REFINITIV

DELTA REPORT

10-Q

USIO - USIO, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	822
CHANGES	222
DELETIONS	308
ADDITIONS	292

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

FORM 10-Q

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

For the quarterly period ended September 30, 2023 March 31, 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: 000-30152

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

Nevada	98-0190072
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3611 Paesanos Parkway, Suite 300, San Antonio, TX	78231
(Address of principal executive offices)	(Zip Code)

(210) 249-4100
(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 on each exchange on which registered
Common stock, par value $0.001 per share	USIO	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 smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	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 Act). ☐ Yes ☒ No

As of November 6, 2023 May 13, 2024, the number of outstanding shares of the registrant's common stock was 26,307,286. 26,430,824.

USIO, INC.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

USIO, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(Unaudited)		(Unaudited)	
Assets				
Current assets:				
Cash and cash equivalents	$ 7,396,285	$ 5,709,117	$ 7,053,812	$ 7,155,687
Accounts receivable, net	5,203,618	4,371,640	4,862,227	5,564,138
Settlement processing assets	41,765,059	49,737,068	41,030,860	44,899,603
Prepaid card load assets	58,839,602	20,170,761	28,698,878	31,578,973
Customer deposits	1,578,498	1,554,122	1,808,263	1,865,731
Inventory	400,839	507,355	429,577	422,808
Prepaid expenses and other	740,208	450,389	687,415	444,071
Current assets before merchant reserves	115,924,109	82,500,452	84,571,032	91,931,011
Merchant reserves	5,336,545	4,909,501	5,322,095	5,310,095
Total current assets	121,260,654	87,409,953	89,893,127	97,241,106
Property and equipment, net	2,904,564	3,222,816	3,478,654	3,660,092
Other assets:				
Intangibles, net	1,971,460	2,625,360	1,535,366	1,753,333
Deferred tax asset, net	1,504,000	1,504,000	1,504,000	1,504,000
Operating lease right-of-use assets	2,551,443	2,795,483	2,318,388	2,420,782
Other assets	355,357	355,357	335,357	355,357
Total other assets	6,382,260	7,280,200	5,693,111	6,033,472
Total assets	$ 130,547,478	$ 97,912,969	$ 99,064,892	$ 106,934,670
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$ 1,274,681	$ 858,622	$ 896,293	$ 1,031,141
Accrued expenses	4,150,298	3,721,108	2,778,067	3,801,278
Operating lease liabilities, current portion	795,928	617,319	490,184	633,616
Equipment loan, current portion	28,896	56,429	180,906	107,270
Settlement processing obligations	41,765,059	49,737,068	41,030,860	44,899,603
Prepaid card load obligations	58,839,602	20,170,761	28,698,878	31,578,973
Customer deposits	1,578,498	1,554,122	1,808,263	1,865,731
Current liabilities before merchant reserve obligations	108,432,962	76,715,429	75,883,451	83,917,612
Merchant reserve obligations	5,336,545	4,909,501	5,322,095	5,310,095
Total current liabilities	113,769,507	81,624,930	81,205,546	89,227,707
Non-current liabilities:				
Equipment loan, non-current portion	—	14,994		
Operating lease liabilities, non-current portion	1,892,785	2,338,947		
Equipment loan, net of current portion			630,913	718,980
Operating lease liabilities, net of current portion			1,955,333	1,919,144
Total liabilities	115,662,292	83,978,871	83,791,792	91,865,831
Commitments and contingencies				
Stockholders' equity:				

Preferred stock, $0.01 par value, 10,000,000 shares authorized; -0- shares outstanding at September 30, 2023 (unaudited) and December 31, 2022, respectively	—	—		
Common stock, $0.001 par value, 200,000,000 shares authorized; 28,506,406 and 27,044,900 issued, and 26,377,589 and 25,097,963 outstanding at September 30, 2023 (unaudited) and December 31, 2022, respectively	196,932	195,471		
Preferred stock, $0.01 par value, 10,000,000 shares authorized; -0- shares outstanding at March 31, 2024 (unaudited) and December 31, 2023, respectively			—	—
Common stock, $0.001 par value, 200,000,000 shares authorized; 28,779,206 and 28,661,406 issued, and 26,412,259 and 26,332,523 outstanding at March 31, 2024 (unaudited) and December 31, 2023, respectively			197,194	197,087
Additional paid-in capital	97,105,455	94,048,603	97,632,948	97,479,830
Treasury stock, at cost; 2,128,537 and 1,946,937 shares at September 30, 2023 (unaudited) and December 31, 2022, respectively	(3,974,156)	(3,749,027)		
Treasury stock, at cost; 2,366,947 and 2,339,083 shares at March 31, 2024 (unaudited) and December 31, 2023, respectively			(4,406,973)	(4,362,150)
Deferred compensation	(7,078,957)	(5,697,900)	(6,561,728)	(6,907,775)
Accumulated deficit	(71,364,088)	(70,863,049)	(71,588,341)	(71,338,153)
Total stockholders' equity	14,885,186	13,934,098	15,273,100	15,068,839
Total liabilities and stockholders' equity	$ 130,547,478	$ 97,912,969	$ 99,064,892	$ 106,934,670

See the accompanying notes to the condensed interim consolidated financial statements.

USIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	$ 20,520,441	$ 16,395,760	$ 63,228,391	$ 50,722,789
Cost of services	16,325,793	13,261,240	49,121,210	40,819,236
Gross profit	4,194,648	3,134,520	14,107,181	9,903,553
Selling, general and administrative:				
Stock-based compensation	594,815	515,992	1,677,258	1,540,375
Other SG&A expenses	4,293,869	3,679,484	12,021,110	11,323,326
Depreciation and amortization	518,573	640,599	1,559,601	2,163,468
Total selling, general and administrative expenses	5,407,257	4,836,075	15,257,969	15,027,169
Operating (loss)	(1,212,609)	(1,701,555)	(1,150,788)	(5,123,616)
Other income and (expense):				
Interest income	512,089	2,728	823,861	4,475
Other income	50,000	—	50,000	—
Interest expense	(393)	(943)	(1,588)	(3,244)
Other income and (expense), net	561,696	1,785	872,273	1,231

(Loss) before income taxes	(650,913)	(1,699,770)	(278,515)	(5,122,385)
Income tax expense	70,000	70,000	222,524	210,000
Net (Loss)	$ (720,913)	$ (1,769,770)	$ (501,039)	$ (5,332,385)
(Loss) Per Share				
Basic (loss) per common share:	$ (0.04)	$ (0.09)	$ (0.02)	$ (0.26)
Diluted (loss) per common share:	$ (0.04)	$ (0.09)	$ (0.02)	$ (0.26)
Weighted average common shares outstanding				
Basic	20,098,244	20,371,654	20,101,686	20,322,934
Diluted	20,098,244	20,371,654	20,101,686	20,322,934

	Three Months Ended March 31,	
	2024	2023
Revenues	$ 20,321,615	$ 21,446,244
Cost of services	16,116,691	16,544,429
Gross profit	4,204,924	4,901,815
Selling, general and administrative expenses:		
Stock-based compensation	499,273	504,574
Other SG&A	4,060,225	3,873,219
Depreciation and amortization	576,154	518,029
Total selling, general and administrative	5,135,652	4,895,822
Operating income (loss)	(930,728)	5,993
Other income and (expense):		
Interest income	764,125	92,928
Interest expense	(13,585)	(662)
Other income, net	750,540	92,266
Income (Loss) before income tax expense	(180,188)	98,259
Income tax expense	70,000	83,426
Net income (Loss)	$ (250,188)	$ 14,833
Income (Loss) Per Share		
Basic income (loss) per common share:	$ (0.01)	$ 0.00
Diluted income (loss) per common share:	$ (0.01)	$ 0.00
Weighted average common shares outstanding		
Basic - common stock	19,990,862	20,122,972
Basic - restricted stock awards	6,384,900	6,385,900
Weighted average shares used to compute basic earnings per share	26,375,762	26,508,872
Diluted	26,375,762	27,454,471

See the accompanying notes to the condensed interim consolidated financial statements.

USIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
Operating activities:				
Net (loss)	$ (501,039)	$ (5,332,385)	$ (250,188)	$ 14,833
Adjustments to reconcile net (loss) to net cash provided (used) by operating activities:				
Adjustments to reconcile net income (loss) to net cash (used in) operating activities:				
Depreciation	905,701	842,901	358,187	300,061
Amortization	653,900	1,320,567	217,967	217,968
Employee stock-based compensation	1,644,658	1,540,375	499,273	504,574
Vendor stock-based compensation	32,600	—		
Amortization of warrant costs	—	20,965		
Non-cash revenue from return of treasury stock	(156,162)	—		
Changes in current assets and current liabilities:				
Accounts receivable	(831,978)	1,410,411	701,911	(846,609)
Prepaid expenses and other	(289,819)	(118,472)	(243,344)	(10,616)
Operating lease right-of-use assets	244,040	(130,699)	102,394	(31,459)
Other assets	—	(10,000)	20,000	(1)
Inventory	106,516	14,100	(6,769)	12,898
Accounts payable and accrued expenses	845,249	(742,398)	(1,158,059)	1,128,251
Operating lease liabilities	(267,553)	138,361	(107,243)	4,548
Prepaid card load obligations	38,668,841	(21,272,482)	(2,880,095)	(1,357,807)
Merchant reserves	427,044	(726,424)	12,000	(164,886)
Customer deposits	24,376	221,393	(57,468)	20,953
Deferred revenue	—	(17,647)		
Net cash provided (used) by operating activities	41,506,374	(22,841,434)		
Net cash (used in) operating activities			(2,791,434)	(207,292)
Investing activities:				
Purchases of property and equipment	(587,451)	(642,764)	(176,750)	(217,735)
Net cash (used) by investing activities	(587,451)	(642,764)		
Net cash (used in) investing activities			(176,750)	(217,735)
Financing activities:				
Payments on equipment loan	(42,527)	(40,872)	(14,431)	(13,488)
Purchases of treasury stock	(68,967)	(894,641)	(44,823)	(8,529)
Net cash (used) by financing activities	(111,494)	(935,513)		
Net cash (used in) financing activities			(59,254)	(22,017)
Change in cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves	40,807,429	(24,419,711)	(3,027,438)	(447,044)
Cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves, beginning of period	32,343,501	51,591,560	45,910,486	32,343,501
Cash, Cash Equivalents, Prepaid Card Load Assets, Customer Deposits and Merchant Reserves, End of Period	$ 73,150,930	$ 27,171,849	$ 42,883,048	$ 31,896,457

Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	$ 1,588	$ 3,244	$ 13,585	$ 662
Income taxes	312,158	—	—	13,426
Non-cash financing activity:				
Issuance of deferred stock compensation	2,478,506	166,330	—	2,444,054

See accompanying notes to the condensed interim consolidated financial statements.

