;
- the doubt about our ability to continue as a going concern;
- our efforts to developing our business, reducing overhead cost, and capital raising;
- our plan to improve our liquidity by a planned reduction in overhead costs and actively pursuing additional debt and /or equity financing through discussions with investment bankers and private investors;
- our estimate for indirect tax liabilities; and
- our expectation that we will incur further losses through the end of 2024.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks detailed from time to time in our reports filed with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, any of which may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. These risks may cause our or our industry's actual results, levels of activity, or performance to be materially different from any future results, levels of activity, or performance expressed or implied by these forward-looking statements.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. These accounting principles require us to make certain estimates, judgments, and assumptions. We believe that the estimates, judgments, and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments, and assumptions are made. These estimates, judgments, and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenue and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CISO GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1,516,989	$ 1,062,442	$ 1,118,282	$ 241,643
Accounts receivable, net	3,738,160	5,685,727	2,163,140	2,800,209
Inventory	10,662	218,890		
Prepaid cost of revenue	2,711,798	2,592,828	214,129	244,698
Prepaid expenses and other current assets	1,103,762	1,200,271	288,517	205,919
Contract asset	194,692	197,656	154,714	197,656
Assets of business held for sale			15,127,618	22,600,715
Total Current Assets	9,276,063	10,957,814	19,066,400	26,290,840
Property and equipment, net	3,215,636	3,677,474	889,343	1,052,637
Right of use asset, net	704,882	762,228	640,630	762,228
Intangible assets, net	3,261,830	3,778,244	2,594,861	3,546,580
Goodwill	30,334,588	31,519,844	19,900,550	19,900,550
Prepaid cost of revenue, net of current portion	674,352	888,255	33,787	32,375
Other assets	71,518	71,523	70,173	70,173
Total Assets	$ 47,538,869	$ 51,655,382	$ 43,195,744	$ 51,655,383
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued expenses	$ 15,114,789	$ 15,951,327	$ 8,508,360	$ 7,597,469
Deferred revenue	4,418,495	4,158,969	1,543,844	1,371,637
Lease liability	222,674	219,342	226,169	219,342
Loans payable	3,497,460	3,691,464	3,431,948	1,856,245
Line of credit	2,300,708	-	2,226,168	-
Convertible notes payable	2,050,000	2,050,000	2,050,000	2,050,000
Convertible notes payable, related party	5,000,000	-	5,000,000	-
Convertible notes payable	5,000,000	-	5,000,000	-
Liabilities of business held for sale			13,995,591	16,666,096
Total Current Liabilities	32,604,126	26,071,102	36,982,080	29,760,789
Long-term Liabilities:				
Deferred revenue, net of current portion	872,049	1,099,734	53,839	84,294
Loans payable, net of current portion	2,281,612	2,748,788	56,158	74,542
Convertible notes payable, related party	-	5,000,000	-	5,000,000
Lease liability, net of current portion	539,474	596,307	479,965	596,307

Total Liabilities	36,297,261	35,515,931	37,572,042	35,515,932
Commitments and Contingencies				
Stockholders' Equity:				
Common stock, $.00001 par value; 300,000,000 shares authorized; 12,138,569 and 11,949,959 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	121	119		
Preferred stock, $.00001 par value; 50,000,000 shares authorized; 0 shares issued and outstanding on March 31, 2024 and December 31, 2023, respectively	-	-		
Common stock, $.00001 par value; 300,000,000 shares authorized; 12,224,003 and 11,949,959 issued outstanding at June 30, 2024 and December 31, 2023, respectively			122	119
Preferred stock, $.00001 par value; 50,000,000 shares authorized; 0 shares issued and outstanding on June 30, 2024 and December 31, 2023, respectively			-	-
Additional paid-in capital	175,212,199	172,837,842	177,771,925	172,837,842
Accumulated translation adjustment	657,174	1,320,177	916,417	1,320,177
Accumulated deficit	(164,627,886)	(158,018,687)	(173,064,762)	(158,018,687)
Total Stockholders' Equity	11,241,608	16,139,451	5,623,702	16,139,451
Total Liabilities and Stockholders' Equity	$ 47,538,869	$ 51,655,382	$ 43,195,744	$ 51,655,383

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

CISO GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Revenue:		
Security managed services	$ 10,447,840	$ 11,766,133
Professional services	1,285,213	1,960,548
Cybersecurity software	100,283	-
Total revenue	11,833,336	13,726,681
Cost of revenue:		
Security managed services	4,655,484	5,560,563
Professional services	273,331	198,293
Cybersecurity software	30,505	-
Cost of payroll	4,787,340	5,800,657
Stock based compensation	1,097,250	1,768,084
Total cost of revenue	10,843,910	13,327,597
Total gross profit	989,426	399,084
Operating expenses:		
Professional fees	596,647	1,677,387
Advertising and marketing	28,306	115,394
Selling, general and administrative	4,997,203	9,508,766
Stock based compensation	1,107,022	3,628,975
Impairment of goodwill	-	20,199,368
Total operating expenses	6,729,178	35,129,890
Loss from operations	(5,739,752)	(34,730,806)
Other income (expense):		
Other income (expense)	702	(156,420)
Interest expense, net	(870,149)	(390,141)
Total other income (expense)	(869,447)	(546,561)
Loss before income taxes	(6,609,199)	(35,277,367)
Benefit from income taxes	-	(435,678)
Net loss	(6,609,199)	(34,841,689)
Foreign currency translation adjustment	(663,003)	2,036,962
Comprehensive loss	$ (7,272,202)	$ (32,804,727)
Net loss per common share - basic and diluted	$ (0.55)	$ (3.56)
Weighted average shares outstanding - basic	11,965,984	9,791,665
Weighted average shares outstanding - diluted	11,965,984	9,791,665

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue:				
Security managed services	$ 7,080,326	$ 7,564,288	$ 14,238,959	$ 15,055,076
Professional services	632,225	920,306	1,398,723	2,030,382
Cybersecurity software	95,874	-	196,157	-
Total revenue	7,808,425	8,484,594	15,833,839	17,085,458
Cost of revenue:				
Security managed services	2,334,703	2,717,462	4,888,652	5,182,315
Professional services	134,584	123,850	290,164	253,788
Cybersecurity software	28,264	-	58,769	-

Cost of payroll	3,176,818	3,814,030	6,658,726	8,422,386
Stock based compensation	1,200,147	1,697,181	2,297,397	3,465,265
Total cost of revenue	6,874,516	8,352,523	14,193,708	17,323,754
Total gross profit	933,909	132,071	1,640,131	(238,296)
Operating expenses:				
Professional fees	311,194	521,204	802,261	2,051,639
Advertising and marketing	6,322	47,231	32,760	153,621
Selling, general and administrative	3,605,280	4,731,090	7,583,874	9,514,610
Stock based compensation	1,252,720	2,115,039	2,359,742	5,744,014
Impairment of goodwill	-	16,330,839	-	31,776,820
Total operating expenses	5,175,516	23,745,403	10,778,637	49,240,704
Loss from operations	(4,241,607)	(23,613,332)	(9,138,506)	(49,479,000)
Other income (expense):				
Other income (expense)	(73,810)	197,147	(34,918)	30,230
Interest expense, net	(623,941)	(648,591)	(1,373,766)	(906,198)
Total other income (expense)	(697,751)	(451,444)	(1,408,684)	(875,968)
Loss from continuing operations before income taxes	(4,939,358)	(24,064,776)	(10,547,190)	(50,354,968)
Provision/(benefit) from income taxes	-	-	-	-
Loss from continuing operations	(4,939,358)	(24,064,776)	(10,547,190)	(50,354,968)
Loss from discontinued operations, net of income taxes(1)	(3,497,529)	(5,263,887)	(4,498,885)	(13,815,384)
Net Loss	(8,436,887)	(29,328,663)	(15,046,075)	(64,170,352)
Foreign currency translation adjustment	253,414	(416,236)	(403,760)	1,620,726
Comprehensive loss	$ (8,183,473)	(29,744,899)	(15,449,835)	$ (62,549,626)
Net loss per common share - basic and diluted:				
Continuing operations	$ (0.40)	$ (2.20)	$ (0.87)	$ (4.86)
Discontinued operations	(0.29)	(0.48)	(0.37)	(1.33)
	$ (0.69)	$ (2.68)	$ (1.24)	$ (6.19)
Weighted average shares outstanding - basic	12,213,362	10,945,224	12,089,673	10,371,610
Weighted average shares outstanding - diluted	12,213,362	10,945,224	12,089,673	10,371,610

(1) Includes recognized loss on assets held for sale of $3,349,799 for the three and six months ended June 30, 2024.

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

CISO GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (NOTE 2)
(Unaudited)

	Common Stock		Preferred Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Gain/(Loss)**	**Deficit**	**Total**
Balance at January 1, 2024	11,949,959	$ 119	-	$ -	$ 172,837,842	$ 1,320,177	$ (158,018,687)	$ 16,139,451
Stock based compensation - stock options	-	-	-	-	2,204,272	-	-	2,204,272
Stock issued for cash	41,254	1	-	-	48,086	-	-	48,087
Stock issued as lending discount	100,000	1	-	-	121,999	-	-	122,000
Stock adjustment after reverse stock split	47,356	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	(663,003)	-	(663,003)
Net loss	-	-	-	-	-	-	(6,609,199)	(6,609,199)
Balance at March 31, 2024	12,138,569	$ 121	-	$ -	$ 175,212,199	$ 657,174	$ (164,627,886)	$ 11,241,608
Balance at January 1, 2023	9,697,921	$ 97	-	$ -	$ 153,170,351	$ 1,062,247	$ (77,787,604)	$ 76,445,091
Stock based compensation - stock options	-	-	-	-	5,272,059	-	-	5,272,059
Stock issued for cash	449,353	4	-	-	3,143,143	-	-	3,143,147
Exercise of options	69,378	1	-	-	491,852	-	-	491,853
Foreign currency translation	-	-	-	-	-	2,036,962	-	2,036,962
Net loss	-	-	-	-	-	-	(34,841,689)	(34,841,689)
Balance at March 31, 2023	10,216,652	$ 102	-	$ -	$ 162,077,405	$ 3,099,209	$ (112,629,293)	$ 52,547,423

	Common Stock		Preferred Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	**Amount**	**Shares**	**Amount**	**Capital**	**Gain/(Loss)**	**Deficit**	**Total**

