

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2024**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **001-32442**



**INUVO, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**87-0450450**

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

**500 President Clinton Ave. , Suite 300 Little Rock , AR**

(Address of principal executive offices)

**72201**

(Zip Code)

**( 501 ) 205-8508**

Registrant's telephone number, including area code

**not applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	INUV	NYSE American

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 the filing requirements for at least 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act: ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**Title of Class**

Common Stock

**August 2, 2024**

140,432,087

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "will," "should," "intend," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," or "continue," or the negative of such terms or other comparable terminology. This report includes, among others, statements regarding our risks associated with:

- a decline in general economic conditions;
- decreased market demand for our products and services;
- customer revenue concentration;
- risks associated with customer collections;
- seasonality impacts on financial results and cash availability;
- dependence on advertising suppliers;
- the ability to acquire traffic in a profitable manner;
- failure to keep pace with technological changes;
- interruptions within our information technology infrastructure;
- dependence on key personnel;
- regulatory and legal uncertainties;
- failure to comply with privacy and data security laws and regulations;
- third party infringement claims;
- publishers who could fabricate fraudulent clicks;
- the ability to continue to meet the NYSE American listing standards;
- the impact of quarterly results on our common stock price;
- dilution to our stockholders upon the exercise of outstanding restricted stock unit grants and warrants; and
- our ability to identify, finance, complete and successfully integrate future acquisitions.

These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this report in its entirety, including the risks described in Part II, Item 1A. Risk Factors appearing in this report, together with those appearing in Item 1A. Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission ("SEC") on February 29, 2024 and our subsequent filings with the SEC.

Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this report, and you should not rely on these statements without also considering the risks and uncertainties associated with

these statements and our business.

#### **OTHER PERTINENT INFORMATION**

Unless specifically set forth to the contrary, when used in this report the terms "Inuvo," the "Company," "we," "us," "our" and similar terms refer to Inuvo, Inc., a Nevada corporation, and its subsidiaries. When used in this report, "second quarter 2024" means for the three months ended June 30, 2024, "second quarter 2023" means for the three months ended June 30, 2023, "2023" means the fiscal year ended December 31, 2023 and "2024" means the fiscal year ending December 31, 2024. The information which appears on our corporate web site at [www.inuvo.com](http://www.inuvo.com) and our various social media platforms are not part of this report.

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**PART I - FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**INUVO, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**June 30, 2024(Unaudited) and December 31, 2023**

	June 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,011,904	\$ 4,440,454
Accounts receivable, net of allowance for doubtful accounts of \$ 232,625 and \$ 1,645,045 , respectively.	8,081,326	9,226,956
Prepaid expenses and other current assets	1,038,038	1,076,121
Total current assets	11,131,268	14,743,531
Property and equipment, net	1,756,989	1,680,788
Other assets		
Goodwill	9,853,342	9,853,342
Intangible assets, net of accumulated amortization	4,172,541	4,664,791
Referral and support services agreement advance	350,000	500,000
Right of use assets - operating lease	1,029,164	805,786
Right of use assets - finance lease	36,449	72,560
Other assets	128,345	53,346
Total other assets	15,569,841	15,949,825
Total assets	<u>\$ 28,458,098</u>	<u>\$ 32,374,144</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 6,075,889	\$ 6,432,120
Accrued expenses and other current liabilities	7,600,672	7,926,479
Lease liability - operating lease	242,324	123,074
Lease liability - finance lease	27,372	50,801
Total current liabilities	13,946,257	14,532,474
Long-term liabilities		
Deferred tax liability	94,589	89,238
Lease liability - operating lease	871,710	751,821
Lease liability - finance lease	5,972	18,209
Other long-term liabilities	—	216
Total long-term liabilities	972,271	859,484
Stockholders' equity		
Preferred stock, \$ 0.001 par value:		
Authorized shares 500,000 , none issued and outstanding	—	—
Common stock, \$ 0.001 par value:		
Authorized shares 200,000,000 ; issued and outstanding shares 140,434,327 and 137,983,918 , respectively.	140,434	137,983
Additional paid-in capital	184,705,196	184,291,414
Accumulated deficit	(171,306,060)	(167,447,211)
Total stockholders' equity	13,539,570	16,982,186
Total liabilities and stockholders' equity	<u>\$ 28,458,098</u>	<u>\$ 32,374,144</u>

See accompanying notes to the consolidated financial statements.