USIO, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(UNAUDITED)

	Common Stock		**Additional Paid- In**	**Treasury**	**Deferred**	**Accumulated**	**Total Stockholders'**	Common Stock		Additional Paid- In	Treasury	Defer
	Shares	**Amount**	**Capital**	**Stock**	**Compensation**	**Deficit**	**Equity**	Shares	Amount	Capital	Stock	Compen
Balance at December 31, 2023								28,671,606	$ 197,087	$ 97,479,830	$ (4,362,150)	$ (6,90
Issuance of common stock under equity incentive plan								107,600	107	153,118	—	
Deferred compensation amortization								—	—	—	—	34
Purchase of treasury stock costs								—	—	—	(44,823)	
Net (loss) for the period								—	—	—	—	
Balance at March 31, 2024								28,779,206	$ 197,194	$ 97,632,948	$ (4,406,973)	$ (6,56
Balance at December 31, 2022	27,044,900	$ 195,471	$ 94,048,603	$ (3,749,027)	$ (5,697,900)	$ (70,863,049)	$ 13,934,098	27,044,900	$ 195,471	$ 94,048,603	$ (3,749,027)	$ (5,69
Issuance of common stock under equity incentive plan	1,421,250	1,421	2,638,529	—	(2,444,054)	—	195,896	1,421,250	1,421	2,638,529	—	(2,44
Deferred compensation amortization	—	—	—	—	308,676	—	308,676	—	—	—	—	30

Purchase of treasury stock costs	—	—	—	(8,529)	—	—	(8,529)	—	—	—	(8,529)	
Net income for the period	—	—	—	—	—	14,833	14,833	—	—	—	—	
Balance at March 31, 2023	28,466,150	$ 196,892	$ 96,687,132	$ (3,757,556)	$ (7,833,278)	$ (70,848,216)	$ 14,444,974	28,466,150	$ 196,892	$ 96,687,132	$ (3,757,556)	$ (7,83
Issuance of common stock under equity incentive plan	111,456	111	354,199	—	(34,452)	—	319,858					
Reversal of deferred compensation amortization that did not vest	(115,000)	(115)	(188,088)	—	103,091	—	(85,112)					
Deferred compensation amortization	—	—	—	—	343,123	—	343,123					
Purchase of treasury stock costs	—	—	—	(10,507)	—	—	(10,507)					
Non-cash return of treasury stock	—	—	—	(156,162)	—	—	(156,162)					
Net income for the period	—	—	—	—	—	205,041	205,041					
Balance at June 30, 2023	28,462,606	$ 196,888	$ 96,853,243	$ (3,924,225)	$ (7,421,516)	$ (70,643,175)	$ 15,061,215					
Issuance of common stock under equity incentive plan	43,800	44	252,212	—	—	—	252,256					
Deferred compensation amortization	—	—	—	—	342,559	—	342,559					
Purchase of treasury stock costs	—	—	—	(49,931)	—	—	(49,931)					
Net (loss) for the period	—	—	—	—	—	(720,913)	(720,913)					
Balance at September 30, 2023	28,506,406	$ 196,932	$ 97,105,455	$ (3,974,156)	$ (7,078,957)	$ (71,364,088)	$ 14,885,186					
Balance at December 31, 2021	26,807,145	$ 195,235	$ 93,100,129	$ (2,404,458)	$ (6,842,195)	$ (65,379,805)	$ 18,668,906					

Issuance of common stock under equity incentive plan	61,600	62	267,856	—	(12,330)	—	255,588
Warrant compensation costs	—	—	8,985	—	—	—	8,985
Deferred compensation amortization	—	—	—	—	295,092	—	295,092
Purchase of treasury stock costs	—	—	—	(66,494)	—	—	(66,494)
Net (loss) for the period	—	—	—	—	—	(1,622,270)	(1,622,270)
Balance at March 31, 2022	26,868,745	$ 195,297	$ 93,376,970	$ (2,470,952)	$ (6,559,433)	$ (67,002,075)	$ 17,539,807
Issuance of common stock under equity incentive plan	54,233	52	258,636	—	—	—	258,688
Warrant compensation costs	—	—	8,985	—	—	—	8,985
Reversal of deferred compensation amortization that did not vest	(85,000)	(85)	(176,465)	—	97,621	—	(78,929)
Deferred compensation amortization	—	—	—	—	293,942	—	293,942
Purchase of treasury stock costs	—	—	—	(480,095)	—	—	(480,095)
Net (loss) for the period	—	—	—	—	—	(1,940,345)	(1,940,345)
Balance at June 30, 2022	26,837,978	$ 195,264	$ 93,468,126	$ (2,951,047)	$ (6,167,870)	$ (68,942,420)	$ 15,602,053
Issuance of common stock under equity incentive plan	163,322	162	406,083	—	(154,000)	—	252,245
Warrant compensation cost	—	—	2,995	—	—	—	2,995
Reversal of deferred compensation amortization that did not vest	(35,000)	(35)	(66,015)	—	37,837	—	(28,213)

Deferred compensation amortization	—	—	—	—	291,963	—	291,963
Purchase of treasury stock	—	—	—	(348,052)	—	—	(348,052)
Net (loss) for the period	—	—	—	—	—	(1,769,770)	(1,769,770)
Balance at September 30, 2022	26,966,300	$ 195,391	$ 93,811,189	$ (3,299,099)	$ (5,992,070)	$ (70,712,190)	$ 14,003,221

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

USIO, INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements of Usio, Inc. and its subsidiaries (collectively, the “Company”) have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission" or the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles ("GAAP") have been omitted pursuant to such rules and regulations. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments of a normal recurring nature considered necessary to present fairly the Company's financial position, results of operations and cash flows for such periods. The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2022, 2023, as filed with the Commission on March 8, 2023, and as amended by Form 10-K/A Amendment No.1 filed with the Commission on May 1, 2023 27, 2024 (together, the "2022 2023 Annual Report"). Results of operations for interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year. References in this quarterly report to "the quarter" or the "third "first quarter" mean the three month period ended September 30, 2023 March 31, 2024 or 2022, 2023, as the case may be and unless otherwise noted.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue Recognition:*Revenue consists primarily of fees generated through the electronic processing of payment transactions and related services. Revenue is recognized during the period in which the transactions are processed or when the related services are performed. The Company complies with ASC *606-10* and reports revenues at gross as a principal versus net as an agent. Although some of the Company's processing agreements vary with respect to specific credit risks, the Company has determined that for each agreement it is acting in the principal role. Merchants may be charged for these processing services at a bundled rate based on a percentage of the dollar amount of each transaction and, in some instances, additional fees are charged for each transaction. Certain merchant customers are charged a flat fee per transaction, while others *may*also be charged miscellaneous fees, including fees for chargebacks or returns, monthly minimums, and other miscellaneous services. Revenues derived from electronic processing of credit, debit, and prepaid card transactions that are authorized and captured through third-party networks are reported gross of amounts paid to sponsor banks as well as interchange and assessments paid to credit card associations. Certain card distributors remit payment of fees earned 45 days after the end of the processing period. Prepaid card distributors have payment terms of 30 days following the end of the month. Sales taxes billed are reported directly as a liability to the taxing authority and are *not* included in revenue. Our subsidiary, Usio Output Solutions, Inc. ("Output Solutions"), a wholly-owned subsidiary of Usio, Inc., provides bill preparation, presentment and mailing services. Revenue from Output Solutions is recognized when the related services are performed for printing and delivered to USPS for postage.

The following table presents the Company's consolidated revenues by source:

	Three Months Ended March 31,	
	2024	2023
ACH and complementary services	$ 3,881,734	$ 3,340,722

Credit card	7,560,734	7,339,898
Prepaid card services	3,341,224	4,807,404
Output Solutions	5,537,923	5,958,220
Total revenue	$ 20,321,615	$ 21,446,244

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
ACH and complementary service revenue	$ 3,528,133	$ 3,242,794	$ 10,948,012	$ 10,985,722
Credit card revenue	7,169,066	6,842,065	21,624,848	20,495,984
Prepaid card services revenue	4,685,212	1,576,871	14,710,084	5,733,428
Output solutions revenue	5,138,030	4,734,030	15,945,447	13,507,655
Total revenue	$ 20,520,441	$ 16,395,760	$ 63,228,391	$ 50,722,789

Cash and Cash Equivalents: Cash and cash equivalents includes cash and other money market instruments. The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Settlement Processing Assets and Obligations: Settlement processing assets and obligations represent intermediary balances arising in our settlement process for merchants.

Prepaid Card Load Assets: Assets and Obligations: The Company maintains pre-funding accounts for its customers to facilitate prepaid card loads as initiated by the customer. These prepaid card load assets are carried on the Company's balance sheet with a corresponding liability. As the prepaid business line continues to expand, card load assets will rise increase as funds are sent from clients customers to the Company. As clients customers begin to load cash onto cards, the balance of both the prepaid card asset and corresponding liability decrease. As these balances decrease, the Company recognizes processing revenue and cardholder fees.

Customer Deposits: The Company holds customer deposits primarily for postage expenses to ensure the Company is not out of pocket for amounts billed daily by the USPS. These customer deposits are carried on the Company's balance sheet with a corresponding liability.

Merchant Reserves: The Company has merchant reserve requirements associated with Automated Clearing House, or ACH, transactions. The merchant reserve assets are carried on the Company's balance sheet with a corresponding liability. Merchant reserves are set for each merchant and funds are collected and held as collateral to minimize contingent liabilities associated with any losses that may occur. While this cash is not restricted in its use, the Company believes that designating this cash to collateralize merchant reserves strengthens the Company's standing with its member sponsors and is in accordance with the guidelines set by the card networks.

The reconciliation of cash and cash equivalents to cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves is as follows for each period presented:

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Beginning cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves:						
Cash and cash equivalents	$ 6,575,124	$ 5,102,061	$ 5,709,117	$ 7,255,321	$ 7,155,687	$ 5,709,117
Prepaid card load assets	46,398,476	15,104,808	20,170,761	36,590,893	31,578,973	20,170,761
Customer deposits	1,563,192	1,471,214	1,554,122	1,364,193	1,865,731	1,554,122
Merchant reserves	5,141,040	6,815,073	4,909,501	6,381,153	5,310,095	4,909,501
Total	$ 59,677,832	$ 28,493,156	$ 32,343,501	$ 51,591,560	$ 45,910,486	$ 32,343,501
Ending cash, cash equivalents, prepaid card load assets, customer deposits and merchant reserves:						
Cash and cash equivalents	$ 7,396,285	$ 4,613,123	$ 7,396,285	$ 4,613,123	$ 7,053,812	$ 6,763,813
Prepaid card load assets	58,839,602	15,318,411	58,839,602	15,318,411	28,698,878	18,812,954
Customer deposits	1,578,498	1,585,586	1,578,498	1,585,586	1,808,263	1,575,075
Merchant reserves	5,336,545	5,654,729	5,336,545	5,654,729	5,322,095	4,744,615

Total	$ 73,150,930	$ 27,171,849	$ 73,150,930	$ 27,171,849	$ 42,883,048	$ 31,896,457

Accounts Receivable/Allowance for Estimated Credit Losses: The Company maintains an allowance for estimated doubtful accounts receivable credit losses resulting from the inability or failure of the Company's customers to make required payments. The Company determines the allowance for estimated doubtful accounts receivable losses based on an account-by-account review, taking into consideration such factors as the age of the outstanding balance, historical pattern of collections, and financial condition of the customer. During the nine three months ended September 30, 2023 March 31, 2024 and the year ended December 31, 2022, 2023, there were no credit losses due to bad debt. incurred. In the past, losses incurred by the Company due to bad debts credit losses were within its expectations. If the financial conditions of the Company's customers were to deteriorate, resulting in an impairment of their ability to make contractual payments, additional losses may be incurred in future periods. Estimates for doubtful account credit losses are variable based on the volume of transactions processed and could increase or decrease accordingly. The allowance for estimated doubtful accounts credit losses was $319,000 at September 30, 2023 March 31, 2024 and December 31, 2022 2023.

Inventory: Inventory is stated at the lower of cost or net realizable value. At September 30, 2023 March 31, 2024 and December 31, 2022, 2023, inventory consisted primarily of printing and paper supplies used for Output Solutions.

Accounting for Internal Use Software: The Company capitalizes the costs associated with software being developed or obtained for internal use when both the preliminary project stage is completed and it is probable that computer software being developed will be completed and placed in service. Capitalized costs include only (i) external direct costs of materials and services consumed in developing or obtaining internal-use software, (ii) payroll and other related costs for employees who are directly associated with and who devote time to the internal-use software project, and (iii) interest costs incurred, when material, while developing internal-use software. The Company ceases capitalization of such costs no later than the point at which the project is substantially complete and ready for its intended purpose. During the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, the Company capitalized software costs of $513,593 $115,473 and $438,128, $207,732, respectively.