Balance at January 1, 2024	11,949,959	$ 119	-	$ -	$ 172,837,842	$ 1,320,177	$ (158,018,687)	$ 16,139,451
Stock based compensation - stock options	-	-	-	-	4,657,139	-	-	4,657,139
Stock issued for cash	126,688	2	-	-	154,945	-	-	154,947
Stock issued as lending discount	100,000	1	-	-	121,999	-	-	122,000
Stock adjustment after reverse stock split	47,356	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	(403,760)	-	(403,760)
Net loss	-	-	-	-	-	-	(15,046,075)	(15,046,075)
Balance at June 30, 2024	12,224,003	$ 122	-	$ -	$ 177,771,925	$ 916,417	$ (173,064,762)	$ 5,623,702
Balance at January 1, 2023	9,697,921	$ 97	-	$ -	$ 153,170,351	$ 1,062,247	$ (77,787,604)	$ 76,445,091
Stock based compensation - stock options	-	-	-	-	8,635,778	-	-	8,635,778
Stock based compensation - common stock	233,333	2	-	-	733,498	-	-	733,500
Stock issued for cash	1,782,658	18	-	-	6,682,180	-	-	6,682,198
Exercise of options	69,378	1	-	-	491,852	-	-	491,853
Foreign currency translation	-	-	-	-	-	1,620,726	-	1,620,726
Net loss	-	-	-	-	-	-	(64,170,352)	(64,170,352)
Balance at June 30, 2023	11,783,290	$ 118	-	$ -	$ 169,713,659	$ 2,682,973	$ (141,957,956)	$ 30,438,794

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

CISO GLOBAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31, 2024	March 31, 2023
Cash flows from operating activities:		
Net loss	$ (6,609,199)	$ (34,841,689)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation - stock options	2,204,272	5,272,059
Stock based compensation - common stock	-	125,000
Depreciation and amortization	760,281	1,050,193
Right of use amortization	57,346	28,432
Other	185,137	18,431
Impairment of intangible assets	-	3,116,039
Impairment of goodwill	-	20,199,368
Changes in operating assets and liabilities:		
Accounts receivable, net	1,711,217	1,974,401
Inventory	199,826	(6,382)
Contract assets	2,964	(79,916)
Prepaids and other current assets	(213,949)	(144,410)
Accounts payable and accrued expenses	(120,323)	1,723,688
Lease liability	(30,155)	-
Deferred revenue	443,950	(546,086)
Net cash used in operating activities	(1,408,633)	(2,110,872)
Cash flows from investing activities:		
Purchases of property and equipment	(75,571)	(182,839)
Net cash used in investing activities	(75,571)	(182,839)
Cash flows from financing activities:		
Proceeds from sale of common stock	48,087	3,143,147
Proceeds from stock option exercise	-	491,853
Proceeds from loan payable	2,201,984	2,000,000
Proceeds from convertible notes payable, related party	-	5,000,000
Proceeds from lines of credit	2,413,599	32,517
Payment on lines of credit	(137,634)	(61,673)
Payment on loans payable	(2,468,002)	(5,779,547)
Payment of convertible note payable	-	(500,000)
Payment of debt issuance cost	(44,000)	(87,500)
Net cash provided by financing activities	2,014,034	4,238,797
Effect of exchange rates on cash and cash equivalents	(75,283)	45,486
Net increase in cash and cash equivalents	454,547	1,990,572
Cash and cash equivalents - beginning of the period	1,062,442	1,833,163
Cash and cash equivalents - end of the period	$ 1,516,989	$ 3,823,735
Supplemental cash flow information:		
Cash paid for:		
Interest	$ 629,364	$ 349,107
Income taxes	$ -	$ -
Supplemental disclosure of non-cash transactions:		
Operating lease assets obtained in exchange for operating lease obligations	$ -	$ 733,782
Common stock issued as a lending discount	$ 122,000	$ -

	June 30, 2024	June 30, 2023
Cash flows from operating activities:		
Net loss	$ (15,046,075)	$ (64,170,352)

Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation - stock options	4,657,139	8,635,778
Stock based compensation - common stock	-	573,501
Depreciation and amortization	1,469,119	1,813,305
Right of use amortization	115,843	100,460
Other	306,679	43,750
Impairment of intangible assets	-	3,116,039
Impairment of goodwill	-	41,038,172
Loss on assets held for sale	3,349,799	-
Changes in operating assets and liabilities:		
Accounts receivable, net	2,099,324	(617,138)
Inventory	161,586	(46,776)
Contract assets	42,942	(43,807)
Prepaids and other current assets	144,392	(252,169)
Accounts payable and accrued expenses	(433,905)	4,172,201
Lease liability	(97,850)	(90,049)
Deferred revenue	551,385	408,125
Net cash used in operating activities	(2,679,622)	(5,318,960)
Cash flows from investing activities:		
Purchases of property and equipment	(83,095)	(148,866)
Net cash used in investing activities	(83,095)	(148,866)
Cash flows from financing activities:		
Proceeds from sale of common stock	154,947	6,682,198
Proceeds from stock option exercise	-	491,853
Proceeds from loan payable	4,273,823	2,210,022
Proceeds from convertible notes payable, related party	-	5,000,000
Proceeds from convertible note payable	-	1,050,000
Proceeds from lines of credit	2,564,589	144,307
Payment on lines of credit	(374,483)	(149,693)
Payment on loans payable	(3,406,538)	(7,297,980)
Payment of convertible note payable	-	(2,550,000)
Payment of debt issuance cost	(144,000)	(87,500)
Net cash provided by financing activities	3,068,338	5,493,207
Effect of exchange rates on cash and cash equivalents	(59,214)	13,631
Net increase in cash and cash equivalents	246,407	39,012
Cash and cash equivalents - beginning of the period	1,062,442	1,833,163
Cash and cash equivalents - end of the period	$ 1,308,849	$ 1,872,175
Reconciliation of cash and cash equivalents to the condensed consolidated financial statements		
Cash from continuing operations	$ 1,118,282	$ 1,799,682
Cash from discontinued operations	190,567	72,493
Total cash and cash equivalents, end of period	$ 1,308,849	$ 1,872,175
Supplemental cash flow information:		
Cash paid for:		
Interest	$ 1,083,769	$ 926,441
Income taxes	$ -	$ -
Supplemental disclosure of non-cash transactions:		
Operating lease assets obtained in exchange for operating lease obligations	$ -	$ 733,782
Common stock issued as a lending discount	$ 122,000	$ -

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

Unless otherwise indicated or the context requires otherwise, the terms "we," "us," "our," and "our company" refer to CISO Global, Inc., a Delaware corporation and its wholly owned subsidiaries. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

NOTE 1 – ORGANIZATION OF BUSINESS AND GOING CONCERN

Description of the Business

We are a cybersecurity, compliance and software company comprised of highly trained and seasoned security professionals who work with clients to enhance or create a better cyber posture in their organization. We provide a full range of cybersecurity consulting, related services and cybersecurity software, encompassing all three pillars of compliance, cybersecurity, and culture. Our services include secured managed services, compliance services, security operations center ("SOC") services, virtual Chief Information Security Officer ("vCISO") services, incident response, certified forensics, technical assessments, and cybersecurity training. We believe that culture is the foundation of every successful cybersecurity and compliance program. To deliver that outcome, we developed our unique offering of MCCP+ ("Managed Compliance & Cybersecurity Provider + Culture"), which is a holistic solution that provides all three of these pillars under one roof from a dedicated team of subject matter experts. In contrast to the majority of cybersecurity firms that are focused on a specific technology or service, we seek to differentiate ourselves by remaining technology agnostic, focusing on accumulating highly sought-after topic experts. We continually seek to identify and acquire cybersecurity talent to expand our service scope and geographical coverage to provide the best possible service for our clients. We believe that bringing together a world-class team of technological experts with multi-faceted expertise in the critical aspects of cybersecurity is key to providing technology agnostic solutions to our clients in a business environment that has suffered from a chronic lack of highly skilled professionals, thereby setting us apart from competitors and in-house security teams. Our goal is to create a culture of security and to help quantify, define, and capture a return on investment from information technology and cybersecurity spending.

Basis of Presentation

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), the instructions to Form 10-Q pursuant to regulations of the SEC, and include our accounts and the accounts of our subsidiaries. Certain information and disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although, we believe that the disclosures made are adequate to make the information not misleading. All material intercompany accounts and transactions have been eliminated.

Our interim financial statements are unaudited, and in our opinion, include all adjustments of a normal recurring nature necessary for the fair presentation of the periods presented. The results for the interim periods are not necessarily indicative of the results to be expected for any subsequent period or for the year ending December 31, 2024. These unaudited condensed consolidated financial statements and related notes should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2023.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, due to losses incurred, substantial doubt about our ability to continue as a going concern exists.

We are evaluating strategies to obtain the required additional funding for future operations. These strategies may include obtaining equity financing, issuing debt or entering into other financing arrangements, which may result in us taking the Company private and no longer operating as a publicly traded company, and restructuring operations to grow revenues and decrease expenses. However, we may be unable to access further equity or debt financing when needed. As such, there can be no assurance that we will be able to obtain additional liquidity when needed or under acceptable terms, if at all.

The ability for us to continue as a going concern is dependent upon our ability to successfully accomplish the plan and eventually attain profitable operations. The condensed consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if w we are were unable to continue as a going concern.

Reclassifications

Reclassifications of certain immaterial prior period amounts have been made to conform to the current period presentation.

Use of Estimates

GAAP requires management to make estimates and assumptions that affect the reported amounts in our unaudited condensed consolidated financial statements. We periodically evaluate our estimates and adjust prospectively, if necessary. We believe our estimates and assumptions are reasonable; however, actual results could materially differ.

We believe the critical accounting policies discussed below affect our more significant judgments and estimates used in the preparation of the accompanying unaudited condensed consolidated financial statements. Material estimates include the allowance for credit losses, the carrying value of intangible assets and goodwill, deferred tax asset and valuation allowance, the estimated fair value of assets acquired, liabilities assumed and stock issued in business combinations, and assumptions used in the Black-Scholes option pricing model, such as expected volatility, risk-free interest rate, share price, and expected dividend rate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Our revenue is derived from three major types of services to clients: security managed services, professional services and software. With respect to security managed services, we provide culture education and enablement, tools and technology provisioning, data and privacy monitoring, regulations and compliance monitoring, remote infrastructure administration, and cybersecurity services, including, but not limited to, antivirus and patch management. With respect to professional services, we provide cybersecurity consulting, compliance auditing, vulnerability assessment and penetration testing, and disaster recovery and data backup solutions.

Our revenue is categorized and disaggregated as reflected in our unaudited condensed consolidated statement of operations as follows:

Security Managed Services

Security managed services revenue primarily consists of risk compliance, cyber defense operations, and secured managed services. We consider these services to be a single performance obligation, and revenue is recognized as services and materials are provided to the customer.

Professional Services

Professional services revenue primarily consists of security testing and training, and incident response and digital forensics. We consider these services to be a single performance obligation, and revenue is recognized in the period in which the performance obligations are satisfied.