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**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue	\$ 18,209,005	\$ 16,651,405	\$ 35,232,782	\$ 28,498,845
Cost of revenue	2,906,188	2,368,540	5,005,230	5,559,103
Gross profit	15,302,817	14,282,865	30,227,552	22,939,742
Operating expenses				
Marketing costs	12,431,580	12,056,616	25,534,224	19,144,166
Compensation	3,031,231	3,253,416	6,256,090	6,676,257
General and administrative	1,539,393	2,311,885	2,227,903	3,893,774
Total operating expenses	17,002,204	17,621,917	34,018,217	29,714,197
Operating loss	( 1,699,387)	( 3,339,052)	( 3,790,665)	( 6,774,455)
Financing expense, net	( 42,451)	( 38,186)	( 62,831)	( 57,306)
Other income, net	—	—	—	14,418
Income tax expense	( 5,353)	—	( 5,353)	—
Net loss	( 1,747,191)	( 3,377,238)	( 3,858,849)	( 6,817,343)
Unrealized gain on marketable securities	—	—	—	84,868
Comprehensive loss	<u>\$ ( 1,747,191)</u>	<u>\$ ( 3,377,238)</u>	<u>\$ ( 3,858,849)</u>	<u>\$ ( 6,732,475)</u>
Per common share data				
Basic and diluted:				
Net loss	<u>\$ ( 0.01)</u>	<u>\$ ( 0.03)</u>	<u>\$ ( 0.03)</u>	<u>\$ ( 0.05)</u>
Weighted average shares				
Basic	140,118,532	127,249,916	139,453,962	124,115,098
Diluted	140,118,532	127,249,916	139,453,962	124,115,098

See accompanying notes to the consolidated financial statements.

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**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Operating activities:		
Net loss	\$ ( 3,858,849)	\$ ( 6,817,343)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,350,004	1,317,203
Depreciation-Right of Use Assets - Financing	36,115	58,013
Stock based compensation	714,993	935,145
Derecognition of contingency and grant	( 5,000)	—
Amortization of financing fees	3,333	2,084
Amortization of referral and support services agreement advance	150,000	150,000
Adjustment to expected losses on accounts receivable	( 1,354,533)	322,320
Deferred income tax benefit	5,353	—
Loss (gain) on marketable securities	—	( 14,418)
Stock warrant expense	—	( 8,598)
Change in operating assets and liabilities:		
Right of use assets - operating lease	( 223,383)	—
Accounts receivable	2,500,163	1,913
Prepaid expenses and other current assets	( 36,917)	2,126
Accrued expenses and other liabilities	( 324,358)	3,069,680
Accounts payable	( 356,230)	( 1,851,978)
Lease liability - operating lease	239,139	—
Net cash used in operating activities	( 1,160,170)	( 2,833,853)
Investing activities:		
Purchases of equipment and capitalized development costs	( 933,955)	( 836,428)
Proceeds from the sale of marketable securities	—	2,288,873
Net cash provided by/(used in) investing activities	( 933,955)	1,452,445
Financing activities:		
Gross proceeds from line of credit	—	592,868
Repayments on line of credit	—	( 592,868)
Payments on finance lease obligations	( 35,665)	( 64,159)
Proceeds from at-the-market sales	—	61,136
Capital raise, net of issuance costs	—	3,665,000
Net taxes paid on restricted stock unit grants exercised	( 298,760)	( 166,872)
Net cash provided by/(used in) financing activities	( 334,425)	3,495,105
Net change – cash	( 2,428,550)	2,113,697
<b>Cash and cash equivalent, beginning of year</b>	<b>4,440,454</b>	<b>2,931,415</b>
<b>Cash and cash equivalent, end of period</b>	<b>\$ 2,011,904</b>	<b>\$ 5,045,112</b>
Supplemental information:		
Interest paid	\$ 96,645	\$ 67,532
Acquisition of right of use asset for operating lease liability	\$ 335,286	\$ —

See accompanying notes to the consolidated financial statements.