Valuation of Long-Lived and Intangible Assets: The Company assesses the impairment of long-lived and intangible assets at least annually, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important, which could trigger an impairment review, include the following: significant underperformance relative to historical or projected future cash flows; significant changes in the manner of use of the assets or the strategy of the overall business; and significant negative industry trends. When management determines that the carrying value of long-lived and intangible assets may not be recoverable, impairment is measured as the excess of the assets' carrying value over the estimated fair value. No impairment losses were recorded in 2022 2023 or during the nine three months ended September 30, 2023 March 31, 2024. Management is not aware of any impairment changes that may currently be required; however, the Company cannot predict the occurrence of events that might adversely affect the reported values in the future.

Reserve for Processing Losses: If, due to insolvency or bankruptcy of one of the Company's merchant customers, or for any other reason, the Company is not able to collect amounts from its credit card, ACH or prepaid customers that have been properly "charged back" by the customer, or if a prepaid cardholder incurs a negative balance, the Company must bear the credit risk for the full amount of the transaction. The Company may require cash deposits and other types of collateral from certain merchants to minimize any such risks. In addition, the Company utilizes multiple systems and procedures to manage merchant risk. ACH, prepaid and credit card merchant processing loss reserves are primarily determined by performing a historical analysis of the Company's loss experience, considering other factors that could affect that experience in the future, such as the types of transactions processed and nature of the merchant relationship with its consumers and the Company's relationship with the Company's prepaid card holders. This reserve amount is subject to the risk that actual losses may be greater than the Company's estimates. Estimates for processing losses are variable based on the volume of transactions processed and could increase or decrease accordingly. At September 30, 2023 March 31, 2024 and December 31, 2022 2023, the Company's reserve for processing losses was $793,528 $859,528 and $755,494, respectively. $826,528, respectively, carried on the Company's balance sheet as an accrued expense.

Legal Proceedings: The In addition to the legal proceedings disclosed in this quarterly report, the Company may be involved in legal matters arising in the ordinary course of business from time to time. While the Company believes that such matters are currently not material, there can be no assurance that matters arising Litigation is subject to inherent uncertainties, and an adverse result in the ordinary course of business for which the Company is legal proceedings disclosed in this quarterly report or could become involved in litigation will other matters that not may have a material adverse effect on its business, financial condition or results of operations. arise from time to time may harm our business.

Recently Adopted Accounting Pronouncements: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *No.2016-13, Financial Instruments - Credit Losses* (Topic *326*), to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in Topic *326* replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Topic *326* is effective for fiscal years beginning after December 15, 25, 2022, including interim periods within those fiscal years for smaller reporting companies. The Company We adopted the amendments this guidance effective January 1, 2023 and it has on a prospective basis. Our financial statements were not had a material impact on its financial position and the results of its operations. The Company will continue to monitor the adoption of this amendment in order to evaluate if it has any material effect on its financial position and results of operations. materially impacted upon adoption.

Accounting standards that have been issued or proposed by the FASB, the SEC or other standard setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

Note 2. Leases

The Company leases facilities and office equipment under various operating leases, which generally are expected to be renewed or replaced by other leases. For each of the three months ended September 30, 2023 March 31, 2024 and 2022 2023, operating lease expenses totaled $132,574 and $152,401, $179,901, respectively.

Note 3. Accrued Expenses

Accrued expenses consisted of the following balances:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Accrued commissions	$ 2,385,604	$ 1,479,580	$ 725,258	$ 2,433,353
Reserve for processing losses	793,528	755,494	859,528	826,528
Other accrued expenses	493,802	821,167	593,255	246,444
Accrued taxes	235,722	320,854	377,740	294,953
Accrued salaries	241,642	344,013	222,286	—
Total accrued expenses	$ 4,150,298	$ 3,721,108	$ 2,778,067	$ 3,801,278

Note 4. Equipment Loan

On March 20, 2021, the Company entered into a debt arrangement to finance $165,996 for the purchase of an Output Solutions sorter. The loan is was for a period of 36 months with a maturity date of March 20, 2024 and annual interest of 3.95%. Monthly principal and interest payments are were required in the amount of $4,902. Principal payments for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 were $14,312 and $13,762, $13,488, respectively, and are reflected on the Company's Condensed Consolidated Statement of Cash Flows. This loan was paid in full on its maturity date.

On October 1, 2023, the Company entered into a debt arrangement to finance $811,819 for the purchase of an Output Solutions folder and inserter. The loan is for a period of 66 months with a maturity date of April 5, 2029 and annual interest of 6.75%. Monthly principal and interest payments are required in the amount of $16,017, with interest only payments required for the first6 months of the loan term. Total interest and principal payments on this folder and inserter equipment loan were $13,481 for the first quarter of 2024.

Note 5. Stockholders' Equity

Stock Warrants: On August 21, 2018, the Company issued University FanCards, LLC warrants to purchase 150,000 shares of the Company's common stock, which were subject to the following vesting schedule: (i) 30,000 warrants vested upon the date on which the first financial transaction was processed, which occurred on October 5, 2018; and (ii) 120,000 warrants vested annually over 4 years in 30,000 warrant increments beginning on July 31, 2019 and ending on July 31, 2022. The exercise price for the initial 30,000 warrants was $1.80 per share. The exercise price for the remaining 120,000 warrants was the lesser of $2.00 per share or one hundred and twenty percent (120%) of the market price of the Company's common stock on the vesting date of the warrant. At the time of issuance, the warrants were valued using the Black-Scholes option pricing model. Assumptions used were as follows: (i) the fair value of the underlying stock was $0.94 per share for the 30,000 warrants and $0.90 per share for the 120,000 warrants; (ii) the risk-free interest rate is 2.77%; (iii) the contractual life is 5 years; (iv) the dividend yield is 0%; and (v) the volatility is 64.6%. The fair value of the warrants was $135,764, which was amortized over the life of the warrants as a reduction of revenues. The reduction of revenues as a result of this amortization recorded for the nine months ended September 30, 2023 and 2022 was $0 and $20,965, respectively.

On July 31, 2022, the remaining, unvested warrants expired, and the Company is no longer recording a reduction of revenues associated with the amortization of their fair value.

On December 15, 2020, the Company issued warrants to purchase 945,599 shares of the Company's common stock with an initial exercise price of $4.23 per share, subject to adjustment as provided in the warrant agreement governing the warrants, to Information Management Solutions, LLC ("Management Solutions"). The Management Solutions' warrants vest and become exercisable annually over three years and a term of five years in three equal tranches beginning on December 15, 2021 and become fully vested on December 15, 2023. Each warrant is exercisable for a period of five years beginning on the date it vests. At the time of issuance, these warrants were valued using the Black-Scholes option pricing model. Assumptions used were as follows: (i) the fair value of the underlying stock was $0.58$0.58 per share; (ii) the risk-free interest rate was 0.09%; (iii) the contractual life was 5 years; (iv) the dividend yield was 0%; and (v) the volatility was 59.9%. The fair value of the warrants amounted to $552,283 and was recorded as an increase in the customer list asset and has a term of five years from time of vesting. corresponding amount to additional paid in capital. The amortization of these warrants, which is included in the total amortization expense of the customer list intangible asset, totaled $82,842 $27,614 in each of the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023.

Note 6. Net (Loss) Per Share

Basic income (loss) per share (EPS) was computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted EPS differs from basic EPS due to the assumed conversion of potentially dilutive awards and options that were outstanding during the period. Unvested restricted stock awards have the right to receive nonforfeitable dividends on the same basis as common shares; therefore, unvested restricted stock is considered a participating security for the purpose of calculating EPS. The following is a reconciliation of the numerators and the denominators of the basic and diluted per share computations for net income (loss) for the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Numerator for basic and diluted (loss) per share, net (loss) available to common shareholders	$ (720,913)	$ (1,769,770)	$ (501,039)	$ (5,332,385)
Denominator:				
Denominator for basic (loss) per share, weighted average shares outstanding	20,098,244	20,371,654	20,101,686	20,322,934
Effect of dilutive securities	—	—	—	—
Denominator for diluted earnings per share, adjust weighted average shares and assumed conversion	20,098,244	20,371,654	20,101,686	20,322,934
Basic (loss) per common share	$ (0.04)	$ (0.09)	$ (0.02)	$ (0.26)
Diluted (loss) per common share and common share equivalent	$ (0.04)	$ (0.09)	$ (0.02)	$ (0.26)

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Numerator for basic and diluted income (loss) per share, net (loss) available to common shareholders	$ (250,188)	$ 14,833
Denominator:		
Common stock	19,990,862	20,122,972
Restricted stock awards	6,384,900	6,385,900
Denominator for basic income (loss) per share, weighted average shares outstanding	26,375,762	26,508,872
Effect of dilutive securities	—	945,599
Denominator for diluted earnings per share, adjusted for weighted average shares and assumed conversion	26,375,762	27,454,471
Basic income (loss) per common share	$ (0.01)	$ 0.00
Diluted income (loss) per common share and common share equivalent	$ (0.01)	$ 0.00

The awards and options to purchase shares of common stock that were outstanding at September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive, are as follows:

	Nine Months Ended September 30,	
	2023	**2022**
Anti-dilutive awards and options	6,284,900	4,902,002

	Three Months Ended March 31,	
	2024	**2023**
Anti-dilutive awards and options	945,599	945,599

Note 7. Income Taxes

Deferred tax assets and liabilities are recorded based on the difference between financial reporting and tax basis of assets and liabilities and are measured by the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Deferred tax assets are computed with the presumption that they will be realizable in future periods when taxable income is generated. Predicting the ability to realize these assets in future periods requires judgment by management. GAAP prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. Income tax benefits that meet the “more likely than not” recognition threshold are recognized.

The Company has recognized a net deferred tax asset of approximately $1.5 million and has recorded net of a valuation allowance of approximately $4.6 million against the other deferred tax assets. $6.1 million. The Company reviews the assessment of the deferred tax asset and valuation allowance on an annual basis or more often when events indicate that a change to the valuation allowance may be warranted.

At December 31, 2022 2023, the Company had available net operating loss carryforwards of approximately $23.9 million $23.3 million. Net operating loss carryforwards generated during or prior to 2017 are available to offset taxable income of future periods and expire 20 years after the loss was generated. Net operating loss carryforwards generated after 2017 do not expire.

Net operating loss carryforwards totaling $9.1 million expired in 2022.The schedule below outlines when the Company's net operating losses for 2017 and prior years were generated and the year they may expire.

Tax Year End	NOL	Expiration	NOL	Expiration
2004	1,621,096	2024		
2005	1,788,157	2025	$ 1,768,851	2025
2006	1,350,961	2026	1,350,961	2026
2007	1,740,724	2027	1,740,724	2027
2008	918,960	2028	918,960	2028
2009	835,322	2029	835,322	2029
2010	429,827	2030	429,827	2030
2013	504,862	2033	504,862	2033
2016	474,465	2036	474,465	2036
2017	1,267,336	2037	1,267,336	2037
Total	$ 10,931,710		$ 9,291,308	

Management is not aware of any tax positions that would have a significant impact on the Company’s financial position.

Note 8. Related Party Transactions

Louis Hoch

During the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, the Company purchased a total of $3,483 $0 and $22,478, $1,835, respectively, of corporate imprinted sportswear, promotional items, and caps from Angry Pug Sportswear. Louis Hoch, the Company’s Chairman of the Board, President, Chief Executive Officer and Chief Operating Officer, is a 50% owner of Angry Pug Sportswear.

Directors and Officers

On January 6, 2022 February 24, 2024, , the Company we repurchased 11,361 2,075 shares of the Company's our common stock for $47,930 $3,258 in a private transaction at based on the $1.57 per share closing price on January 6, 2022 February 24, 2024 of $4.21 per share from Tom Jewell, the Company's former Chief Financial Officer, to cover his share of taxes in the vesting of stock compensation issued as 3-year vesting restricted stock units ("RSUs"). connection with equity grants.