Cybersecurity Software

Cybersecurity software revenue primarily consists of our internally developed cybersecurity software designed to provide a security management platform, protect users from untrusted and malicious online threats, provide proactive security monitoring, and deliver continuous security assessments. We consider these services to be a single performance obligation, and revenue is recognized in the period in which the performance obligations are satisfied.

Accounts Receivable

Accounts receivable are reported at their outstanding unpaid principal balances, net of allowances for credit losses. We periodically assess our accounts and other receivables for collectability on a specific identification basis. We provide for allowances for credit losses based on management's estimate of uncollectible amounts considering age, collection history, and any other factors considered appropriate. Payments are generally due within 30 days of invoice. We write off accounts receivable against the allowance for credit losses when a balance is determined to be uncollectible. As of March 31, 2024 June 30, 2024 and December 31, 2023, our allowance for credit losses was $220,714 185,562 and $219,141, respectively.

Reverse Stock Split

On February 29, 2024, our board of directors approved a 1-for-15 reverse stock split of our common stock. The record date for the reverse stock split was the close of business on March 7, 2024, with share distribution occurring on March 8, 2024. As a result of the reverse stock split, stockholders received one share of CISO Global, Inc. common stock, par value $0.00001, for each 15 shares they held as of the record date. All share and per share amounts have been retroactively restated for the effects of this reverse stock split. Common stock underlying our outstanding warrants, convertible notes, and options have also been adjusted, and the conversion and exercise prices have also been adjusted.

Net Loss per Common Share

Net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. For dilutive securities, all outstanding options and warrants are considered potentially outstanding common stock. The dilutive effect, if any, of stock options is calculated using the treasury stock method. All outstanding convertible notes are considered common stock at the beginning of the period or at the time of issuance, if later, pursuant to the if-converted method. Since the effect of common stock equivalents are anti-dilutive with respect to losses, the options, warrants and shares issuable upon conversion thereof have been excluded from our computation of net loss per common share for the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Our shares of outstanding common stock and earnings per share calculation have been retroactively restated for all periods presented to reflect our 1-for-15 reverse stock split. The following tables summarize the securities that were excluded from the diluted per share calculation because the effect of including these potential shares was antidilutive due to our net loss position even though the exercise price could be less than the average market price of the common shares:

	March 31, 2024	March 31, 2023	June 30, 2024	June 30, 2023
Stock options	1,951,206	2,151,036	1,847,780	2,324,968
Warrant	49,614	9,614	49,614	49,614
Convertible debt	874,672	300,598	881,616	277,778
Total	2,875,292	2,461,248	2,779,010	2,652,360

Deferred Revenue

Deferred revenue primarily consists of billings or payments received from customers in advance of revenue recognized for the services provided to our customers or annual licenses and is recognized as services are performed or ratably over the life of the license. We generally invoice customers in advance or in milestone-based installments.

Deferred revenue consisted of the following:

	March 31, 2024	December 31, 2023
Current:		
Security managed services	$ 3,702,690	$ 3,366,273
Professional services	622,017	792,696
Software	93,788	-
Total deferred revenue - current	$ 4,418,495	$ 4,158,969
Long-term:		
Security managed services	$ 872,049	$ 1,099,734
Total deferred revenue – long term	$ 872,049	$ 1,099,734

	June 30, 2024	December 31, 2023
Current:		
Security managed services	$ 867,222	$ 578,941
Professional services	570,213	792,696
Software	106,409	-
Total deferred revenue - current	$ 1,543,844	$ 1,371,637
Long-term:		
Security managed services	$ 53,839	$ 84,294
Total deferred revenue – long term	$ 53,839	$ 84,294

The increase in the deferred revenue balance is primarily driven by payments received in advance of satisfying our performance obligations, offset by $1,528,220 957,839 of revenue recognized during 2024, which was included in the deferred revenue balance as of December 31, 2023. The deferred revenue balance as of March 31, 2024 June 30, 2024 represents our remaining performance obligations that will be recognized as revenue over the period in which the performance obligations are satisfied, and is expected to be recognized in revenue as follows:

	Remainder of 2024	2025	2026	2027	2028	Total	Remainder of 2024	2025	2026	2027	Total
Security managed services	$ 3,391,764	$ 831,821	$ 285,304	$ 50,871	$ 14,979	$ 4,574,739	$ 559,379	$ 266,541	$ 23,396	$ 6,778	$ 856,094
Professional services	622,017	-	-	-	-	622,017	635,180	-	-	-	635,180
Software	93,788	-	-	-	-	93,788	106,409	-	-	-	106,409
Total deferred revenue	$ 4,107,569	$ 831,821	$ 285,304	$ 50,871	$ 14,979	$ 5,290,544	$ 1,300,968	$ 266,541	$ 23,396	$ 6,778	$ 1,597,683

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities, including tax loss and credit carry forwards, are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We utilize ASC 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the unaudited condensed consolidated financial statements or tax returns. We account for income taxes using the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax rates. A valuation allowance is recorded when it is “more likely than not” that a deferred tax asset will not be realized. At March 31, 2024 June 30, 2024, our net deferred tax asset has been fully reserved.

For uncertain tax positions that meet a “more likely than not” threshold, we recognize the benefit of uncertain tax positions in the unaudited condensed consolidated financial statements. Our practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the unaudited condensed consolidated statements of operations when a determination is made that such expense is likely.

Recent Accounting Pronouncements

In November 2023, the Financial Standards Accounting Board (FASB) issued guidance to update reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. This update is effective for our 2024 fiscal year and interim periods in fiscal year 2025, with early adoption permitted. We are currently evaluating the impact that the adoption of this standard will have on our condensed consolidated financial statements.

In December 2023, the FASB issued guidance to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this guidance require additional disclosures about income taxes, primarily focused on the disclosures of income taxes paid and the rate reconciliation table. The new guidance will be effective for the 2025 fiscal year, with early adoption permitted. We are currently evaluating the impact of this standard on our disclosures within our consolidated financial statements.

NOTE 3 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

We committed to a formal plan to sell our Latin America subsidiaries to focus on our US-based operations and development and marketing of our internally developed cybersecurity software. On July 1, 2024, as discussed in Note 16, we entered into an agreement to sell our Latin America subsidiaries. Accordingly, we have separately presented our Latin America subsidiaries assets and liabilities as held for sale in our condensed consolidated balance sheets and have reported its operating results within discontinued operations in our condensed consolidated statement of operations.

The table below provides a reconciliation of the carrying amounts of the major classes of assets and liabilities of discontinued operations to the amounts presented in our balance sheets.

	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 190,567	$ 820,799
Accounts receivable, net	1,261,581	2,885,518
Inventory	52,511	218,890
Prepaid cost of revenue	3,315,675	3,204,010
Prepaid expenses and other assets	393,594	995,702
Property and equipment	2,209,044	2,624,837
Intangible assets, net	184,600	231,664
Goodwill	7,520,046	11,619,295
Assets of business held for sale	$ 15,127,618	$ 22,600,715
Accounts payable and accrued expenses	$ 6,557,367	$ 8,353,859
Deferred revenue	3,948,982	3,802,772
Loans payable	3,489,242	4,509,465
Liabilities of business held for sale	$ 13,995,591	$ 16,666,096

The table below provides the total revenue and loss of the discontinued operations presented in our statements of operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	$ 4,579,249	$ 7,040,400	$ 8,387,171	$ 12,166,217
Cost of revenue	3,567,711	6,160,637	7,092,426	10,517,003
Operating expenses	971,312	6,038,643	2,097,362	15,673,232
Other expense	187,956	105,007	346,469	227,044
Loss from discontinued operations before income taxes	(147,730)	(5,263,887)	(1,149,086)	(14,251,062)
Benefit from income taxes	-	-	-	435,678
Loss from assets held for sale, net of tax	(3,349,799)	-	(3,349,799)	-
Loss from discontinued operations	$ (3,497,529)	$ (5,263,887)	$ (4,498,885)	$ (13,815,384)

Cash flows from operating activities of discontinued operations was $223,831 and $738,860 for the six months ended June 30, 2024 and 2023, respectively.

Cash used in investing activities of discontinued operations was $83,095 and $77,932 for the six months ended June 30, 2024 and 2023, respectively.

NOTE 3 4 –PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of:

	March 31, 2024	December 31, 2023
Prepaid expenses	$ 575,474	$ 253,953
Prepaid taxes	460,920	886,920
Prepaid insurance	67,368	59,398
Total prepaid expenses and other current assets	$ 1,103,762	$ 1,200,271

	June 30, 2024	December 31, 2023
Prepaid expenses	$ 247,894	$ 146,521
Prepaid insurance	40,623	59,398
Total prepaid expenses and other current assets	$ 288,517	$ 205,919

NOTE 4 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Computer equipment	$ 1,188,222	$ 1,277,609	$ 414,214	$ 414,214
Building	1,539,476	1,715,929		
Leasehold improvements	476,092	527,705	25,791	25,791
Furniture and fixtures	123,454	128,904	75,698	75,698
Software	1,710,533	1,728,126	879,642	879,642
	5,037,777	5,378,273	1,395,345	1,395,345
Less: accumulated depreciation	(1,822,141)	(1,700,799)	(506,002)	(342,708)
Property and equipment, net	$ 3,215,636	$ 3,677,474	$ 889,343	$ 1,052,637

Total depreciation expense was $267,408 79,482 and $305,705 45,378 for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively and was $163,294 and $91,647 for the six months ended June 30, 2024 and 2023, respectively.

NOTE 5 6 – INTANGIBLE ASSETS AND GOODWILL

Goodwill

The following table summarizes the changes in goodwill during the three six months ended March 31, 2024 June 30, 2024:

Balance as of December 31, 2023		
Goodwill	$ 98,792,625	$ 71,525,609
Accumulated impairment losses	(67,272,781)	(51,625,059)
	31,519,844	19,900,550
Foreign currency translation adjustment	(1,185,256)	
Balance March 31, 2024		
Balance June 30, 2024		
Goodwill	95,114,652	71,525,609
Accumulated impairment losses	(64,780,064)	(51,625,059)
	$ 30,334,588	$ 19,900,550

Intangible Assets

Intangible assets, net are summarized as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		March 31, 2024			June 30, 2024	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradenames – trademarks	$ 4,006,938	$ (2,592,933)	$ 1,414,005	$ 3,835,981	$ (2,705,006)	$ 1,130,975
Customer base	1,133,894	(632,441)	501,453	572,048	(280,660)	291,388
Non-compete agreements	649,262	(625,450)	23,812	487,400	(474,393)	13,007
Intellectual property/technology	2,552,964	(1,230,404)	1,322,560	2,455,879	(1,296,388)	1,159,491
	$ 8,343,058	$ (5,081,228)	$ 3,261,830	$ 7,351,308	$ (4,756,447)	$ 2,594,861

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		December 31, 2023			December 31, 2023	

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradenames – trademarks	$ 4,037,142	$ (2,329,498)	$ 1,707,644	$ 3,835,981	$ (2,138,946)	$ 1,697,035
Customer base	1,145,378	(639,937)	505,441	572,048	(245,357)	326,691
Non-compete agreements	685,651	(630,595)	55,056	487,400	(450,181)	37,219
Intellectual property/technology	2,588,560	(1,078,457)	1,510,103	2,455,879	(970,244)	1,485,635
	$ 8,456,731	$ (4,678,487)	$ 3,778,244	$ 7,351,308	$ (3,804,728)	$ 3,546,580

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The weighted average remaining useful life of identifiable amortizable intangible assets is 2.53 2.40 years as of March 31, 2024 June 30, 2024.