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**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited)  
For the Six Months Ended June 30,

	<b>2024 Common Stock</b>		<b>Additional Paid in Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
	<b>Shares</b>	<b>Stock</b>			
Balance as of December 31, 2023	137,983,918	\$ 137,983	\$ 184,291,414	\$ (167,447,211)	\$ 16,982,186
Net loss				(2,111,658)	(2,111,658)
Stock-based compensation			396,312		396,312
Stock issued for vested restricted stock awards	1,444,866	1,445	(1,445)		—
Shares withheld for taxes on vested restricted stock			(161,973)		(161,973)
Balance as of March 31, 2024	139,428,784	139,428	184,524,308	(169,558,869)	15,104,867
Net loss				(1,747,191)	(1,747,191)
Stock-based compensation			318,681		318,681
Stock issued for vested restricted stock awards	1,005,543	1,006	(1,006)		—
Shares withheld for taxes on vested restricted stock			(136,787)		(136,787)
Balance as of June 30, 2024	<u>140,434,327</u>	<u>\$ 140,434</u>	<u>\$ 184,705,196</u>	<u>\$ (171,306,060)</u>	<u>\$ 13,539,570</u>

	<b>2023 Common Stock</b>		<b>Additional Paid in Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Total</b>
	<b>Shares</b>	<b>Stock</b>				
Balance as of December 31, 2022	120,137,124	\$ 120,138	\$ 178,771,604	\$ (157,057,558)	\$ (84,868)	\$ 21,749,316
Net loss				(3,440,105)		(3,440,105)
Unrealized gain on debt securities					84,868	84,868
Stock-based compensation			432,084			432,084
Stock issued for vested restricted stock awards	1,503,238	1,503	(1,503)			—
Shares withheld for taxes on vested restricted stock			(166,872)			(166,872)
Reversal of expense related to a change in warrant vesting			(9,874)			(9,874)
Balance as of March 31, 2023	121,640,362	121,641	179,025,439	(160,497,663)	—	18,649,417
Net loss				(3,377,238)		(3,377,238)
Stock-based compensation			503,061			503,061
Stock issued for vested restricted stock awards	3,333	3	(3)			—
Stock warrants issued for referral agreement			1,276			1,276
Capital raise, net of issuance costs	16,000,000	16,000	3,649,000			3,665,000
AGP Closing at-the-market sale	173,558	174	60,962			61,136
Balance as of June 30, 2023	<u>137,817,253</u>	<u>\$ 137,818</u>	<u>\$ 183,239,735</u>	<u>\$ (163,874,901)</u>	<u>\$ —</u>	<u>\$ 19,502,652</u>

**Inuvo, Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 1 – Organization and Business**

**Company Overview**

Inuvo is an advertising technology and services business selling information technology solutions to brands, agencies and large consolidators of advertising demand ("Platforms"). Inuvo's revenue is derived from the placement of digital advertising throughout devices, websites, applications and browsers across social, search and programmatic advertising channels. Inuvo facilitates, and gets paid, to deliver millions of advertising messages monthly and counts among its client's numerous world-renowned companies across industries.

Inuvo's primary mission is to disrupt the advertising industry with its proprietary and patented generative large language artificial intelligence (AI), a technology capable of identifying and targeting audiences without using a consumer's identity or data. The AI was designed to replace the consumer data, analytics, segmentation and lookalike modeling technologies that have traditionally served the advertising industry as it transitions to a new paradigm where a consumer's identity and data are no longer available for advertising decisions due to legislative and technological changes. Rather than targeting people, the AI targets the reasons behind why people are interested in products, services and brands.

Inuvo's AI technology solves this challenge and can be consumed by clients both as a managed service and software-as-a-service. For certain clients, Inuvo has also developed various proprietary technology and assets that include digital content, websites, automated campaigns, ad fraud detection, performance reporting and predictive media mix modeling.