On February 8, 2022, 24, 2024, we repurchased 4,911 shares of our common stock for $7,710 in a private transaction based on the Company granted 1,000 RSUs $1.57 per share closing price on February 24, 2024 from Louis Hoch, the Company's Chairman, President, Chief Executive Officer and Chief Operating Officer, to cover his share of taxes in connection with a 3-year vesting period to Houston Frost as a performance bonus at an issue price of $3.32 per share. equity grants.

On June 26, 2022, November 18, 2023, we repurchased 2,619 shares of our common stock for $4,452 in a private transaction based on the Company granted 66,667 RSUs $1.70 per share closing price on November 18, 2023 from Tom Jewell, the Company's former Chief Financial Officer, to cover his share of taxes in connection with equity grants.

On November 18, 2023, we repurchased 3,927 shares of our common stock for $6,675 in a 3-year vesting period private transaction based on the $1.70 per share closing price on November 18, 2023 from Louis Hoch, the Company's Chairman, President, Chief Executive Officer and Chief Operating Officer, to Elizabeth Michelle Miller for joining the Board cover his share of Directors at an issue price of $2.28 per share. taxes in connection with equity grants.

Effective on February 17, 2023,, the Company entered into an employment agreement with Greg Carter, the Company's Executive Vice President, Payment Acceptance. Under the terms of this agreement, Mr. Carter receives will receive an annual salary of $250,000, Override/Commissions of 10% of the actual cash commissions paid to salespersons under direct management of Mr. Carter, to be paid quarterly, and the payment of a one-time signing bonus of $40,000.

On February 8, 2023, the Company granted 1,403,000 shares of restricted common stock with a 10-year vesting period and 273,000 RSUs restricted stock units ("RSUs") with a three-year 3-year vesting period to employees and Directors as a performance bonus at an issue price of $1.75 per share. RSUs vest in equal tranches over their 3-year vesting period, while 10-year grants are cliff vesting, and vest in full at the conclusion of their 10-year vesting period. Upon vesting, employees and Directors will receive issued shares. Executive officers and Directors included in the 10-year restricted stock grant were Louis Hoch (330,000 shares), Tom Jewell (200,000 shares), Greg Carter (100,000 shares) and Houston Frost (100,000 shares). Executive officers included in the RSU grant were Louis Hoch (33,000 RSUs), Tom Jewell (21,000 RSUs), Greg Carter (12,000 RSUs) and Houston Frost (12,000 RSUs).

On March 16, 2023, the Company granted an additional 69,000 RSUs with a three-year 3-year vesting period to Directors as a performance bonus at an issue price of $1.60 per share. Directors included in the RSU grant were Blaise Bender (21,000 RSUs), Brad Rollins (21,000 RSUs), Ernesto Beyer (21,000 RSUs) and Michelle Miller (6,000 RSUs).

Note 9. Subsequent Events

On October 1, November 30, 2023, Tom Jewell, the Senior Vice President, Chief Financial Officer, and principal financial and accounting officer of the Company, notified the Company of his intention to retire. On December 11, 2023, Mr. Jewell entered into a debt arrangement Separation and Mutual Release of Claims Agreement ("Separation Agreement") with the Company. Pursuant to finance $811,819 for the purchase of an Output Solutions folder Separation Agreement, Mr. Jewell will be paid installment payments equal to his current base salary until and inserter. The loan is for a period of 66 months with a maturity date of including April 5, 2029 18, 2024. Additionally, Mr. Jewell will be permitted to retain any unvested Company stock options or other equity awards, which shall vest in accordance with the applicable schedules. Mr. Jewell will also receive all employee benefits including, but not limited to, health, dental, vision and annual interest life insurances that he was receiving prior to his execution of 6.75%. Monthly principal and interest payments are required in the amount of $16,017. Agreement until April 18, 2024.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

This Quarterly Report on Form 10-Q (this "quarterly report" or this "report") contains forward-looking statements that involve risks and uncertainties. If used in this report, the words "will," "anticipate," "believe," "estimate," "intend," and other words or phrases of similar import are intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in the 2022 2023 Annual Report and other reports we file with the Commission. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made. We do not intend to update any of the forward-looking statements after the date of this report to conform these statements to actual results or to changes in our expectations, except as required by law.

This discussion and analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements and the notes thereto included in this report, and the 2022 2023 Annual Report, including the audited consolidated financial statements and the notes contained therein.

Overview

Usio, Inc. (collectively with its subsidiaries, "we," "our," "us," the "Company" or "Usio") was founded under the name Billserv Com, Inc. in July 1998 and incorporated in the State of Nevada. On June 26, 2019, we changed our corporate name from Payment Data Systems, Inc. to Usio, Inc. Our principal offices are located at 3611 Paesanos Parkway, Suite 300, San Antonio, TX 78231. Our telephone number is (210) 249-4100.

We provide integrated payment processing services to merchants and businesses, including all types of Automated Clearing House, or ACH, processing, credit, prepaid card and debit card-based processing services and statement preparation, presentment and mailing services.

In addition, we offer customizable prepaid cards which businesses use for expense management, incentives, refunds, claims and disbursements, as well as unique forms of compensation such as per diem payments, government disbursements, and similar payments. We also offer prepaid cards to consumers for use as a tool to stay on budget, manage allowances and share money with family and friends. Our UsioCard platform supports Apple Pay®, Samsung Pay™ and Google Pay™. Our PIN-less debit product allows merchants to debit and credit accounts in real-time. In our over 25-year history, we have created a loyal customer base that relies on us for our convenient, secure, innovative and adaptive services and technology, and we have built long-standing and valuable relationships with premier banking institutions such as Fifth-Third Bank, Sunrise Bank, and Wells Fargo Bank.

Our strategy is to drive growth through a leveraged, one to many, distribution model in the software development marketplace. Following the completion of the Singular Payments acquisition, we launched our payment facilitation, PayFac, platform called "PayFac-in-a-Box" in late 2018 targeting partnership opportunities with app and software developers in bill-centric verticals, such as legal, healthcare, property management, utilities and insurance. The PayFac-in-a-Box platform 'integration layer' offers a simple integration experience for technology companies who are looking to monetize payments within an existing base of downstream clients. We believe that the added value of offering our integration partners access to credit card, debit card, ACH and prepaid card issuance capabilities through a single vendor partner relationship in face-to-face, mobile and virtual payment acceptance environments provides a true single channel commerce experience through an application programming interface, or API.

With the acquisition of the assets of Information Management Solutions, LLC, or IMS, in December 2020, we began to offer additional services relating to electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions through our wholly-owned subsidiary, Usio Output Solutions, Inc., or Output Solutions. This product offering provides an outsourced solution for document design, print and electronic delivery to potential customers and entities looking to reduce postage costs and increase efficiencies.

Summary of Results

We believe that our success will continue to depend in large part on our ability to (a) grow revenues, (b) manage our operating expenses, (c) add quality customers to our client base, (d) meet evolving customer requirements, (e) adapt to technological changes in an emerging market, and (f) assimilate current and future acquisitions of companies and customer portfolios. We will continue to invest in our sales force and technology platforms to drive revenue growth. In particular, we are focused on growing our ACH merchants, adding new software integrators, growing our electronic bill presentment, document composition, document decomposition, printing and mailing services business while providing incremental services to existing merchants. In addition to our near-term growth opportunities, we are focused on leveraging and optimizing the infrastructure of our business allowing expansion of our payment processing and mail and printing capabilities without significantly increasing our operating costs. Total company revenues We continue to seek ways to grow revenue, and net new client implementations and onboards occur regularly due to our ability to address the needs of our market.

We believe that the number of credit card transactions processed, ACH transaction counts, prepaid card volumes and total dollar volumes are the most critical measures to gauge the state of our business. During the third first quarter of 2023, 2024, the number of credit card transactions processed by us increased by 2% 18% versus the third first quarter of 2022. 2023. The volume of credit card dollars processed during the third first quarter of 2023 2024 increased by 5% 8% compared to the same time period in 2022. 2023. The continued growth in credit card metrics was primarily attributable to our PayFac strategy to drive increased penetration across multiple industries including healthcare and legal.

ACH (eCheck) transaction counts during the third first quarter of 2023 decreased 2024 increased by 21% 4% compared to the third first quarter of 2022. 2023. Returned check transactions processed during the third first quarter of 2023 decreased 2024 increased by 31% 9% compared to the third first quarter of 2022. 2023. Electronic check dollars processed during the third first quarter of 2023 decreased 2024 increased by 11% 22% compared to the third first quarter of 2022. 2023. The decreases increases in eCheck transactions, returns, and electronic check dollar volumes processed were primarily attributable to a softer market for traction in our customers, resulting in less ACH traffic. sales efforts driving new merchant onboarding and processing.

Prepaid card load volumes processed during the third first quarter of 2023 2024 increased by 239% 108% compared to the third first quarter of 2022. 2023. Prepaid card transaction counts processed during the third first quarter of 2023 2024 increased by 23% 26% compared to the third first quarter of 2022. 2023. Prepaid card purchase volume during the third first quarter of 2023 2024 increased by 152% 42% compared to the third first quarter of 2022. 2023. This increase occurred primarily due to the continued traction with, and implementation of, corporate expense and healthcare markets, alongside guaranteed income and government assistance programs alongside expansion in the corporate expense and healthcare markets. programs.

Total dollar volumes processed across all business lines in the third first quarter of 2023 2024 were $1.4 $1.5 billion compared to $1.4 $1.2 billion processed in the third first quarter of 2022, flat 2023, up 19% over the prior year quarter. quarter, attributable to processing volume growth across all of our business lines.

Material Trends and Uncertainties

On July 6, 2022, our largest cryptocurrency customer, Voyager Digital, filed for bankruptcy protection and the cryptocurrency landscape encountered significant distress during 2022. Due to this bankruptcy, we lost a significant customer, and have pulled out of the cryptocurrency space, resulting in a meaningful loss of revenue and downturn in our ACH and complementary services business segment, which contributed substantial gross profit to the Company in previous periods. Our lost revenue in the ACH and complementary services business was approximately $3 million in third and fourth quarter of 2022 and $2 million in the first and second quarter of 2023. We continue to closely monitor the cryptocurrency environment, and the unique risks associated with cryptocurrencies, including technological, legal, and regulatory risks along with the potentially significant revenue opportunities associated with re-entering the market and offering our services.

On August 16, 2022, President Biden signed the Inflation Reduction Act, or IRA, which implemented a 1% excise tax on certain corporate stock repurchases. On May 13, 2022, our Board of Directors authorized a renewal of the Company's stock buyback program (the "buyback program"), with a repurchase limit equal to $4 million of the Company's common stock and a three year duration. As of December 31, 2022 December 31, 2023, the Company had repurchased $1.3 million $0.5 million of stock as part of the buyback program, of which $1.1 million is subject to the IRA's 1% excise tax. program. Should the Company continue the repurchase of its securities on the open market, and the IRA remains in effect, we may be subject to this tax in 2023 2024 and future years. As of September 30, 2023 March 31, 2024 the Company had repurchased $69,589 $44,823 of stock as part of the buyback program, which may become subject to the IRA's 1% excise tax if the Company meets or exceeds the IRA's 1% excise tax repurchase minimum of $1 million in stock buy backs.

The broader implications of the macroeconomic environment, including uncertainty around recent international conflicts including the Russia - Ukraine and Israel - Hamas conflicts, supply chain shortages, a recession globally or in markets in which we operate, higher inflation rates, higher interest rates, and other related global economic conditions, remain unknown. A deterioration in macroeconomic conditions could continue to increase the risk of lower consumer spending, merchant and consumer bankruptcy, insolvency, business failure, higher credit losses, or other business interruption, which may adversely impact our business. If these conditions continue or worsen, they could adversely impact our future financial and operating results.

Changes in these factors are difficult to predict, and a change in one factor could affect other factors, which could result in adverse effects to our business, results of operations, financial condition, and cash flows.