Amortization of identifiable intangible assets for the three months ended March 31, 2024 June 30, 2024 and 2023 was $492,873 474,562 and $747,172 517,655, respectively, and $951,719 and $1,050,498 for the six months ended June 30, 2024 and 2023, respectively.

Based on the balance of intangible assets at March 31, 2024 June 30, 2024, expected future amortization expense is as follows:

2024 (remainder of)	**$ 1,309,498**	**$ 792,645**
2025	**977,433**	**921,139**
2026	**765,758**	**709,464**
2027	**110,741**	**73,213**
2028	**49,200**	**49,200**
Thereafter	**49,200**	**49,200**
	$ 3,261,830	**$ 2,594,861**

NOTE 6 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following amounts:

	March 31, 2024	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
Accounts payable	**$ 9,966,197**	**$ 11,045,657**	**$ 4,717,845**	**$ 4,766,294**
Accrued payroll and bonuses	**1,968,158**	**1,873,848**	**1,511,935**	**1,167,804**
Accrued expenses	**2,203,842**	**1,650,624**	**1,284,630**	**1,032,270**
Accrued commissions	**95,647**	**100,000**	**61,857**	**100,000**
Indirect taxes payable	**217,047**	**793,347**	**23,840**	**53,277**
Accrued interest	**663,898**	**487,851**	**908,253**	**477,824**
Total accounts payable and accrued expenses	**$ 15,114,789**	**$ 15,951,327**	**$ 8,508,360**	**$ 7,597,469**

NOTE 7 8 – RELATED PARTY TRANSACTIONS

Independent Consulting Agreement with Stephen Scott

In July 2023, we entered into an Independent Consulting Agreement with Stephen Scott, a significant stockholder due to his beneficial ownership, to provide, on a non-exclusive basis, advisory and consulting services relating to our strategic and business development, intellectual property development, banking relationships, and strategic M&A for a period of one year. Mr. Scott will receive a consulting fee of $15,000 per month for such services under the terms of this agreement. During the three months ended March 31, 2024 June 30, 2024 and 2023, we paid consulting fees to Mr. Scott in the amounts of $45,000 and $34,500, respectively, and $90,000 and $69,000 during the six months ended June 30, 2024 and 2023, respectively.

Managed Services Agreement with Hensley Beverage Company – Related Party

In July 2021, we entered into a 1-year Managed Services Agreement with Hensley Beverage Company to provide secured managed services. We also may be engaged by Hensley Beverage Company from time to time to provide other related services outside the scope of the Managed Services Agreement. While the agreement provides for a term through December 31, 2021, the agreement will continue until terminated by either party. For the three months ended March 31, 2024 June 30, 2024 and 2023, we received $1,123,322 52,592 and $212,006 295,086, respectively, and for the six months ended June 30, 2024 and 2023, we received $1,175,914 and $507,092, respectively, from Hensley Beverage Company for contracted services, and had an outstanding receivable balance of zero and $152,213as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively. The payments received during the three six months ended March 31, 2024 June 30, 2024, included a payment of $543,743 for future services, of which $206,005. remains outstanding. Andy McCain, a director of our company, is President and Chief Executive Officer of Hensley & Company, the parent company of Hensley Beverage Company.

Convertible Note Payable with Hensley & Company

In March 2023, we issued an unsecured convertible note to Hensley & Company in the principal amount of $5,000,000 bearing an interest rate of 10.00% per annum. The principal amount, together with accrued and unpaid interest is due on March 20, 2025. At any time prior to or on the maturity date, Hensley & Company is permitted to convert all or any portion of the outstanding principal amount and all accrued but unpaid interest thereon into shares of our common stock at a conversion price of $18.00 per share. During the quarter three months ended March 31, 2024 June 30, 2024 and 2023, we recorded interest expense of $125,000, and during the six months ended June 30, 2024 and 2023, we recorded interest expense of $250,000 and $13,888 138,888, respectively. As of March 31, 2024 June 30, 2024 and December 31, 2023, we had accrued interest of $513,888 638,888 and $388,888, respectively. Mr. McCain, a director of our company, is President and Chief Operating Executive Officer of Hensley & Company.

NOTE 8 9 – STOCKHOLDERS' EQUITY

Options

We granted stock options vesting solely upon the continued service of the recipient. We recognize the accounting grant date fair value of equity-based awards as compensation expense over the required service period of each award.

The following table summarizes stock option activity:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2024	2,105,168	$ 31.63	-	-	2,105,168	$ 31.63	-	-
Granted	33,953	1.68	-	-	33,953	1.68	-	-
Exercised	-	-	-	-	-	-	-	-
Expired or cancelled	(187,915)	18.06	-	-	(291,341)	15.86	-	-
Outstanding at March 31, 2024	1,951,206	$ 32.09	4.68	$ 40,666				
Exercisable at March 31, 2024	1,428,347	$ 30.08	3.62	$ 40,666				
Outstanding at June 30, 2024					1,847,780	$ 33.33	4.48	$ 19,266
Exercisable at June 30, 2024					1,430,724	$ 32.05	3.55	$ 19,266

Total compensation expense related to the options was $2,204,272 2,452,867 and $5,272,059 3,363,719 for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $4,657,139 and $8,635,778 for the six months ended June 30, 2024 and 2023, respectively. As of March 31, 2024 June 30, 2024, there was future compensation expense of $13,903,674 11,102,176 with a weighted average recognition period of 1.63 1.41 years related to the options.

The weighted-average grant-date fair value of options granted during the three months ended March 31, 2024 June 30, 2024 was $1.34. The total intrinsic value of options exercised during the three and six months ended March 31, 2024 June 30, 2024, was zero.

During the three six months ended March 31, 2024 June 30, 2024, 127,182 194,090 options vested, net of forfeitures.

Warrant Activity Summary

The following table summarizes warrant activity:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2024	49,614	$ 17.56	4.12	-	49,614	$ 17.56	4.12	-
Granted	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired or cancelled	-	-	-	-	-	-	-	-
Outstanding at March 31, 2024	49,614	$ 17.56	3.87	$ -				
Exercisable at March 31, 2024	49,614	$ 17.56	3.87	$ -				
Outstanding at June 30, 2024					49,614	$ 17.56	3.62	$ -
Exercisable at June 30, 2024					49,614	$ 17.56	3.62	$ -

NOTE 9 10 – COMMITMENTS AND CONTINGENCIES

Legal Claims

There are no material pending legal proceedings in which we or any of our subsidiaries are a party or in which any of our directors, officers or affiliates, any owner of record or beneficially of more than 5% of any class of our voting securities, or security holder is a party adverse to us or has a material interest adverse to us.

Indirect Taxes

We are subject to indirect taxation in some, but not all, of the various states and foreign jurisdictions in which we conduct business. Laws and regulations attempting to subject commerce conducted over the Internet to various indirect taxes are becoming more prevalent, both in the U.S. and internationally, and may impose additional burdens on us in the future. Increased regulation could negatively affect our business directly, as well as the business of our customers. Taxing authorities may impose indirect taxes on the Internet-related revenue we generated based on regulations currently being applied to similar, but not directly comparable industries. There are many transactions and calculations where the ultimate indirect tax determination is uncertain. In addition, domestic and international indirect taxation laws are complex and subject to change. We may be audited in the future, which could result in changes to our indirect tax estimates. We continually evaluate those jurisdictions in which nexus exists, and believe we maintain adequate indirect tax accruals.

As of March 31, 2024 June 30, 2024 and December 31, 2023, our accrual for estimated indirect tax liabilities was $217,047 23,840 and $774,298 53,277, respectively, reflecting our best estimate of the potential liability based on an analysis of our business activities, revenues subject to indirect taxes, and applicable regulations. Although we believe our indirect tax estimates and associated liabilities are reasonable, the final determination of indirect tax audits, litigation, or settlements could be materially different than the amounts established for indirect tax contingencies.

Warranties

Our services are generally warranted to deliver and operate in a manner consistent with general industry standards that are reasonably applicable and materially conform with our documentation under normal use and circumstances.

We offer a limited warranty to certain customers, subject to certain conditions, to cover certain costs incurred by the customer in case of a security breach. We have entered into an insurance policy to cover our potential liability arising from this limited warranty arrangement. We have not incurred any material costs related to such obligations and have not accrued any liabilities related to such obligations in the unaudited condensed consolidated financial statements as of March 31, 2024 June 30, 2024 and 2023. December 31, 2023.

In addition, we also indemnify certain of our directors and executive officers against certain liabilities that may arise while they are serving in good faith in their company capacities. We maintain director and officer liability insurance coverage that would generally enable us to recover a portion of any future amounts paid.

NOTE 10 11 – LOANS PAYABLE AND LINES OF CREDIT

Loans Payable

Loans payable was as follows:

	Interest Rate	Maturities	March 31, 2024	December 31, 2023	Interest Rate	Maturities	June 30, 2024	December 31, 2023
Term loans (US dollar denominated)	4.00% – 71.55 %	2024 - 2027	$ 2,163,922	$ 1,899,035	4.00% – 71.55 %	2024 - 2027	$ 3,488,106	$ 1,930,787
Term loans (Chilean peso denominated)	3.48% - 19.20 %	2024 - 2029	3,615,150	4,541,217				
			5,779,072	6,440,252				
Less, current portion			(3,497,460)	(3,691,464)			(3,431,948)	(1,856,245)
Long term loans payable			$ 2,281,612	$ 2,748,788			$ 56,158	$ 74,542

15 16

Term Loans

Various subsidiaries in the United States are borrowers under certain term loans. These term loans require monthly principal and interest payments. These term loans are secured by various assets owned by our subsidiaries. We recorded aggregate interest expense on these term loans of $2,469 1,526 and $6,222 32,257 for the three months ended March 31, 2024 June 30, 2024 and 2023, respectively, and $3,995 and $38,479 for the six months ended June 30, 2024 and 2023, respectively. Accrued interest as of March 31, 2024 and December 31, 2023 was $2,286 and zero, respectively. The aggregate effective interest rate of the term loans is 6.44%.