The Inuvo products and services use analytics, data and artificial intelligence in a manner that optimizes the purchase and placement of advertising in real time. These capabilities are typically sold with services both individually and in combination with each other based on client needs. These products and services include:

- *IntentKey*: An artificial intelligence-based consumer intent recognition system designed to reach highly targeted mobile and desktop In-Market audiences with precision; and
- *Bonfire*: A marketing and advertising solution where a collection of data, analytics, software and publishing is used to align advertising messages with consumers across websites online.

There are many barriers to entry associated with the Inuvo business model, including a proficiency in large language model based artificial intelligence, large scale information processing, software development, consumer data products, analytics, IOT (internet of things) integration and the relationships required to execute within the IOT. Inuvo's intellectual property is protected by 19 issued and eight pending patents.

**Liquidity**

Our principal sources of liquidity are the sale of our common stock and our credit facility discussed in Note 5 - Bank Debt of our Consolidated Financial Statements.

On May 30, 2023, we raised \$ 4.0 million in gross proceeds in a registered direct offering, before expenses, through the sale of an aggregate of 16,000,000 shares of our common stock. The shares were offered pursuant to the Shelf Registration Statement and a prospectus supplement relating to the offering was filed with the SEC on May 26, 2023.

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On May 7, 2024, we entered into an At The Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co. LLC ("Wainwright"), to sell shares of our common stock, par value \$0.001 per share, (the "Shares"), having an aggregate sales price of up to \$ 15,000,000 , from time to time, through an "at the market offering" program under which Wainwright will act as sales agent. The sales, if any, of the Shares made under the ATM Agreement will be made by any method permitted by law deemed to be an "at the market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The Company will pay Wainwright a commission rate of up to 3.0 % of the aggregate gross proceeds from each sale of Shares. For the six-month period ended June 30, 2024, the Company has not sold any shares of common stock under the ATM Agreement.

On July 31, 2024, we entered into a Financing and Security Agreement (the "Financing Agreement") with SLR Digital Finance LLC ("SLR"), dated July 30, 2024. Pursuant to the terms of the Financing Agreement, SLR will finance up to \$ 10 million dependent upon eligible receivables. See Note 13 - Subsequent Events of our Consolidated Financial Statements.

We have focused our resources behind a plan to market our collective multi-channel advertising capabilities differentiated by our AI technology, the IntentKey, where we have a technological advantage and higher margins. If we are successful in implementing our plan, we expect to return to positive cash flows from operations. However, there is no assurance that we will be able to achieve this objective.

As of June 30, 2024, we have over \$ 2 million in cash and cash equivalents. Our net working capital deficit was approximately \$ 2.8 million. We have encountered recurring losses and cash outflows from operations, which historically we have funded through equity offerings and debt facilities. In addition, our investment in internally developed software consists primarily of labor costs which are of a fixed nature. Through June 30, 2024, our accumulated deficit was \$ 171.3 million.

Management plans to support the Company's future operations and capital expenditures primarily through cash raised from the sale of stock in May 2023 and cash generated from its credit facility until such time as we reach profitability. The credit facility is due upon demand and therefore there can be no assurances that sufficient borrowings will be available to support future operations until profitability is reached. Our collection period is less than 30 days and can also be used to meet accrued obligations. We believe our current cash position and credit facility will be sufficient to sustain operations for at least the next twelve months from the date of this filing. If our plan to grow the IntentKey product is unsuccessful, we may need to fund operations through private or public sales of securities, debt financings or partnering/licensing transactions over the long term.

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**Note 2 – Summary of Significant Accounting Policies**

*Basis of presentation*

The consolidated financial statements presented are for Inuvo and its subsidiaries. The accompanying unaudited consolidated financial statements have been prepared based upon SEC rules that permit reduced disclosure for interim periods. Certain information and footnote disclosures have been condensed or omitted in accordance with those rules and regulations. The accompanying consolidated balance sheet as of December 31, 2023, was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). In our opinion, these consolidated financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year. For a more complete discussion of significant accounting policies and certain other information, this report should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 29, 2024.

*Use of estimates*

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's regular evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. We regularly evaluate estimates and assumptions related to capitalized labor, goodwill and purchased intangible asset valuations and income tax valuation allowance. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material.