As the Federal Reserve works worked to fight economic inflation, the federal funds rate has experienced rapid growth in from the past twelve months. beginning of 2022 into the third quarter of 2023, and has remained flat since then. This has resulted in the Company receiving more favorable interest rates on it's its current cash balances, amounting to $512,089 $764,125 in interest income in the three months ending September 30, 2023, and $823,861 in the nine months ended September 30, 2023 March 31, 2024. Should the Federal Reserve begin lowering the federal funds rate in the future, this incremental source of income would decline. We continue to work closely with our bank partners, to ensure we effectively manage our cash balances, and monitor the Federal Reserves Reserve's monetary policy decisions.

The Company continues to invest in growth initiatives to drive increased revenues, and profitability metrics. However, sustaining growth at existing rates may not occur. While we recognized high levels of growth in 2023, a significant portion of this growth was due to the Prepaid card business benefitting from outsized growth in 2022 and 2023 as a result of large incentive programs brought on by the Covid-19 pandemic. Those programs have begun winding down, requiring new card programs and clients being brought on to replace prior revenues. While we expect growth to continue, it is possible that we may not see similar rates of expansion moving forward.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to the reported amounts of revenues and expenses, bad debt, credit losses, investments, intangible assets, income taxes, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates under different assumptions or conditions. We consider these accounting policies to be critical because the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for such highly uncertain matters or due to the susceptibility of such matters to change or because the impact of the estimates and assumptions on financial condition or operating performance is material.

For a summary of Critical Accounting Policies, please refer to the Notes to Interim Condensed Consolidated Financial Statements, Note 1, Basis of Presentation.

Reserve for Processing Losses

We establish allowances for negative customer balances and estimated transaction losses arising from processing customer transactions, such as chargebacks for unauthorized credit card use and merchant-related chargebacks due to non-delivery or unsatisfactory delivery of purchased items, account takeovers, ACH returns, and insolvency. Additions to the allowance are reflected in our cost of services on our consolidated statements of income (loss). The allowances are based on known facts and circumstances, internal factors including experience with similar cases, historical trends involving collection and write-off patterns, and the mix of transaction and loss types, as well as current and projected factors such as the types of transactions processed and nature of the merchant relationship with its consumers and the Company with its prepaid card holders.

Determining appropriate current expected transactional losses is an inherently uncertain process, and final losses may vary from our current estimates. We regularly review and update our allowance estimates as new facts become known and events occur that may impact the settlement or recovery of losses. In the quarter ended March 31, 2023, we incurred $833,485 in merchant processing losses as a result of fraudulent activity and identity fraud from multiple merchants, of which $755,494 was taken from our reserve for processing losses. This loss has been included in our results Subsequent to the first quarter of operations for the nine months ended September 30, 2023. We 2023, we have not had, and do not expect to have in the immediate future, similar processing losses, in the immediate future. Currently, our although there can be no assurance that such losses will not occur. Our reserve for processing losses is $793,528 was $859,528 as of September 30, 2023 March 31, 2024, to be used if future losses are incurred. The allowances are maintained at a level we deem appropriate to adequately provide for current expected losses at the balance sheet date.

Reserve for Doubtful Accounts Expected Credit Losses

We establish an allowance for accounts receivable, which represents our estimate of current expected allowances for doubtful accounts. credit losses. This evaluation process is subject to numerous estimates and judgements. This allowance is primarily based on expectations of unrecoverable receivables based on historical losses, as well as forecasted trends in customer instability, and general market conditions. The Company reviews this allowance quarterly on an account-by-account basis. Projected loss rates, inclusive of historical loss data and macroeconomic factors, are applied to the principal amount of our merchant and consumer receivables.

Determining appropriate current expected credit losses on our accounts receivable is an inherently uncertain process, and final losses may vary from our current estimates. We regularly review and update our allowance estimates as new facts become known, and events occur that may impact the settlement or recovery of losses. The allowances are maintained at a level we deem appropriate to adequately provide for current expected credit losses at the balance sheet date.

Accounting for Income Taxes

Our annual tax rate is based on our income, statutory tax rates, and tax planning opportunities available to us. Tax laws are complex and subject to different interpretations by the taxpayer and respective government taxing authority. Significant judgement is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties. We review our tax positions yearly and adjust the balances as new information becomes available.

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and available tax planning strategies. These rely heavily on estimates that are based on a number of factors, including historical data, and business forecasts. To the extent deferred tax assets are not expected to be realized, we record a valuation allowance.

We recognize and measure uncertain tax positions in accordance with GAAP, pursuant to which we only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on upon examination by the taxing authorities.

As with all businesses, the Company's tax returns are subject to periodic examination. The Company's federal returns for the past four years remain open to examination. The Company is subject to the Texas margin franchise tax and Tennessee franchise tax. Management is not aware of any tax positions that would have a significant impact on its financial position.

Revenue Recognition

Application of the accounting principles in GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting. Specifically, the determination of whether we are a principal to a transaction (gross revenue) or an agent (net revenue) can require considerable judgment. Further, we provide incentive payments to consumers and merchants. Evaluating whether these incentives are a payment to a customer, or consideration payable on behalf of a customer, requires judgment by management. Incentives determined to be made to a customer, or payable on behalf of a customer, are recorded as a reduction to gross revenue. Changes in judgments with respect to these assumptions and estimates could impact the amount of revenue recognized.

Key Business Metrics - Non-GAAP Financial Measures

This filing report includes the following non-GAAP financial measures as defined in Regulation G of adopted by the Securities Exchange Act of 1934, as amended (the "Exchange Act"): Commission: EBITDA, adjusted EBITDA, adjusted EBITDA margins and adjusted operating cash flows. The Company reports its financial results in compliance with GAAP, but believes that also discussing non-GAAP financial measures provides investors with financial measures the Company uses in the management of its business. The Company defines EBITDA as operating income (loss), before interest, taxes, depreciation and amortization of intangibles. The Company defines adjusted EBITDA as EBITDA, as defined above, plus non-cash stock option costs and certain non-recurring items, such as costs related to acquisitions. The Company defines adjusted EBITDA margins as adjusted EBITDA, as defined above, divided by total revenues. The Company defines adjusted operating cash flow as net cash provided (used) by operating activities, less changes in prepaid card load obligations, customer deposits, merchant reserves and net operating lease assets and obligations. Operating lease right-of-use assets, operating lease liabilities, prepaid card load obligations, customer deposits and merchant reserves are deducted from operating cash flow, as management believes that these metrics do not serve in providing a clear picture of the true operational cash used or provided in a given time period. These measures may not be comparable to similarly titled measures reported by other companies. Management uses EBITDA, adjusted EBITDA, adjusted EBITDA margins and adjusted operating cash flows as key indicators of the Company's operating performance and ability to fund acquisitions, capital expenditures and other investments and, in the absence of refinancing options, to repay debt obligations.

Management also believes that EBITDA, adjusted EBITDA, adjusted EBITDA margins and adjusted operating cash flows are helpful to investors in evaluating the Company's operating performance because non-cash costs and other items that management believes are not indicative of its results of operations are excluded.

We reported an adjusted EBITDA loss of $0.1 million for the quarter ended September 30, 2023 March 31, 2024, as compared to an adjusted EBITDA loss of $0.5 $1.0 million for the same period in the prior year. The increase decrease in adjusted EBITDA in the 2023 2024 quarter was attributable to strong revenue growth and increased lower revenues as breakage from the COVID related incentive programs within our Prepaid card business wind down, alongside decreased profit margins, as a result of those high margin breakage revenues declining, versus the prior year period.

The following tables set forth reconciliations of Operating Income (Loss) to EBITDA; EBITDA to Adjusted EBITDA; and Revenues to Adjusted EBITDA margins for the three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Reconciliation from Operating (Loss) to Adjusted EBITDA:				
Operating (Loss)	$ (1,212,609)	$ (1,701,555)	$ (1,150,788)	$ (5,123,616)
Depreciation and amortization	518,573	640,599	1,559,601	2,163,468
EBITDA	(694,036)	(1,060,956)	408,813	(2,960,148)
Non-cash stock-based compensation expense, net	594,815	515,992	1,677,258	1,540,375
Adjusted EBITDA	$ (99,221)	$ (544,964)	$ 2,086,071	$ (1,419,773)
Calculation of Adjusted EBITDA margins:				
Revenues	$ 20,520,441	$ 16,395,760	$ 63,228,391	$ 50,722,789
Adjusted EBITDA	(99,221)	(544,964)	2,086,071	(1,419,773)
Adjusted EBITDA margins	(0.5)%	(3.3)%	3.3 %	(2.8)%

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Reconciliation from Operating income (Loss) to Adjusted EBITDA:		
Operating income (Loss)	$ (930,728)	$ 5,993
Depreciation and amortization	576,154	518,029
EBITDA	(354,574)	524,022
Non-cash stock-based compensation expense, net	499,273	504,574
Adjusted EBITDA	$ 144,699	$ 1,028,596
Calculation of Adjusted EBITDA margins:		
Revenues	$ 20,321,615	$ 21,446,244
Adjusted EBITDA	$ 144,699	$ 1,028,596
Adjusted EBITDA margins	0.7 %	4.8 %

The following table is a reconciliation of operating net cash flow provided (used) by (used in) operating activities to adjusted operating cash flow provided (used) flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023

Reconciliation from net cash provided (used) by operating activities to Non-GAAP Adjusted Operating Cash Flow (used):				
Net cash provided (used) by operating activities	$ 41,506,374	$ (22,841,434)		
Operating cash flow (used) adjustments:				
Reconciliation from net cash (used in) operating activities to Non-GAAP Adjusted Operating Cash Flows:				
Net cash provided by (used in) operating activities			$ (2,791,434)	$ (207,292)
Operating cash flow adjustments:				
Prepaid card load obligations	(38,668,841)	21,272,482	2,880,095	1,357,807
Customer deposits	(24,376)	(221,393)	57,468	(20,953)
Merchant reserves	(427,044)	726,424	(12,000)	164,886
Operating lease right-of-use assets	(244,040)	130,699	(102,394)	31,459
Operating lease liabilities	267,553	(138,361)	107,243	(4,548)
Total adjustments to net cash provided (used) by operating activities	$ (39,096,748)	$ 21,769,851		
Adjusted operating cash flows provided (used)	$ 2,409,626	$ (1,071,583)		
Total adjustments to net cash provided by operating activities			$ 2,930,412	$ 1,528,651
Adjusted operating cash flows provided			$ 138,978	$ 1,321,359

We reported cash provided by adjusted operating cash flows of $2.4 $0.1 million for the nine three months ended September 30, 2023 March 31, 2024 (after adjusting for the impact of operating lease right-of-use assets, operating lease liabilities, prepaid card load obligations, customer deposits, and merchant reserves), as compared to $1.1 million used $1.3 million provided in the nine three months ended September 30, 2022 March 31, 2023. Operating lease right-of-use assets, operating lease liabilities, prepaid card load obligations, customer deposits and merchant reserves are deducted from operating cash flow, as these metrics do not serve in providing a clear picture of the true operational cash used or provided in a given time period. These adjustments to net cash provided (used) by (used in) operating activities do not include any recurring expense items which are included in the calculation of operating income (loss), and only include changes in our assets and liabilities accounts on the balance sheet. The Company believes non-GAAP adjusted operating cash flow to be a more accurate indicator of cash contributions that can be used to sustain current and future business operations. The increase decrease in adjusted operating cash flows in the 2023 2024 quarter compared to the 2022 2023 quarter was primarily attributable to a decrease an increase the Company's net loss, due to strong growth in revenue with improved lower revenues and profit margins, alongside nominal increases in selling, general and administrative expense ("SG&A").