Our Latin America subsidiaries are the borrowers under certain term loans denominated in Chilean Pesos. These term loans require monthly principal and interest payments. These term loans are secured by various assets owned by our subsidiaries. We recorded aggregate interest expense on these term loans of $97,367 and $135,916 for the three months ended March 31, 2024 and 2023, respectively. Accrued interest as of March 31, 2024 June 30, 2024 and December 31, 2023 was zero. The aggregate effective interest rate of the term loans is 9.425.94%.

In November 2023, we entered into a business loan and security agreement with LendSpark Corporation, pursuant to which we obtained a loan with a principal amount of $2,200,000 and paid an origination fee of $44,000. The business loan bears interest at a rate of 53.44% per annum and is payable in 52 weekly installments of $53,731. We may prepay the loan in whole or in part, but partial repayments do not reduce the total interest payable on the loan, of $594,000. The business loan is secured by all of the assets of our US subsidiaries. The proceeds of the loan were used to repay in full the amount owned under our cash advance agreements that we entered into in March and August 2023. For the three and six months ended March 31, 2024 June 30, 2024, we recorded interest expense of zero and $564,529. , respectively.

In connection with the business loan, we entered into a fee agreement, pursuant to which we issued 133,334 shares (2,000,000 on a pre-reverse split basis) of our common stock as partial consideration for the lender to enter into the business loan and extend credit to us. We recorded the issuance of our common stock as a discount to the business loan, which is amortized using the effective interest method over the term of the loan.

On March 28, 2024, under a trouble debt restructuring, we entered into a Business Loan and Security Agreement (the “Loan Agreement” with LendSpark Corporation (the “Lender”), pursuant to which we obtained a restructured loan with a principal amount of $2,200,000 (the “Restructured Loan”) from the Lender. Pursuant to the Loan Agreement, we paid the Lender a $44,000 origination fee. The Restructured Loan bears interest at a rate of 51.73% per annum and is payable in 52 weekly installments of $53,308, commencing on April 5, 2024. We may prepay the Loan in whole or in part, but partial repayments do not reduce the total interest payable on the Loan, or $572,000. If the Restructured Loan is prepaid in full prior to the 60-day anniversary of the date of the Loan Agreement, the total interest is reduced as follows: (i) if the Loan is repaid within 30 days, the total amount of interest due will be $242,000, and (ii) if the Restructured Loan is repaid within 60 days, the total amount of interest due will be $286,000.Loan.

Pursuant to the Loan Agreement, we granted the Lender a security interest in all if our assets and the assets of our U.S. subsidiaries (the “Collateral”) that is secondary to the security interest held by Aion. Upon the occurrence of an event of default, the Lender may, among other things, accelerate the Loan and declare all obligations immediate immediately due and payable or take possession of the Collateral.

In connection with Restructured Loan, we entered into a Fee Agreement (the “Fee Agreement”) with the Lender pursuant to which we issued 100,000 shares of our common stock, par value $0.00001 per share (the “Shares”) as partial consideration for the Lender’s agreement to enter into the Loan Agreement and extend credit to us. Pursuant to the Fee Agreement, if we repay the Restructured Loan in full by (i) May 1, 2024, the Lender will return 75% of the Shares to us, and (ii) June 1, 2024, the Lender will return 50% of the Shares to us. The Fee Agreement contains customary representations, warranties, agreements and obligations of the parties. For the three and six months ended June 30, 2024, we recorded interest expense of $304,670.

In June 2024, we entered into a Subordinated Business Loan and Security Agreement with Agile Capital Funding, LLC (“Agile”), pursuant to which we obtained a loan with a principal amount of $2,000,000 plus an administrative agent fee paid of $100,000. The Subordinated Business Loan bears an effective interest rate of 147.82% per annum and is payable in 30 weekly installments. The first 4 installments due are $75,000 followed by 26 installments of $103,154. We may prepay the Subordinated Business Loan in whole or in part, but partial repayments do not reduce the total interest payable on the Subordinated Business Loan of $882,000. If the Subordinated Business Loan is repaid in full prior to the 60-day anniversary of the date of the Subordinated Business Loan and Security Agreement, the total interest is reduced as follows: (i) if repaid within 30 days, the total amount of interest due will be $399,000, (ii) if repaid within 45 days, the total amount of interest due will be $504,000, and (iii) if repaid within 60 days, the total amount of interest due will be $609,000. As of June 30, 2024, Agile had funded $1,750,000 of the Subordinated Business Loan with the remaining $250,000 funded on July 1, 2024. For the three and six months ended June 30, 2024, we recorded interest expense of zero.

Pursuant to the Subordinated Loan Agreement, we granted Agile a security interest in the Collateral that is tertiary to the security interest held by Aion and LendSpark. Upon the occurrence of an event of default, Agile may, among other things, accelerate the Subordinated Business Loan and declare all obligations immediately due and payable or take possession of the Collateral. We may use proceeds from the Subordinated Business Loan for general corporate purposes, which includes working capital, capital expenditures, and repayment of debt.

Line of Credit

On January 31, 2024, we entered into a Loan and Security Agreement (the “Loan and Security Agreement”) with Aion Financial Technologies, Inc. (“Aion”), pursuant to which we may borrow up to $3,500,000. The amount available for borrowing at any one time is limited to 80% of our eligible accounts receivable. The Loan and Security Agreement will bear interest at a rate of 19.25% per annum (based on a 360-day year), payable on the first business day of each month following the accrual thereof. The Loan and Security Agreement, together with accrued and unpaid interest thereon, is due on January 30, 2025 (the “Maturity Date”). Upon providing 30 days written notice we may terminate the Loan and Security Agreement, subject to an early termination fee of $35,000. Upon the occurrence of an “Event of Default” (as defined in the Loan Security Agreement and including the failure to make required payments when due after specified grace periods, certain breaches and certain specified insolvency events), Aion would have the right to accelerate payments due, which from after such acceleration would bear interest at a default rate of 29.25% per annum. The Loan and Security Agreement is secured by our assets.

We used proceeds from the Loan and Security Agreement to repay our business loan entered into November 2023 and may use for general corporate purposes, which includes working capital, capital expenditures, and repayment of debt. For the three and six months ended March 31, 2024 June 30, 2024, we recorded interest expense of $14,874 139,785. and $154,659, respectively. Accrued interest as of March 31, 2024 June 30, 2024 was $zero 79,487.

Convertible Notes Payable

In March 2023, we issued an unsecured convertible note to Hensley & Company in the principal amount of $5,000,000 bearing an interest rate of 10.00% per annum. The principal amount, together with accrued and unpaid interest is due on March 20, 2025. At any time prior to or on the maturity date, Hensley & Company is permitted to convert all or any portion of the outstanding principal amount and all accrued but unpaid interest thereon into shares of our common stock at a conversion price of $18.00 per share ($1.20 on a pre-reverse split basis). During the three months ended March 31, 2024 June 30, 2024 and 2023, we recorded interest expense of $125,000, and for the six months ended June 30, 2024 and 2023, we recorded interest expense of $250,000 and $13,888 138,888, respectively. Accrued As of June 30, 2024 and December 31, 2023, we had accrued interest as of March 31, 2024 and December 31, 2023 was $513,888 638,888 and $388,888, respectively. Mr. McCain, a director of our company, is President and Chief Executive Officer of Hensley & Company.

In June 2023, we issued an unsecured convertible note in the principal amount of $1,050,000 bearing an interest rate of 10.00% per annum payable monthly. The principal amount, together with accrued and unpaid interest is due on June 7, 2024. At any time prior to or on the maturity date the holder is permitted to convert all of the outstanding principal amount into 4.20% of the authorized units of our wholly owned subsidiary vCISO, LLC. We recorded interest expense of $27,603 20,857 and $5,480 for the three months ended March 31, 2024. June 30, 2024 and 2023, and $48,460 and $5,480 for the six months ended June 30, 2024 and 2023, respectively. Accrued interest as of March 31, 2024 June 30, 2024 and December 31, 2023 was $89,557 110,414 and $61,954, respectively.

In June 2024, we entered into Amendment #1 to extend the maturity date of the $1,050,000 unsecured convertible note to December 15, 2024. In exchange for an extension of the maturity date, we agreed to repay on September 30, 2024, all accrued, but unpaid interest as of June 30, 2024 on the convertible note. All remaining accrued, but unpaid interest will be due at maturity on December 15, 2024.

In October 2023, we issued an unsecured convertible note in the principal amount of $1,000,000 bearing an interest rate of 12.00% per annum payable monthly. The principal amount, together with accrued and unpaid interest is due on October 12, 2024. At any time prior to or on the maturity date the holder is permitted to convert all of the outstanding principal amount into shares of our common stock at a conversion price of $1.7595 per share ($0.1173 on a pre-reverse split basis). We recorded interest expense of $31,184 32,131 and $63,315 for the three and six months ended March 31, 2024 June 30, 2024. Accrued interest as of March 31, 2024 June 30, 2024 and December 31, 2023 was $58,167 90,298 and $26,983, respectively.

In June 2024, we entered into Amendment #1 to extend the maturity date of the $1,000,000 unsecured convertible note to December 15, 2024. In exchange for an extension of the maturity date, we agreed to repay on September 30, 2024, all accrued, but unpaid interest as of June 30, 2024 on the convertible note. All remaining accrued, but unpaid interest will be due at maturity on December 15, 2024.

Future minimum payments under the above loans payable and convertible notes payable due as of March 31, 2024 June 30, 2024 were as follows:

2024 (remainder of)	**$ 5,058,542**	**$ 4,623,617**
2025	**9,029,108**	**8,301,017**
2026	**486,453**	**33,495**
2027	**265,291**	**3,615**
2028	**222,089**	
Thereafter	**304,559**	
Total future minimum payments	**15,366,042**	**12,961,744**
Less: discount	**(236,262)**	**(197,470)**
	15,129,780	**12,764,274**
Less: current	**(12,848,168)**	**(12,708,116)**
	$ 2,281,612	**$ 56,158**

NOTE 11 12 – LEASES

We have entered into various non-cancellable operating lease agreements for certain offices. These leases currently have lease periods expiring through 2028. The lease agreements may include one or more options to renew. Renewals were not assumed in our determination of the lease term unless the renewals were deemed to be reasonably assured at lease commencement. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. The components of lease costs, weighted-average lease term, and discount rates are detailed below.

When measuring lease liabilities for leases that were classified as operating leases, we discounted lease payments using our estimated incremental borrowing rate at commencement date of each lease. The weighted average incremental borrowing rate applied was 9.99 10.10%. As of March 31, 2024 June 30, 2024, our leases had a remaining weighted average term of 3.51 3.37years.