*Revenue Recognition*

We generate revenue by identifying audiences and presenting advertisements on behalf of our customers. We provide our products, technologies and services to Agencies & Brands and Platforms (large consolidators of advertising demand). Currently, revenue from our IntentKey products and services are primarily from Agencies & Brands, and revenue from our Bonfire products and services are primarily from Platforms. Our revenue is derived from the placements of advertisements across advertising channels, browsers, applications and devices. Pricing for those advertisement placements is typically either on a cost-per-click or cost per thousand impressions basis.

Our revenue is a function of the number of advertisements placed combined with the price we obtain (using our technologies) for the placements made on behalf of our clients. We assume the risk associated of finding placements at a cost below that for which it had been sold.

We recognize revenue when control of the contracted services or product is transferred to our customer, in an amount that reflects the consideration we expect to be entitled to in exchange for those services or products. We determine revenue recognition through (i) identification of a contract with a customer, (ii) identification of the performance obligations in the contract, (iii) determination of the transaction price, (iv) allocation of the transaction price to the performance obligations in the contract, and (v) recognition of revenue when or as the performance obligations are satisfied.

For Agencies and Brands, the terms of an agreement are captured in an Insertion Order ("IO") where revenue is recognized upon delivery of services during the period covered by the IO. For Platforms, terms are generally captured in multi-year master service agreements and revenue is recognized based on the number of advertisements placed or clicked on in the period they occur. We settle advertisement placement prices with our customers net of any adjustments for quality.

For the three-month period ended June 30, 2024, we generated \$ 18,209,005 in revenue of which 82.8% was from Platforms and 17.2% from Agencies and Brands. For the three-month period ended June 30, 2023, we generated \$ 16,651,405 in revenue of which 78.6% was from Platforms and 21.4% from Agencies and Brands. For the six-month period ended June 30, 2024, we generated \$ 35,232,782 in revenue of which 83.4% was from Platforms and 16.6% from Agencies and Brands. For the six-month period ended June 30, 2023, we generated \$ 28,498,845 in revenue of which 73.5% was from Platforms and 26.5% from Agencies and Brands.

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*Customer concentration*

For the three-month period ending June 30, 2024, one Platform customer accounted for 72.9 % of our overall revenue and for the six-month period ended June 30, 2024, 74.3 % of our overall revenue. That same customer accounted for 53.1 % of our gross accounts receivable balance as of June 30, 2024. As of December 31, 2023, the same customer accounted for 50.5 % of our gross accounts receivable balance.

*Recently Issued Accounting Standards*

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, *Segment Reporting* (Topic 280): Improvements to Reportable Segment Disclosures, which requires retrospective disclosure of significant segment expenses and other segment items on an annual and interim basis. Additionally, it requires disclosure of the title and position of the Chief Operating Decision Maker ("CODM"). This ASU is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The adoption is not expected to have a material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes* (Topic 740): *Improvements to Income Tax Disclosures*, which requires an annual tabular effective tax rate reconciliation disclosure including information for specified categories and jurisdiction levels, as well as, disclosure of income taxes paid, net of refunds received, disaggregated by federal, state/local, and significant foreign jurisdiction. This ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that adopting this standard will have on its consolidated financial statements.

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**Note 3 – Property and Equipment**

The net carrying value of property and equipment was as follows as of:

	June 30, 2024	December 31, 2023
Furniture and fixtures	\$ 293,152	\$ 293,152
Equipment	1,159,987	1,292,528
Capitalized internal use and purchased software	17,056,639	16,159,517
Leasehold improvements	458,885	458,885
Subtotal	18,968,663	18,204,082
Less: accumulated depreciation and amortization	( 17,211,674)	( 16,523,294)
Total	<u>\$ 1,756,989</u>	<u>\$ 1,680,788</u>

During the three months ended June 30, 2024 and June 30, 2023, depreciation expense was \$ 430,676 and \$ 432,053 , respectively. During the six months ended June 30, 2024 and June 30, 2023, depreciation expense was \$ 857,754 and \$ 824,954 , respectively. During the three months ended June 30, 2024, we disposed of approximately \$169 thousand of fully depreciated equipment that was no longer in use. As the equipment was fully depreciated, there was no cash inflow or outflow associated with this transaction, and no gain or loss was recorded.