Use of Non-GAAP Financial Measures

EBITDA, adjusted EBITDA, adjusted EBITDA margins and adjusted operating cash flows should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. They are not measurements of our financial performance under GAAP and should not be considered as alternatives to revenue, net income (loss), or cash provided (used) by (used in) operating activities, as applicable, or any other performance measures derived in accordance with GAAP and may not be comparable to other similarly titled measures of other businesses. EBITDA, adjusted EBITDA, adjusted EBITDA margins and adjusted operating cash flows have limitations as analytical tools and you should not consider these non-GAAP measures in isolation or as a substitute for analysis of our operating results as reported under GAAP.

Results of Operations

Revenues

Our revenues are principally derived from providing integrated electronic payment services to merchants and businesses, including credit and debit card-based processing services and transaction processing via the Automated Clearing House, or ACH, network and program management and processing of prepaid debit cards. With the acquisition of the assets of IMS in December 2020, we began to offer additional output solution Output Solutions services relating to electronic bill presentment, document composition, document decomposition and printing and mailing services serving hundreds of customers representing a wide range of industry verticals, including utilities and financial institutions.

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
ACH and complementary service revenue	$ 3,528,133	$ 3,242,794	$ 285,339	9 %
Credit card revenue	7,169,066	6,842,065	327,001	5 %
Prepaid card services revenue	4,685,212	1,576,871	3,108,341	197 %
Output solutions revenue	5,138,030	4,734,030	404,000	9 %

Total Revenue	$ 20,520,441	$ 16,395,760	$ 4,124,681	25 %

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
ACH and complementary service revenue	$ 10,948,012	$ 10,985,722	$ (37,710)	(0)%
Credit card revenue	21,624,848	20,495,984	1,128,864	6 %
Prepaid card services revenue	14,710,084	5,733,428	8,976,656	157 %
Output solutions revenue	15,945,447	13,507,655	2,437,792	18 %
Total Revenue	$ 63,228,391	$ 50,722,789	$ 12,505,602	25 %

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
ACH and complementary services	$ 3,881,734	$ 3,340,722	$ 541,012	16 %
Credit card	7,560,734	7,339,898	220,836	3 %
Prepaid card services	3,341,224	4,807,404	(1,466,180)	(30)%
Output Solutions	5,537,923	5,958,220	(420,297)	(7)%
Total Revenue	$ 20,321,615	$ 21,446,244	$ (1,124,629)	(5)%

Consolidated revenue for the quarter ended September 30, 2023 increased March 31, 2024 decreased by 25% 5% to $20.5 $20.3 million, as compared to $16.4 $21.4 million for the quarter ended September 30, 2022 March 31, 2023 due primarily to continued traction and growth in lower breakage revenues from our prepaid card and line of business as the COVID incentive programs wind down. The Output Solutions lines of business with were also down 7%, as a result of challenging comparables to the prior year period which contained higher levels of one time revenues related to government tax forms and voter card jobs. There was modest growth in our ACH and credit card lines of business, as our Payfac strategy continues to be implemented, and ACH now compares more favorably to fiscal quarters following our exit from the crypto space in July of 2022, resulting in a return of positive quarterly growth metrics. metrics as our sales effort to board net new customers and processing volumes is reflected.

Consolidated revenue for the nine months ended September 30, 2022 increased by 25% to $63.2 million, as compared to $50.7 million for the nine months ended September 30, 2022 primarily as a result of strong growth in our prepaid card and Output Solutions lines of business as a result of new client implementation and the execution and expansion of existing customer contracts. Declines in ACH revenues were primarily the result of the Company's withdrawal from the crypto market in July of 2022.

Cost of Services

Cost of services includes the cost of personnel dedicated to the creation and maintenance of connections to third-party payment processors and the fees paid to such third-party providers for electronic payment processing services. Through our contractual relationships with our payment processors and sponsoring banks, we process ACH and debit, credit and prepaid card transactions on behalf of our customers and their consumers. We pay volume-based fees for debit, credit, ACH and prepaid transactions initiated through these processors or sponsoring banks, and pay fees for other transactions such as returns, notices of change to bank accounts and file transmission. Cost of service fees also include fees paid to referral agents and partners.

Cost of services increased decreased by $3.1 $0.4 million, or 23% 3%, to $16.3 million $16.1 million for the quarter ended September 30, 2023 March 31, 2024, as compared to $13.3 million $16.5 million for the same period in the prior year, due to increased revenue growth lower revenues driving similar increases to our processing, banking and transactional expenses.
Cost of services increased by $8.3 million, or 20%, to $49.1 million for the nine months ended September 30, 2023, as compared to $40.8 million for the same period declines in the prior year, due to increased revenue growth driving similar increases to our processing, banking and transactional expenses.

Gross Profit

Gross profit is the net profit existing after the cost of services.

Gross profit increased decreased by 34% 14% to $4.2 million for the quarter ended September 30, 2023 March 31, 2024, as compared to $3.1 million $4.9 million for the same period in the prior year. Similarly, gross margin percentage of revenue was 20.4% 20.7% for the quarter ended September 30, 2023 March 31, 2024 as compared to 19.1% 22.9% in the prior year period. The increase decrease in gross profit and gross margin percentage in the quarter ended September 30, 2023 March 31, 2024, as compared to the same period during the prior year, was primarily attributable to strong revenue growth lower revenues and improved gross profit metrics across all business from our Prepaid card services and Output solutions lines driven by more favorable pricing in the quarter.

Gross profit increased by 42% to $14.1 million for the nine months ended September 30, 2023, as compared to $9.9 million for the same period in the prior year. Similarly, gross margin percentage was 22.3% for the nine months ended September 30, 2023 as compared to 19.5% in the prior year period. The increase in gross profit and gross margin percentage in the nine months ended September 30, 2023, as compared to the same period during the prior year, was primarily attributable to strong revenue growth and improved gross profit metrics across all business lines, driven by more favorable pricing on the year. of business.

Stock-based Compensation

Stock-based compensation expenses were $0.6 $0.5 million for the quarter ended September 30, 2023 March 31, 2024 as compared to $0.5 million for the quarter ended September 30, 2022 March 31, 2023, an increase of 15.3% due to stock grants made to retain and attract employees.

Stock-based compensation expenses were $1.7 million for flat versus the nine months ended September 30, 2023 as compared to $1.5 million for the nine months ended September 30, 2022, a marginal increase of 8.9% due to stock grants made to retain and attract employees. prior year period.

Other Selling, General and Administrative Expenses

Other selling, general and administrative expenses, or other SG&A, were $4.3 million $4.1 million for the quarter ended September 30, 2023 March 31, 2024 as compared to $3.7 $3.9 million in the prior year quarter. The modest increase in other SG&A for the quarter ended September 30, 2023 March 31, 2024 reflects the occurrence of some one-time expenses related to professional services and marketing initiatives alongside increased travel to sales-related events during the quarter. Other SG&A expenses are expected to reduce in subsequent quarters.

Other selling, general and administrative expenses, or other SG&A, were $12.0 million for the nine months ended September 30, 2023 as compared to $11.3 million in the prior year nine-month period, a 6% increase. The increase in other SG&A for the nine months ended September 30, 2022 reflects the occurrence of some one-time expenses related to professional services and marketing initiatives alongside increased travel to sales-related events during the quarter, ended September 30, 2023. Other SG&A expenses are expected to reduce alongside moderate increases in subsequent quarters. salary and employee benefit expenses.

Depreciation and Amortization

Depreciation and amortization expense consists of the reduction in value of our tangible and intangible assets over their useful life. These assets include property, plant, and equipment, along with intangible assets acquired through acquisition, or developed as internal use software.

Depreciation and amortization expense totaled $0.5 million $0.6 million and $0.6 $0.5 million for the quarters ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The decrease increase in depreciation and amortization expense was due to the completed amortization of intangible assets, reducing overall depreciation and amortization expense versus the same period a year ago.

Depreciation and amortization expense totaled $1.6 million and $2.2 million specifically related to capitalized labor for the nine months ended September 30, 2023 and 2022, respectively. The decrease in depreciation and amortization expense was due to the completed amortization of intangible assets, reducing our internal use software, increasing overall depreciation and amortization expense versus the same period a year ago.

Other Income (Expense)

Other income (expense), net was $561,696 $0.8 million for the quarter ended September 30, 2023 March 31, 2024 compared to $1,785 $0.1 million for the quarter ended September 30, 2022. Higher interest-bearing merchant reserves and interest rates drove the increased interest income.

Other income (expense), net was $872,273 for the nine months ended September 30, 2023 compared to $1,231 for the nine months ended September 30, 2022 March 31, 2023. Higher interest-bearing merchant reserves and interest rates drove the increased interest income.

Net Income (Loss)

We reported a net loss of $0.7 million $0.3 million for the quarter ended September 30, 2023 March 31, 2024, as compared to a net loss income of $1.8 million $0.01 million for the same period in the prior year. The increase decrease in net income was attributable to increases decreases in revenue combined with increased profit margins.

We reported a net loss of $0.5 million for the nine months ended September 30, 2023, as compared to a net loss of $5.3 million for the same period in the prior year. The increase in net income was attributable to increases in revenue combined with increased decreased profit margins.

We may incur future operating losses. To maintain, grow and achieve profitability, we must, among other things, continue to incrementally grow and maintain our customer base, sell our ACH, credit card, prepaid product offerings and Output Solutions offerings to existing and new customers, implement successful marketing strategies, maintain and upgrade our technology and transaction-processing systems, provide superior customer service, respond to competitive developments, attract, retain and motivate personnel, and respond to unforeseen industry developments among other factors.

Liquidity and Capital Resources

Our primary sources of liquidity are available cash and cash equivalents and cash flows provided by operations. As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of $7.4 million $7.1 million. For the nine three months ended September 30, 2023 March 31, 2024, cash provided by used in operations was $41.5 million $2.8 million. We expect available cash and cash equivalents and internally generated funds to be sufficient to support working capital needs, capital expenditures (including acquisitions), and our debt service obligations. We believe we have sufficient liquidity to operate for at least the next 12 months from the date of filing this report. Cash from operating activities is dependent on our net income (loss), less depreciation, amortization, bad debt, credit losses, deferred federal income tax, non-cash stock-based compensation, the amortization of warrant costs, and net of the changes in our operating assets and liabilities. These assets and liabilities include our accounts receivable, prepaid expenses, operating lease right-of-use assets, inventory, other assets, accounts payable and accrued expenses, operating lease liabilities, prepaid card load obligations, merchant reserves, customer deposits, and deferred revenues.

We reported a net loss of $0.7 $0.3 million for the quarter ended September 30, 2023 March 31, 2024. At September 30, 2023 March 31, 2024, we had an accumulated deficit of $71.4 million $71.6 million. Additionally, we had working capital of $7.5 million $8.7 million and $5.8 $8.0 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

From time to time we have sold shares of our common stock in order to provide us liquidity. For example, on November 19, 2021, Voyager Digital purchased 142,857 unregistered shares of common stock at a price of $7.00 per share in a private offering. The gross proceeds to us from the private offering were $1,000,000. On May 9, 2023, Voyager Digital returned 142,857 shares of common stock, valued at a price of $1.09 per share, in a non-cash transaction to satisfy payment obligations related to the wind down of their payment disbursement needs following their bankruptcy. This transaction was recognized as revenue for services rendered and as shares returned to treasury stock in the quarter ended June 30, 2023. We have also sold securities in public offerings from time to time. For example, in September 2020, we sold 4,705,883 shares of our common stock and received net proceeds of approximately $8 million. We cannot assure you that we will be able to sell shares of our equity securities on terms acceptable to us or at all in the future.