Operating leases are included in the unaudited condensed consolidated balance sheets as follows:

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Lease cost		
Operating lease cost (cost resulting from lease payments)	$ 73,996	$ 270,638
Short term lease cost	16,165	156,828
Net lease cost	$ 90,161	$ 427,466
Operating lease – operating cash flows (fixed payments)	$ 73,996	$ 270,638
Operating lease – operating cash flows (liability reduction)	$ 53,502	$ 199,069
Non-current leases – right of use assets	$ 704,882	$ 762,228
Current liabilities – operating lease liabilities	$ 222,674	$ 219,342
Non-current liabilities – operating lease liabilities	$ 539,474	$ 596,307

	Classification	June 30, 2024	December 31, 2023
Lease assets			
Operating lease cost ROU assets	Assets	$ 640,630	$ 762,228
Total lease assets		$ 640,630	$ 762,228
Lease liabilities			
Operating lease liabilities, current	Current liabilities	$ 226,169	$ 219,342
Operating lease liabilities, non-current	Liabilities	479,965	596,307
Total lease liabilities		$ 706,134	$ 815,649

The components of lease costs, which are included in loss from operations in our unaudited condensed consolidated statements of operations, were as follows:

	Six Months Ended June 30,	
	2024	2023
Leases costs		
Operating lease costs	$ 149,369	$ 117,331
Short term lease cost	42,639	45,823
Total lease costs	$ 192,008	$ 163,154

Future minimum payments under non-cancelable leases for operating leases for the remaining terms of the leases following the three six months ended March 31, 2024 June 30, 2024 were as follows:

Fiscal Year	**Operating Leases**	Operating Leases
2024 (remainder of)	**$ 220,152**	$ 144,779
2025	**252,513**	252,513
2026	**199,177**	199,177
2027	**205,145**	205,145
2028	**51,914**	51,896
Total future minimum lease payments	**928,901**	853,510
Amount representing interest	**(166,753)**	(147,376)
Present value of net future minimum lease payments	**$ 762,148**	$ 706,134

NOTE 12 13 – CONCENTRATION OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

Our financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents. Although we deposit cash with multiple banks, these deposits, including those held in foreign branches of global banks, may exceed the amount of insurance provided on such deposits. These deposits may generally be redeemed upon demand and bear minimal risk.

No single customer represented over 10% of our total revenue for any period presented.

18 19

NOTE 13 14 – GEOGRAPHIC INFORMATION

Revenue by geography is based on the customer's billing address All of our revenue and was as follows:

	March 31, 2024		March 31, 2023	
U.S.	$	8,045,743	$	8,600,864
Chile		3,691,673		4,891,318
All other countries		95,920		234,499
	$	11,833,336	$	13,726,681

Property and equipment, net by geography was as follows:

	March 31, 2024		December 31, 2023	
U.S.	$	968,825	$	1,052,637
Chile		2,245,960		2,623,881
All other countries		851		956
	$	3,215,636	$	3,677,474

No other international country represented more than 10% of property and equipment net in any period presented.from continuing operations is located within the U.S.

NOTE 14 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents AOCI activity in equity:

	Foreign Currency Translation Adjustments		Total AOCI	
Balance as of December 31, 2023	$	1,320,177	$	1,320,177
Other comprehensive income		(663,003 403,760)		(663,003 403,760)
Amounts reclassified from AOCI		-		-
Balance as of March 31, 2024 June 30, 2024	$	657,174 916,417	$	657,174 916,417

NOTE 16 – SUBSEQUENT EVENTS

On July 1, 2024, we entered into a stock purchase agreement with Southford Equities, Inc. (the "Arkavia SPA") to sell 100% of the outstanding shares of our wholly owned subsidiary Ocean Point Equities, Inc., in exchange for 194,267 shares of our common stock owned by the owners of Southford Equities, Inc. and nominal cash consideration ($1.00 dollar).

On July 1, 2024, we entered into a stock purchase agreement with CT Group, LP, Datadeck LP, Woodface, LP, VMT Technologies, LP and Quijote Ventures, LP (the "CUATROi SPA") to sell 100% of the outstanding shares of our wholly owned subsidiaries Servicios Informaticos CUATROi SpA, Comercializadora CUATROi SpA, CUATROi Peru, SAC, and CUATROi SAS, in exchange for 135,795 shares of our common stock owned by the owners of CT Group, LP, Datadeck LP, Woodface, LP, VMT Technologies, LP and Quijote Ventures, LP and nominal cash consideration ($5.00 dollars).

On July 1, 2024, we entered into a stock purchase agreement with Itada Equities, Inc.. (the "NLT SPA") to sell 100% of the outstanding shares of our wholly owned subsidiaries NLT Networks, S.P.A., NLT Technologias, Limitada, NLT Servicios Profesionales, S.P.A. and White and Blue Solutions, LLC., in exchange for 172,075 shares of our common stock owned by the owners of Itada Equities, Inc. and nominal cash consideration ($1.00 dollar).

Our Board of Directors approved the collective sales of our subsidiaries under each of the Arkavia SPA, CUATROi SPA, and NLT SPA. We classified the assets and liabilities to be disposed in connection with the Arkavia SPA, CUATROi SPA, and NLT SPA as held-for-sale which are measured at the lower of (i) the carrying value when we classified the disposal group as held-for-sale and (ii) the fair value of the disposal group, less costs to sell. The classification as held-for-sale was considered an event or change in circumstance which requires an assessment of the goodwill and intangible assets of the disposal group for impairment each reporting period until the disposal.

Proforma unaudited financial statements

The historical condensed consolidated financial statement has been adjusted to reflect factually supportable items that are directly attributable to the disposals based upon the Arkavia SPA, CUATROi SPA and NLT SPA, and, with respect to the unaudited pro forma statement of operations, are expected to have a continuing impact on the results of operations of the Company.

The unaudited pro forma financial statement has been prepared by CISO Global's management in a manner consistent with the accounting policies adopted by the Company and are not necessarily indicative of the financial position or results of operations that would have been realized had the disposal been completed as of the dates indicated, nor are they meant to be indicative of the Company's anticipated financial position or future results of operations that the Company will experience after the disposal.

The following unaudited proforma financial statement is based on, and should be read in conjunction with:

Our historical audited consolidated financial statements, related notes, and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K as of and for the year ended December 31, 2023, filed on April 16, 2024.

CISO GLOBAL, INC. AND SUBSIDIARIES
UNAUDITED PROFORMA CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR YEAR ENDED DECEMBER 31, 2023

	As Reported (1)	Pro Forma Adjustments (2)	As Adjusted
Revenue:			
Security managed services	$ 50,078,925	$ 19,769,415	$ 30,309,510
Professional services	6,979,832	3,348,203	3,631,629
Total revenue	57,058,757	23,117,618	33,941,139
Cost of revenue:			
Security managed services	23,671,605	13,720,445	9,951,160
Professional services	900,582	306,334	594,248
Cost of payroll	21,613,207	5,621,147	15,992,060
Stock based compensation	4,823,829	-	4,823,829
Total cost of revenue	51,009,223	19,647,926	31,361,297
Total gross profit	6,049,534	3,469,692	2,579,842
Operating expenses:			
Professional fees	3,695,187	484,562	3,210,625
Advertising and marketing	474,121	24,890	449,231
Selling, general and administrative	26,744,543	8,506,747	18,237,796
Stock based compensation	7,712,671	-	7,712,671
Impairment of goodwill	45,194,717	15,405,875	29,788,842
Total operating expenses	83,821,239	24,422,074	59,399,165
Loss from operations	(77,771,705)	(20,952,382)	(56,819,323)
Other income (expense):			
Other income	(13,640)	(259,560)	245,920
Interest expense, net	(2,881,416)	(614,843)	(2,266,573)
Total other income (expense)	(2,895,056)	(874,403)	(2,020,653)
Loss before income taxes	(80,666,761)	(21,826,785)	(58,839,976)
Benefit from income taxes	(435,678)	(435,678)	-
Net loss	(80,231,083)	(21,391,107)	(58,839,976)
Foreign currency translation adjustment	257,930	257,930	-
Comprehensive loss	$ (79,973,153)	$ (21,133,177)	$ (58,839,976)
Net loss per common share - basic and diluted	$ (7.22)		$ (5.29)
Weighted average shares outstanding - basic	11,117,316		11,117,316
Weighted average shares outstanding - diluted	11,117,316		11,117,316

(1) As reported on the Company's Annual Report on Form 10-K for the year-ended December 31, 2023.

(2) Due to a change in strategy, management recommended and in July 2024 the Company's Board of Directors approved the decision to divest of the LATAM subsidiaries.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the audited financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Unless otherwise indicated or the context requires otherwise, the terms "we," "us," "our," and "our company" refer to CISO Global Inc., a Delaware corporation, and its wholly owned subsidiaries. Unless otherwise specified, all dollar amounts are expressed in U.S. dollars.

First Second Quarter 2024 Highlights

Our operating results for the three six months ended March 31, 2024 June 30, 2024 included the following:

- Total revenue decreased by $1.9 million $1.2 million to $11.8 million $15.8 million for the three six months ended March 31, 2024 June 30, 2024, as compared to the three six months ended March 31, 2023 June 30, 2023.
- Total gross profit increased to $0.6 million $1.6 million for the three six months ended March 31, 2024 June 30, 2024, as compared to ($0.2) million for the three six months ended March 31, 2023 June 30, 2023.
- Gross profit percentage increased to 10.4% for the six months ended June 30, 2024, as compared to (1.4%) for the six months ended June 30, 2023.
- Improved our net loss from continuing operations to $10.5 million for the six months ended June 30, 2024, as compared to $50.4 million for the six months ended June 30, 2023.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 June 30, 2024 to the Three Months Ended March 31, 2023 June 30, 2023

Our financial results for the three months ended March 31, 2024 June 30, 2024 are summarized as follows in comparison to the three months ended March 31, 2023 June 30, 2023:

	Three Months Ended June 30,		
	2024	2023	Variance
Revenue:			
Security managed services	$ 7,080,326	$ 7,564,288	$ (483,962)
Professional services	632,225	920,306	(288,081)
Cybersecurity software	95,874	-	95,874
Total revenue	7,808,425	8,484,594	(676,169)
Cost of revenue:			
Security managed services	2,334,703	2,717,462	(382,759)
Professional services	134,584	123,850	10,734
Cybersecurity software	28,264	-	28,264
Cost of payroll	3,176,818	3,814,030	(637,212)
Stock based compensation	1,200,147	1,697,181	(497,034)
Total cost of revenue	6,874,516	8,352,523	(1,478,007)
Total gross profit	933,909	132,071	801,838
Operating expenses:			
Professional fees	311,194	521,204	(210,010)
Advertising and marketing	6,322	47,231	(40,909)
Selling, general, and administrative	3,605,280	4,731,090	(1,125,810)
Stock-based compensation	1,252,720	2,115,039	(862,319)
Impairment of goodwill	-	16,330,839	(16,330,839)
Total operating expenses	5,175,516	23,745,403	(18,569,887)
Loss from operations	(4,241,607)	(23,613,332)	19,371,725
Other income (expense):			
Other income (expense)	(73,810)	197,147	(270,957)
Interest expense, net	(623,941)	(648,591)	24,650
Total other income (expense)	(697,751)	(451,444)	(246,307)
Loss before income taxes	$ (4,939,358)	$ (24,064,776)	$ 19,125,418

	Three Months Ended March, 31		
	2024	2023	Variance
Revenue:			
Security managed services	$ 10,447,840	$ 11,766,133	$ (1,318,293)
Professional services	1,285,213	1,960,548	(675,335)
Cybersecurity software	100,283	-	100,283
Total revenue	11,833,336	13,726,681	(1,893,345)

Cost of revenue:			
Security managed services	4,655,484	5,560,563	(905,079)
Professional services	273,331	198,293	75,038
Cybersecurity software	30,505	-	30,505
Cost of payroll	4,787,340	5,800,657	(1,013,317)
Stock based compensation	1,097,250	1,768,084	(670,834)
Total cost of revenue	10,843,910	13,327,597	(2,483,687)
Total gross profit	989,426	399,084	590,342
Operating expenses:			
Professional fees	596,647	1,677,387	(1,080,740)
Advertising and marketing	28,306	115,394	(87,088)
Selling, general, and administrative	4,997,203	9,508,766	(4,511,563)
Stock-based compensation	1,107,022	3,628,975	(2,521,953)
Impairment of goodwill	-	20,199,368	(20,199,368)
Total operating expenses	6,729,178	35,129,890	(28,400,712)
Loss from operations	(5,739,752)	(34,730,806)	28,991,054
Other income (expense):			
Other income (expense)	702	(156,420)	157,122
Interest expense, net	(870,149)	(390,141)	(480,008)
Total other income (expense)	(869,447)	(546,561)	(322,886)
Loss before income taxes	$ (6,609,199)	$ (35,277,367)	$ 28,668,168

2022

Revenue

Security managed services revenue decreased by $1,318,293, $483,962, or 11% 6%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, primarily due to higher lower hardware sales in our Latin American region for the three months ended March 31, 2023. and software sales.

Professional services revenue decreased by $675,335, $288,081, or 34% 31%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, primarily due to lower volumes of project work in Latin America. customer projects.

Cybersecurity software revenue increased by $100,283, $95,874, or 100%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, primarily due to the initial launch of our suite of internally developed cybersecurity software products.

Expenses

Cost of Revenue

Security managed services cost of revenue decreased by $905,079, $382,759, or 16% 14%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, primarily due to higher lower hardware sales in our Latin American region for the three months ended March 31, 2023.
and software sales.

Professional services cost of revenue increased by $75,038, $10,734, or 38% 9%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, due to our increased steady use of consultants.

Cybersecurity software cost of revenue increased by $30,505, $28,264, or 100%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, primarily due to the initial launch of our suite of internally developed cybersecurity software products.

Cost of payroll decreased by $1,013,317, $637,212, or 17%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, primarily due to headcount reductions.

Stock-based compensation expenses decreased by $670,834, $497,034, or 38% 29%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, due to outstanding option awards becoming fully vested, a decrease in the amount of new stock options awarded to our revenue generating employees, and the decline in our share price which produces a lower fair value of our option awards to recognize as stock-based compensation.

Operating Expenses

Professional fees decreased by $1,080,740, $210,010, or 64% 40%, for the three months ended March 31, 2024 June 30, 2024 as compared to three months ended March 31, 2023 June 30, 2023, due to an a decrease in accounting, legal, and other professional fees incurred related to our periodic SEC filings and our efforts to raise additional capital.

Advertising and marketing expenses decreased by $87,088, $40,909, or 75% 87%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, due to utilization of more internal marketing resources.

Selling, general, and administrative expenses decreased by $4,511,563, $1,125,810, or 47% 24%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, primarily due to our analysis of our carrying amount of intangible assets being impaired for the three months ended March 31, 2023 June 30, 2023, reductions in headcount, and lower costs for insurance and lease expenses for the three months ended March 31, 2024 June 30, 2024.

Stock based compensation expenses decreased by $2,521,953, $862,319, or 69% 41%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, due to outstanding option awards becoming fully vested, a decrease in the amount of new stock options awarded to our employees, and the decline in our share price which produces a lower fair value of our option awards to recognize as stock-based compensation.

Impairment of goodwill decreased by $20,199,368, $16,330,839, or 100%, for the three months ended March 31, 2024 June 30, 2024 as compared to the three months ended March 31, 2023 June 30, 2023, due to our analysis of our carrying amount of goodwill being impaired in 2023.

Comparison of the Six Months Ended June 30, 2024 to the Three Months Ended June 30, 2023

Our financial results for the six months ended June 30, 2024 are summarized as follows in comparison to the six months ended June 30, 2023:

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Variance
Revenue:			
Security managed services	$ 14,238,959	$ 15,055,076	$ (816,117)
Professional services	1,398,723	2,030,382	(631,659)
Cybersecurity software	196,157	-	196,157
Total revenue	15,833,839	17,085,458	(1,251,619)
Cost of revenue:			
Security managed services	4,888,652	5,182,315	(293,663)
Professional services	290,164	253,788	36,376
Cybersecurity software	58,769	-	58,769
Cost of payroll	6,658,726	8,422,386	(1,763,660)
Stock based compensation	2,297,397	3,465,265	(1,167,868)
Total cost of revenue	14,193,708	17,323,754	(3,130,046)
Total gross profit	1,640,131	(238,296)	1,878,427
Operating expenses:			
Professional fees	802,261	2,051,639	(1,249,378)
Advertising and marketing	32,760	153,621	(120,861)
Selling, general, and administrative	7,583,874	9,514,610	(1,930,736)
Stock-based compensation	2,359,742	5,744,014	(3,384,272)
Impairment of goodwill	-	31,776,820	(31,776,820)
Total operating expenses	10,778,637	49,240,704	(38,462,067)
Loss from operations	(9,138,506)	(49,479,000)	40,340,494
Other income (expense):			
Other income (expense)	(34,918)	30,230	(65,148)
Interest expense, net	(1,373,766)	(906,198)	(467,568)
Total other income (expense)	(1,408,684)	(875,968)	(532,716)
Loss before income taxes	$ (10,547,190)	$ (50,354,968)	$ 39,807,778

Revenue

Security managed services revenue decreased by $816,117, or 5%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to lower hardware and software sales.

Professional services revenue decreased by $631,659, or 31%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to lower customer projects.

Cybersecurity software revenue increased by $196,157, or 100%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to the initial launch of our suite of internally developed cybersecurity software products.

Expenses

Cost of Revenue

Security managed services cost of revenue decreased by $293,663, or 6%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to lower hardware and software sales.

Professional services cost of revenue increased by $36,376, or 14%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, due to our increased use of consultants.

Cybersecurity software cost of revenue increased by $58,769, or 100%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to the initial launch of our suite of internally developed cybersecurity software products.

Cost of payroll decreased by $1,763,660, or 21%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to headcount reductions.

Stock-based compensation expenses decreased by $1,167,868, or 34%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, due to outstanding option awards becoming fully vested, a decrease in the amount of new stock options awarded to our revenue generating employees, and the decline in our share price which produces a lower fair value of our option awards to recognize as stock-based compensation.

Operating Expenses

Professional fees decreased by $1,249,378, or 61%, for the six months ended June 30, 2024 as compared to six months ended June 30, 2023, due to a decrease in accounting, legal, and other professional fees incurred related to our periodic SEC filings and our efforts to raise additional capital.

Advertising and marketing expenses decreased by $120,861, or 79%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, due to utilization of more internal marketing resources.

Selling, general, and administrative expenses decreased by $1,930,736, or 20%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to our analysis of our carrying amount of intangible assets being impaired for the six months ended June 30, 2023, reductions in headcount, and lower costs for insurance and lease expenses for the six months ended June 30, 2024.

Stock based compensation expenses decreased by $3,384,272, or 59%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, due to outstanding option awards becoming fully vested, a decrease in the amount of new stock options awarded to our employees, and the decline in our share price which produces a lower fair value of our option awards to recognize as stock-based compensation.

Impairment of goodwill decreased by $31,776,820, or 100%, for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, due to our analysis of our carrying amount of goodwill being impaired in 2023.

Liquidity and Capital Resources

The accompanying condensed consolidated financial statements have been prepared on the basis that we will continue as a going concern, which contemplates the realization of assets and satisfying liabilities in the normal course of business. For the three six months ended March 31, 2024 June 30, 2024, we incurred a net loss of $6,609,199 $15,046,075 and negative cash flows from operations of $1,408,632 $2,679,622 and expect to incur further losses through the end of 2024. In the report accompanying our financial statements for the year ended December 31, 2023, our independent registered public accounting firm stated that our financial statements were prepared assuming that we would continue as a going concern and that they have substantial doubt as to our ability to do so based on our recurring losses from operations and need to raise additional capital. These condensed consolidated financial statements do not include any adjustments relating to the recoverability of assets and the amount or classification of liabilities that might be necessary should we be unable to continue as a going concern.

As of March 31, 2024 June 30, 2024, we had $291,301,171 $291,190,324 of available funding under our Shelf Registration Statement on From S-3 from which we may issue our securities to fund current and future operations, assuming there is adequate demand for our securities.

Working Capital Deficit

Our working capital deficit as of March 31, 2024 June 30, 2024 in comparison to our working capital deficit as of December 31, 2023, is summarized as follows:

	As of		As of	
	March 31, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Current assets	$ 9,276,063	$ 10,957,814	$ 3,938,782	$ 3,690,125
Current liabilities	32,604,126	26,071,102	22,986,489	13,094,693
Working capital deficit	$ (23,328,063)	$ (15,113,288)	$ (19,047,707)	$ (9,404,568)

The decrease increase in current assets is primarily due to an increase increases in our cash and cash equivalents from borrowings and collection of $454,547, accounts receivable, offset by a decrease in accounts receivable net, due to the timing of $1,947,567. receipt of customer payments. The increase in current liabilities is primarily due to our $5,000,000 related party convertible note becoming coming due within the next year in March 2025 and net borrowings on our new line of credit and short-term borrowings of $2,300,708. $3,628,473.

Cash Flows

Our cash flows for the three six months ended March 31, 2024 June 30, 2024 in comparison to our cash flows for the three six months ended March 31, 2023 June 30, 2023, can be summarized as follows:

	Three Months ended March 31,		Six Months ended June 30,	
	2024	2023	2024	2023
Net cash used in operating activities	$ (1,408,633)	$ (2,110,872)	$ (2,679,622)	$ (5,318,960)
Net cash used in investing activities	(75,571)	(182,839)	(83,095)	(148,866)
Net cash provided by financing activities	2,014,034	4,238,797	3,068,338	5,493,207
Effect of exchange rates on cash and cash equivalents	(75,283)	45,486	(59,214)	13,631
Increase in cash			$ 246,407	$ 39,012

Operating Activities

Net cash used in operating activities was $1,408,633 $2,679,622 for the three six months ended March 31, 2024 June 30, 2024 and was primarily due to cash used to fund a net loss of $6,609,199, $15,046,075, adjusted for non-cash expenses in the aggregate of $3,207,036 $9,898,579 and additional cash inflow by changes in the levels of operating assets and liabilities, primarily as a result of a decrease in accounts receivables, net, and an increase in deferred revenue. Net cash used in operating activities was $2,110,872 $5,318,960 for the three six months ended March 31, 2023 June 30, 2023 and was primarily due to cash used to fund a net loss of $34,841,689, $64,170,352, adjusted for non-cash expenses in the aggregate of $29,809,522 $55,321,005 and additional cash inflow by changes in the levels of operating assets and liabilities, primarily as a result of an increase in accounts receivable, prepaid and other current assets, deferred revenue and accounts payable and accrued expenses.

Investing Activities

Net cash used in investing activities of $75,571 $83,095 for the three six months ended March 31, 2024 June 30, 2024 was due to purchases of property and equipment. Net cash used in investing activities of $182,839 $148,866 for the three six months ended March 31, 2023 June 30, 2023 was due to purchases of property and equipment.

Financing Activities

Net cash provided by financing activities for the three six months ended March 31, 2024 June 30, 2024 was $2,014,034, $3,068,338, which was primarily due to cash received from borrowings on our loans payable and lines of credit, net of debt issuance cost, of $4,571,583, $6,694,412, offset by $2,605,636 $3,781,021 in repayments of our loans payable and lines of credit. Net cash provided by financing activities for the three six months ended March 31, 2023 June 30, 2023 was $4,238,797, $5,493,207, which was primarily due to cash received from the sale of our common stock of $3,143,147, $1,912,500 $6,682,198, $2,122,522 in net proceeds from our loan loans payable, and $5,000,000 $6,050,000 in proceeds from a related party convertible note notes payable, offset by aggregate repayments on loans payable and a convertible note notes payable of $6,279,547. $9,847,980.

Based on our current business plan, we believe our cash balance as of the date of this filing, together with anticipated revenues and additional debt or equity financing, will be sufficient to meet our anticipated cash requirement for the near term. Upon obtaining additional debt of equity financing new investors may require that we take the Company private and no longer operate as a publicly traded company. However, there can be no assurance that the current business plan will be achievable. Such conditions raise substantial doubts about our ability to continue as a going concern for one year from the date the condensed consolidated financial statements are issued.

Our existence is dependent upon our ability to develop profitable operations. We are devoting substantially all of our efforts to developing our business, reducing overhead costs, and raising capital, although there can be no assurance that our efforts will be successful. No assurance can be given that our actions will result in profitable operations or the resolution of liquidity problems. The accompanying condensed consolidated financial statements do not include any adjustments that might result should we be unable to continue as a going concern.

In order to improve our liquidity, in addition to a planned reduction reductions in overhead costs, we are actively pursuing additional debt and/or equity financing through discussions with investment bankers and private investors. There can be no assurance that we will be successful in our efforts to secure additional financing.

The financial statements do not include any adjustments relating to the recoverability of assets and the amount or classification of liabilities that might be necessary should we be unable to continue as a going concern.

Critical Accounting Policies and Estimates

Our critical accounting policies are more fully described in the notes to our condensed consolidated financial statements included herein for the quarter ended March 31, 2024 June 30, 2024 and in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on April 16, 2024.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the periods. Our material estimates and assumptions include the allowance for credit losses, the carrying value of intangible assets and goodwill, deferred tax asset and valuation allowance, the estimated fair value of assets acquired, liabilities assumed and stock issued in business combinations, and assumptions used in the Black-Scholes option pricing model, such as expected volatility, risk-free interest rate, share price, and expected dividend rate. Certain of our estimates, including the carrying amount of intangible assets and goodwill, could be affected by external conditions, including those unique to us and general economic conditions. It is reasonably possible that these external factors could have an effect on our estimates and could cause actual results to materially differ from those estimates.

Fair Value Measurement

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in the valuation of an asset or liability. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; or

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Intangible Assets

Intangible assets are comprised of trademarks, customer bases, non-compete agreements, and intellectual property with original estimated useful lives with a range of 2 to 10 years. Once placed into service, we amortize the cost of intangible assets over their estimated useful lives on a straight-line basis.

Goodwill

Goodwill represents the excess of the purchase price of the acquired business over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized but is tested for impairment at the reporting unit level at least annually at year end or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and revenue multiple approaches. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit.

Impairment of Long-Lived and Intangible Assets

We will periodically evaluate the carrying value of long-lived and intangible assets to be held and used when events and circumstances warrant such a review and at least annually. The carrying value of a long-lived and intangible asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived and intangible assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

Stock-Based Compensation

We measure the cost of services received in exchange for an award of equity instruments based on the fair value of the award. The fair value of the award is measured on the grant date. Awards granted to directors are treated on the same basis as awards granted to employees.

Revenue Recognition

Our agreements with clients are primarily service contracts that range in duration from a few months to one year. We recognize revenue when control of these services is transferred to the client for an amount, referred to as the transaction price, which reflects the consideration to which we are expected to be entitled in exchange for those goods or services.

A contract with a client exists only when:

- the parties to the contract have approved it and are committed to perform their respective obligations;
- we can identify each party's rights regarding the distinct services to be transferred ("performance obligations");
- we can determine the transaction price for the services to be transferred; and
- the contract has commercial substance, and it is probable that we will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the client.

For the majority of our contracts, we receive non-refundable upfront payments. We do not adjust the promised amount of consideration for the effects of a significant financing component since we expect, at contract inception, that the period between the time of transfer of the promised goods or services to the client and the time the client pays for these goods or services to be generally one year or less. Our credit terms to clients generally average 30 days, although in some cases payments are required in 15 days.

We do not disclose the value of unsatisfied performance obligations for contracts with original expected duration of one year or less.

Our revenue is categorized and disaggregated as reflected in our statements of operations as follows:

Security Managed Services

Security managed services revenue primarily consists of compliance, security managed services, SOC managed services, and vCISO. We consider these services to be a single performance obligation, and revenue is recognized as services and materials are provided to the customer.

Professional Services

Professional services revenue primarily consists of technical assessments, incident response and forensics, training, and other cybersecurity services. We consider these services to be a single performance obligation, and revenue is recognized in the period in which the performance obligations are satisfied.

Cybersecurity Software

Cybersecurity revenue primarily consists of our internally developed software products CHECKLIGHT Endpoint Security Monitoring, ARGO Security Management, CISO Edge Cloud Security Platform, DISC Net Gen VPN and Skanda Breach Assessment Tool. Each software offering is a single performance obligation, and we begin revenue recognition upon provisioning of our cybersecurity software to our customers and recognize ratably over the duration of the service period. We currently do not bundle our cybersecurity software with other product offerings and as a result, judgment is not required to determine standalone selling price.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2024 June 30, 2024, our disclosure controls and procedures were effective. This does not include an evaluation by our independent registered public accounting firm regarding our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024 June 30, 2024, that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not a party to any material legal proceedings.

ITEM 1A. RISK FACTORS

We have disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 16, 2024, risk factors that materially affect our business, financial condition, or results of operations. There have been no material changes from the risk factors previously disclosed.

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

In March 2024, we issued 100,000 shares of our common stock to LendSpark Corporation as additional consideration to enter into a loan agreement in which we received gross proceeds of $2,200,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

During the quarter ended March 31, 2024 June 30, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading agreement" or a "non-Rule 10b5-1 trading agreement" (in each case, defined in Item 408 of Regulation S-K).

ITEM 6. EXHIBITS

		Incorporated by Reference		
Exhibit Number	**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**
3.1	Certificate of Amendment of Amended and Restated By-Laws of the Registrant	8-K	3.1	03/07/2024
31.1*	Rule 13a-14(a) / 15d-14(a) Certification of Principal Executive Officer			
31.2*	Rule 13a-14(a) / 15d-14(a) Certification of Principal Financial Officer			
32.1	Section 1350 Certification of Principal Executive Officer			
32.2	Section 1350 Certification of Principal Financial Officer			
101.INS*	Inline XBRL Instance Document			
101.SCH*	Inline XBRL Taxonomy Extension Schema Document			
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

*Filed herewith.
#Management contracts and compensatory plans and arrangements.

SIGNATURES

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

CISO GLOBAL, INC.

By: */s/ David G. Jemmett*
David G. Jemmett
Chief Executive Officer
(Principal Executive Officer)
Date: May 20, August 14, 2024

By: */s/ Debra L. Smith*
Debra L. Smith
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Date: May 20, August 14, 2024

28 31

Exhibit 31.1

CISO GLOBAL, INC.
CERTIFICATE PURSUANT TO SECTION 302

I, David G. Jemmett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CISO Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

By: */s/ David G. Jemmett*
David G. Jemmett
Chief Executive Officer
(Principal Executive Officer)
Date: May 20, August 14, 2024

Exhibit 31.2

CISO GLOBAL, INC.
CERTIFICATE PURSUANT TO SECTION 302

I, Debra L. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CISO Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By:	*/s/ Debra L. Smith*
	Debra L. Smith
	Chief Financial Officer
	(Principal Financial Officer and Principal Accounting Officer)
Date:	May 20, August 14, 2024

Exhibit 32.1

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

In connection with this Quarterly Report on Form 10-Q of CISO Global, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

By:	*/s/ David G. Jemmett*
	David G. Jemmett
	Chief Executive Officer
	(Principal Executive Officer)
Date:	May 20, August 14, 2024

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of CISO Global, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

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

In connection with this Quarterly Report on Form 10-Q of CISO Global, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

By:	*/s/ Debra L. Smith*
	Debra L. Smith
	Chief Financial Officer
	(Principal Financial Officer and Principal Accounting Officer)
Date:	May 20, August 14, 2024

This certification accompanies the Quarterly Report on Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of CISO Global, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

DISCLAIMER