Cash Flows

Net cash provided by used in operating activities, including merchant reserve funds, prepaid card load assets, customer deposits and net operating lease assets for the nine three months ended September 30, 2023 March 31, 2024 was $41.5 $2.8 million, as compared to net cash used by in operating activities of $22.8 $0.2 million for the nine three months ended September 30, 2022 March 31, 2023. The increase in cash provided by used in operating activities was due to the increase larger decrease in prepaid card load obligations versus the same period last year. year, alongside lower accounts payable and accrued expenses. Excluding merchant reserves, prepaid card load assets, customer deposits and lease right of use assets and liabilities, our cash provided by operating activities was $2.4 $0.1 million for the three months ended March 31, 2024 as compared to cash used by in operating activities of $1.1 $1.3 million for the nine three months ended September 30, 2023 and 2022, respectively. March 31, 2023. Operating lease right-of-use assets, operating lease liabilities, prepaid card load obligations, customer deposits and merchant reserves are deducted from operating cash flow, as management believes that these metrics do not serve in providing a clear picture of the true operational cash used or provided in a given time period. The Company believes non-GAAP adjusted operating cash flow to be a more accurate indicator of cash contributions that can be used to sustain current and future business operations. For more information relating to this Non-GAAP financial measure, including a reconciliation from net cash provided (used) by (used in) operating activities to Non-GAAP adjusted Operating Cash Flow (used), please see "Key Business Metrics - Non-GAAP Financial Measures" in this Report. report. This increase in cash provided by used in operating activities was primarily attributable to a decrease an increase in the Company's net loss, due to strong growth in revenue with improved lower revenues and profit margins, alongside nominal increases in SG&A. &A, and the decrease in our accrued expenses. We continue to invest resources in the infrastructure of our business such as the retention, and acquisition of employees, sales-related travel, and marketing efforts to achieve scale across all business lines.

Net cash used by in investing activities was $587,451 $0.2 million for the three months ended March 31, 2024 as compared to cash used by in investing activities of $642,764 $0.2 million for the nine three months ended September 30, 2023 and 2022, respectively. March 31, 2023. The primary drivers of our investing activities were capital expenditures associated with capitalized software development costs and other capital investments associated with growing our business lines and associated employee counts. The decrease in cash used by in investing activities was primarily attributable to the reduced amount of fixed asset purchases relative to the same period a year ago.

Net cash used by in financing activities for the nine three months ended September 30, 2023 March 31, 2024 was $111,494 $0.1 million and net cash used by in financing activities for the nine three months ended September 30, 2022 March 31, 2023 was $935,513. The decrease in cash used by financing activities was due to the Company's stock buyback program and the increased quantity of treasury stock purchased in 2022. $0.02 million.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material 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.

As a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

Item 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive and Chief Financial Officers, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report on Form 10-Q. Based on that evaluation, our Chief Executive and Chief Financial Officers concluded that our disclosure controls and procedures as of September 30, 2023 March 31, 2024 were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in Commission rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive and Chief Financial Officers, as appropriate, to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our evaluation of disclosure controls and procedures included an evaluation of certain components of our internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting is expressed at the level of reasonable assurance, as a control system, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2023 March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

BEN KAUDER, NINA PIOLETTI, & TRIPLE PAY PLAY, INC.

In 2017, Usio acquired Singular Payments, Inc. ("Singular"), another payment processing company with offices in Nashville, Tennessee and St. Augustine, Florida.

Ben Kauder and Nina Pioletti were executives of Singular and, after the acquisition, Usio hired them as executive-level employees. Usio hired Kauder to serve as Senior Vice President of Integrated Payments, and Pioletti was hired to serve as Director of Sales. As a condition of employment, Kauder and Pioletti agreed to be bound by certain Usio policies, including as related to preserving the confidentiality of Usio's proprietary information. As Usio executives, Kauder and Pioletti were afforded access to and contributed to the development of Usio's trade secrets and other proprietary information not generally known by the public at large, including but not limited to financial information, marketing plans, cost and operational/strategic plans, and sales presentations.

In May 2021, Kauder resigned from Usio followed by Pioletti in July of 2022. Thereafter, Kauder and Pioletti formed Triple Pay Play, another payment processing company which competes with the same services as Usio. Upon information and belief, Kauder and Pioletti were working to form Triple Pay Play while employed by Usio, during Usio business hours, and while using Usio resources and Usio property.

On or about June 21, 2023, Usio filed suit against Ben Kauder, Nina Pioletti and Triple Pay Play for breach of contract and misappropriation of trade secrets and unfair business competition.

On July 6, 2023, Ben Kauder, Nina Pioletti and Triple Pay Play filed a Motion to Dismiss for Lack of Jurisdiction. The motion was granted. Subsequently, in February of 2024, Usio refiled its case in Tennessee, where Kauder, Nina, and Triple Pay Play reside.

Currently, this case is pending in the Chancery Court of Maury County, Tennessee and is in the early-stage discovery.

GREENWICH BUSINESS CAPITAL, LLC

On or about September 25, 2019, Usio and Greenwich Business Capital LLC ("GBC"), entered into an Agreement for payment processing services (the "Agreement"). Pursuant to the terms of the Agreement, Usio effectively terminated the Agreement with GBC on October 31, 2023, by providing Greenwich with a 30-days written notice as required by the Agreement.

On November 13, 2023, GBC filed lawsuit against Usio, alleging violations of the National Automated Clearing House Association (NACHA) rules. In early March of 2024, Usio filed a Motion to Dismiss for improper venue and failure to state a claim. The motion is set to be heard in May of 2024 in the State of Rhode Island Kent, SC. Superior Court.

KDHM, LLC

On September 1, 2021, KDHM, LLC, an entity owned by the former owners of IMS, sued PDS Acquisition Corp, now known as Usio Output Solutions, Inc., in the 73rd District Court of Bexar County, Texas claiming a breach of the asset purchase agreement executed by the parties on December 14, 2020. The lawsuit alleges that due to a mistake, accident, or inadvertence, certain customer deposits in the amount of $317,000 were improperly transferred to us.

We believe that plaintiff's claims in the lawsuit have no merit and contradict the express terms of the asset purchase agreement. As a result of this post-sale dispute, we discovered that KDHM, LLC and its principals made certain misrepresentations and breached the terms of the asset purchase agreement.

On September 28, 2021, we filed an answer generally denying the plaintiff's allegations. On October 5, 2021, we filed a counterclaim and third-party petition. Therein, we allege that neither KDHM nor its principals disclosed that KDHM was not accounting for the customer deposits in accordance with GAAP. KDHM and third-party defendants, its principals Henry Minten and Thomas Dowe, affirmatively represented and warranted in section 3.1(e) of the asset purchase agreement that "[t]he Annual Financial Statements and the Interim Financial Statements have been prepared from the books and records of Seller in accordance with GAAP applied on a consistent basis."

We also discovered that KDHM by and through its principals failed to disclose that $305,000 in additional customer deposits existed and that these deposits were not conveyed to us as required by the asset purchase agreement. KDHM, Minten and Dowe provided us with fraudulent and misleading profit and loss statements that did not disclose these additional customer deposits. KDHM and the defendants do not dispute that these additional customer deposits exist existed and that they were purchased by Usio. However, despite a written representation that these funds would be returned, KDHM and its principals have held these funds hostage. Section 2.1(b)(x) of the asset purchase agreement provides that the purchased assets include "All of Seller's deposits from its customer, including without limitation, those customer deposits listed on Schedule 2.1(b)(xi) of the Disclosure Schedules." Finally, we discovered that KDHM did not provide us with all customer lists, which are identified as purchased assets under the agreement.

In our counterclaims and third-party petition, we assert causes of action for fraud, breach of contract and conversion.

On August 18, 2023, the judge granted a summary motion entitling KDHM to deposits for customer accounts that were printed and mailed prior to the acquisition, and Usio Output Solutions, Inc. was entitled to deposits for accounts that were not yet printed and printed but not yet mailed prior to the acquisition. Usio has requested a reconsideration of the motion, as it does not consider that deposits are only owed to KDHM if they were earned and offset against accounts receivable.

On March 4, 2024, the court held a hearing on KDHM's Supplemental Rule 166(G) Motion and the court granted the motion in favor of KDHM. However, Usio Output Solutions, Inc. is scheduled believes the court erred in granting the motion and filed a motion for depositions beginning November 13, 2023 reconsideration on March 19, 2024.
We consider the risk of loss as remote related to this lawsuit.
Lifetime Home Warranty, LLC

On or about December 1, 2022 March 28, 2024, Usio and Lifetime Home Warranty, LLC ("Defendant") entered into an Automated Clearing House and Remotely Created Check Service Agreement (the "Agreement") the court heard Usio's Motion for Reconsideration of Order Granting Plaintiff's Supplemental Rule 166(g). Pursuant to On May 2, 2024, the terms of the Agreement, Usio agreed to and did provide to Defendant certain automated remotely created check and other payment processing services. Usio initiated certain payment transactions as directed by Defendant, and in exchange, Defendant agreed to pay Usio for its services. Additionally, to the extent that there were any "chargebacks" or "returns," Defendant contractually agreed to pay Usio and/or cover the amount of these items. Chargebacks and returns court denied Usio's motion. We are essential rejections or disputes by the Defendant's end consumer user of the charges Usio was directed to process by Defendant. Pursuant to the Agreement and the Operating Rules and Guidelines as defined currently in the Agreement, Defendant's return rate was not to exceed 0.50% process of appealing the total transaction volume. By the end of 2022, Defendant's returns were so large that Usio terminated its Agreement with the Defendant based on the amounts owed to Usio and the risks associated with conducting further business with the Defendant. Pursuant to the Agreement, Usio invoiced Defendant on a monthly basis for all fees, chargeback and returns. Usio attempted to debit Defendant's Settlement Account for the amount due and owing, but Defendant's account contained insufficient funds to cover of the excessive chargebacks and returns. Subsequent attempts to collect the amounts due and owing to Usio failed, necessitating the filing of a lawsuit in the 224th District Court of Bexar County, Texas on April 10, 2023. As of September, 2023 the amount owed to Usio, exclusive of interest or attorneys' fees, totals $213,780. The Defendant has been served, and a motion for default judgment has been filed. decision.

In addition to OTHER PROCEEDINGS
Aside from these proceedings, the proceedings described above, we Company may be involved in legal matters arising in the ordinary course of business from time to time. While we believe that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which we are or could become involved in litigation will not have a material adverse effect on our business, financial condition, or results of operations.

Item 1A. RISK FACTORS.

There have been no material changes from risk factors previously disclosed in the 2022 2023 Annual Report.

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

Recent Sales of Unregistered Securities

We did not issue unregistered securities during the quarter ended September 30, 2023 March 31, 2024.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On November 2, 2016, we announced that our Board of Directors authorized the buyback program, pursuant to which the Company may repurchase up to $1 million in shares of our common stock from time to time in the open market, in block transactions, or in privately negotiated transactions. On January 9, 2018, our Board of Directors added an additional $2 million to the buyback program. The buyback program began on November 16, 2016 and ended on September 29, 2019. At September 29, 2019 when the program ended, $1,374,049 was available under the buyback program. On November 7, 2019, our Board of Directors approved the renewal of the buyback program. The Board approved a limit of $1,420,000, which was rolled over from the buyback program prior to renewal, with a three-year duration. On May 13, 2022, our Board of Directors authorized another renewal of the buyback program, with a limit equal to $4 million of the Company's common stock and a three year duration. The buyback program, as renewed most recently, terminates on the earliest of May 15, 2025, the date the funds are exhausted, or the date our Board of Directors, at its sole discretion, terminates or suspends the buyback program. The buyback program is used for the repurchase of stock from employees and directors, and for open-market purchases through a broker. During the three months ended September 30, 2023 March 31, 2024, we made the following stock repurchases:

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
July 1 - July 31, 2023	1,039	$ 1.76	1,039	$ 2,708,843
August 1 - August 31, 2023	89	$ 1.63	89	$ 2,708,698
September 1 - September 30, 2023	27,673	$ 1.76	27,673	$ 2,660,124
Total	28,801		28,801	$ 2,660,124

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
January 1 - January 31, 2024	5,887	$ 1.68	5,887	$ 2,261,410
February 1 - February 29, 2024	20,745	$ 1.58	20,745	$ 2,228,724
March 1 - March 31, 2024	1,232	$ 1.75	1,232	$ 2,226,570
Total	27,864		27,864	$ 2,226,570

Item 3. Defaults Upon Senior Securities.

None.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

Item 5. OTHER INFORMATION.

None.None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (included as exhibit 3.1 to the Form 10-KSB filed March 31, 2006, and incorporated herein by reference).
3.2	Amendment to Restated Articles of Incorporation (included as exhibit A to the Schedule 14C filed April 18, 2007, and incorporated herein by reference).
3.3	Certificate of Change Filed Pursuant to NRS 78.209 (included as exhibit 3.1 to the Form 8-K filed July 23, 2015, and incorporated herein by reference).
3.4	Articles of Amendment of Restated Articles of Incorporation of Usio, Inc., as amended, effective June 26, 2019 (included as exhibit 3.1 to the Form 8-K filed July 1, 2019, and incorporated herein by reference).
3.5	Amended and Restated By-laws (included as exhibit 3.2 3.1 to the Form 10-KSB 8-K filed March 31, 2006, and incorporated herein by reference).
3.6	Amendment to the Amended and Restated By-laws (included as exhibit A to Schedule 14C filed April 18, 2007 December 1, 2023, and incorporated herein by reference).
4.1	Description of Securities (included as exhibit 4.1 to the Form 10-K for the year ended December 31, 2022 December 31, 2023 filed on March 8, 2023 March 27, 2024)
10.1*	Employment Agreement between the Company and Louis A. Hoch, dated February 27, 2007 (included as exhibit 10.2 to the Form 8-K filed March 2, 2007, and incorporated herein by reference).
10.2*	First Amendment to Employment Agreement between the Company and Louis A. Hoch, dated November 12, 2009 (included as exhibit 10.16 to the Form 10-Q filed November 16, 2009, and incorporated herein by reference).
10.3*	Second Amendment to Employment Agreement between the Company and Louis A. Hoch, dated April 12, 2010 (included as exhibit 10.17 to the Form 10-K filed April 15, 2010, and incorporated herein by reference).
10.4	Bank Sponsorship Agreement between the Company and University National Bank, dated August 29, 2011 (included as exhibit 10.18 to the Form 10-K filed April 3, 2012, and incorporated herein by reference).
10.5*	Third Amendment to Employment Agreement between the Company and Louis A. Hoch, dated January 14, 2011 (included as exhibit 10.20 to the Form 10-K filed April 3, 2012, and incorporated herein by reference).
10.6*	Fourth Amendment to Employment Agreement between the Company and Louis A. Hoch, dated July 2, 2012 (included as exhibit 10.19 to the Form 10-Q filed August 20, 2012, and incorporated herein by reference).
10.7	Bank Sponsorship Agreement between the Company and Metropolitan Commercial Bank, dated December 11, 2014 (included as exhibit 10.26 to the Form 10-K filed March 30, 2015, and incorporated herein by reference).
10.8*	Fifth Amendment to Employment Agreement between the Company and Louis A. Hoch, dated August 3, 2016 (included as exhibit 10.2 to the Form 8-K filed August 9, 2016, and incorporated herein by reference).

10.9*	Sixth Amendment to Employment Agreement between the Company and Louis A. Hoch, dated September 8, 2016 (included as exhibit 10.2 to the Form 8-K filed September 14, 2016, and incorporated herein by reference).
10.10*	Employment agreement between Tom Jewell and Payment Data Systems, Inc., dated January 6, 2017 (included as exhibit 10.1 to the Form 8-K filed January 6, 2017, and incorporated herein by reference).
10.11*	Independent Director Agreement, dated May 5, 2017, by and between Payment Data Systems, Inc. and Brad Rollins (included as exhibit 10.1 to the Form 8-K, filed May 11, 2017, and incorporated herein by reference).
10.12*	First Amendment to Employment Agreement, dated November 27, 2017, by and between Payment Data Systems, Inc. and Tom Jewell (included as exhibit 10.1 to the Form 8-K, filed November 28, 2017, and incorporated herein by reference).
10.13 10.11	Lease Agreement dated February 9, 2018 between Payment Data Systems, Inc. and Blauners Paesanos Parkway LP (included as exhibit 10.43 to the Form 10-K, filed March 30, 2018, and incorporated herein by reference).
10.14 10.12	Lease Agreement between Payment Data Systems, Inc. and RP Circle 1 Building, LLC dated December 11, 2017 (included as exhibit 10.44 to the Form 10-K, filed March 30, 2018, and incorporated herein by reference).
10.15*	Second Amendment to Employment Agreement between the Company and Tom Jewell, dated November 28, 2018 (included as exhibit 10.1 go the Form 8-K filed November 28, 2018, and incorporated herein by reference).
10.16* 10.13*	Independent Director Agreement dated April 1, 2019, by and between Payment Data Systems, Inc. and Blaise Bender (included as exhibit 10.2 to the Form 8-K filed April 3, 2019, and incorporated herein by reference).
10.17 10.14	2015 Equity Incentive Plan (included as Appendix B to the Definitive Proxy Statement filed June 5, 2015, and incorporated herein by reference).
10.18 10.15	Warrant Agreement between the Company and University FanCards, LLC dated August 21, 2018 (included as exhibit 10.41 to the Form 10-Q filed on November 12, 2020, and incorporated herein by reference).
10.19* 10.16*	Independent Director Agreement dated August 29, 2020, by and between the Company and Ernesto Beyer (included as exhibit 10.1 to the Form 8-K filed on August 31, 2020, and incorporated herein by reference).
10.20*	Third Amendment to the Employment Agreement between the Company and Tom Jewell, effective October 12, 2020 (included as exhibit 10.1 to the Form 8-K filed on October 28, 2020, and incorporated herein by reference).
10.21+ 10.17+	Asset Purchase Agreement between the Company and Information Management Solutions, LLC dated December 15, 2020 (included as exhibit 10.2 to the Form 8-K filed on December 18, 2020, and incorporated herein by reference).
10.22+ 10.18+	Warrant Agreement between the Company and Information Management Solutions, LLC dated December 15, 2020 (included as exhibit 10.2 to the Form 8-K filed on December 18, 2020, and incorporated herein by reference).
10.23 10.19	Lease agreement between Information Management Systems, LLC and Industrial Properties Corp. dated June 16, 2011 (included as exhibit 10.40 to the Form 10-K filed on March 30, 2021, and incorporated herein by reference).
10.24 10.20	First amendment to lease between Information Management Systems, LLC and Industrial Properties Corp. dated April 4, 2013 (included as exhibit 10.41 to the Form 10-K filed on March 30, 2021, and incorporated herein by reference).
10.25 10.21	Second amendment to lease between Information Management Systems, LLC and Industrial Properties Corp. dated March 5, 2018 (included as exhibit 10.42 to the Form 10-K filed on March 30, 2021, and incorporated herein by reference).
10.26 10.22	Third amendment to lease between the Company as successor to Information Management Systems, LLC and ICON IPC TX Property Owner Pool 6 West/Southwest, LLC, dated December 22, 2020 (included as exhibit 10.43 to the Form 10-K filed on March 30, 2021, and incorporated herein by reference).
10.27 10.23	Lease agreement between the Company and Smartyfi, LLC for Austin offices dated January 1, 2021 (included as exhibit 10.44 to the Form 10-K filed on March 30, 2021, and incorporated herein by reference).

10.28 10.24	First amendment to lease between the Company and Paesanos Office Building, LLC for San Antonio offices dated March 15, 2021 (included as exhibit 10.45 to the Form 10-K filed on March 30, 2021, and incorporated herein by reference).
10.29* 10.25*	Seventh Amendment to Employment Agreement between Usio, Inc. and Louis A. Hoch, dated April 18, 2021 (included as exhibit 10.1 to the Form 8-K filed on April 21, 2021, and incorporated herein by reference).
10.30*	Fourth Amendment to Employment Agreement between Usio, Inc. and Tom Jewell, dated April 18, 2021 (included as exhibit 10.2 to the Form 8-K filed on April 21, 2021, and incorporated herein by reference).
10.31 10.26	Second Amendment to lease between the Company and Paesanos Office Building, LLC for San Antonio offices, dated October 19,2021 (included as exhibit 10.43 to the Form 10-Q filed on November 10, 2021, and incorporated herein by reference.
10.32	Securities Purchase Agreement between the Company and Voyager Digital Holdings, Inc. dated November 19, 2021 (included as exhibit 10.1 to the Form 8-K filed on November 23, 2021, and incorporated herein by reference).
10.33*	Fifth Amendment to the Employment Agreement between the Company and Tom Jewell, dated November 22, 2021 (included as exhibit 10.2 to the Form 8-K filed on November 23, 2021, and incorporated herein by reference).
10.34* 10.27*	Independent Director Agreement dated June 16, 2022, by and between the Company and Michelle Miller (Included as exhibit 10.1 to the Form 8-K filed on June 22, 2022, and incorporated herein by reference).
10.35* 10.28*	Eighth Amendment to Employment Agreement between Usio, Inc. and Louis A. Hoch, dated June 29, 2022 (included as exhibit 10.1 to the Form 8-K filed on July 6, 2022, and incorporated herein by reference).
10.36* 10.29*	Employment Agreement Dated February 17, 2023 between Usio Inc and Greg Carter, the Company's Executive Vice President of Payment Acceptance
10.37* 10.30*	Usio, Inc. 2023 Equity Incentive Employee Stock Purchase Plan (Filed (included as Exhibit Appendix A to the Definitive Proxy Statement on Schedule 14A filed on June 2, 2023 and incorporated herein by reference).
10.31*	Ninth Amendment to Employment Agreement between Usio, Inc. and Louis A. Hoch, dated February 1, 2024 (included as exhibit 10.1 to the Registrant's Form 8-K filed on July 12, 2023) February 1, 2024, and incorporated herein by reference).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer and the /Chief Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
97.1	Clawback Policy (Included as exhibit 97.1 to the Form 10-K filed on March 27, 2024, and incorporated herein by reference).
101.INS	Inline XBRL Instance Document (filed herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
†	Confidential treatment has been granted for portions of this agreement.
+	The schedules to the exhibit have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish copies of any such schedules to the Commission upon request.

* Management Compensatory Plan or Arrangement

Copies of above exhibits not contained herein are available to any stockholder, upon written request to: Chief Financial Officer, Usio, Inc., 3611 Paesanos Parkway, Suite 300, San Antonio, TX 78231.

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.

USIO, INC

Date: November 8, 2023 May 15, 2024	By:	/s/ Louis A. Hoch Louis A. Hoch Chief Executive Officer (Principal Executive Officer)
Date: November 8, 2023 May 15, 2024	By:	/s/ Tom Jewell Michael White Tom Jewell Michael White Chief Financial Accounting Officer (Principal Accounting and Financial Officer)

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Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Louis A. Hoch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Usio, Inc. for the quarter ended September 30, 2023 March 31, 2024;

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. As the registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. As the registrant's certifying officer, I have disclosed, based on my 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.

Date: November 8, 2023 May 15, 2024

By: /s/ Louis A. Hoch

Louis A. Hoch
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Tom Jewell, Michael White, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Usio, Inc. for the quarter ended September 30, 2023 March 31, 2024;

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. As the registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. As the registrant's certifying officer, I have disclosed, based on my 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.

Date: November 8, 2023 May 15, 2024

By: /s/ Tom Jewell Michael White

Tom Jewell Michael White

Chief Financial Accounting Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

(18 U.S.C. SECTION 1350)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Usio, Inc., a Nevada corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023 May 15, 2024

By: /s/ Louis A. Hoch

Louis A. Hoch

Chief Executive Officer

(Principal Executive Officer)

Date: November 8, 2023 May 15, 2024

By: /s/ Tom Jewell Michael White

Tom Jewell Michael White

Chief Financial Accounting Officer

(Principal Financial and Accounting Officer)

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