**Note 4 – Other Intangible Assets and Goodwill**

The following is a schedule of intangible assets and goodwill as of June 30, 2024:

Term	Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value	Year-to-date Amortization
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Customer list, Google	20 years	\$ 8,820,000	\$ ( 5,439,000)	\$ 3,381,000	\$ 220,500
Customer list, ReTargeter	5 years	1,931,250	( 1,899,063)	32,187	193,125
Brand name, ReTargeter	5 years	643,750	( 633,021)	10,729	64,375
Customer relationships	20 years	570,000	( 211,375)	358,625	14,250
Trade names, web properties (1)	-	390,000	—	390,000	—
Intangible assets classified as long-term		<u>\$ 12,355,000</u>	<u>\$ ( 8,182,459)</u>	<u>\$ 4,172,541</u>	<u>\$ 492,250</u>
Goodwill, total	-	\$ 9,853,342	\$ —	\$ 9,853,342	\$ —

(1) The trade names related to our web properties have an indefinite life, and as such are not amortized.

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Amortization expense over the next five years and thereafter is as follows:

2024 (remainder of year)	\$	277,667
2025		469,500
2026		469,500
2027		469,500
2028		469,500
Thereafter		1,626,874
Total	\$	<u>3,782,541</u>

The following is a schedule of intangible assets and goodwill as of December 31, 2023:



	Term	Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value	2023 Amortization
Customer list, Google Technology	20 years	\$ 8,820,000	\$ ( 5,218,500)	\$ 3,601,500	\$ 441,000
Customer list, ReTargeter	5 years	3,600,000	( 3,600,000)	—	—
Customer list, all other	5 years	1,931,250	( 1,705,938)	225,312	386,250
Brand name, ReTargeter	10 years	1,610,000	( 1,610,000)	—	—
Customer relationships	5 years	643,750	( 568,646)	75,104	128,750
Trade names, web properties	20 years	570,000	( 197,125)	372,875	28,500
Intangible assets classified as long-term	-	390,000	—	390,000	—
		<u>\$ 17,565,000</u>	<u>\$ ( 12,900,209)</u>	<u>\$ 4,664,791</u>	<u>\$ 984,500</u>
Goodwill, total	-	<u>\$ 9,853,342</u>	<u>\$ —</u>	<u>\$ 9,853,342</u>	<u>\$ —</u>

#### Note 5 – Bank Debt

On March 1, 2023, we entered into Amendment No. 1 to Loan and Security Agreement and Collateral Documents (“Agreement”) with Mitsubishi HC Capital America, Inc., f/k/a/ Hitachi Capital America Corp. (“MHCA”). Under the terms of the Agreement, MHCA has provided us with a \$ 5,000,000 line of credit commitment. We are permitted to borrow up to 85 % of the aggregate Eligible Accounts Receivable, up to the maximum credit commitment of \$ 5,000,000 . We will pay MHCA monthly interest at the rate of 1.75 % in excess of the Wall Street Journal Prime Rate. The principal and all accrued but unpaid interest are due on demand. In the event of a default under the terms of the Loan and Security Agreement, the interest rate increases to 6 % greater than the interest rate in effect from time to time prior to a default. The Agreement contains certain affirmative and negative covenants to which we are also subject. We agreed to pay MHCA an amendment fee of \$ 10,000 on issuance of the Agreement, and thereafter an annual commitment fee of \$ 10,000 . We are also obligated to pay MHCA a quarterly service fee of 0.20 % on the monthly unused amount of the maximum credit line. If we terminate the Agreement before February 28, 2025, we are obligated to pay MHCA an exit fee of \$ 25,000 . The Loan and Security Agreement continues for an indefinite term. At June 30, 2024, the outstanding balances due under the Loan and Security Agreement was \$ 0 . Our borrowing capacity at June 30, 2024 was \$ 5,000,000 .

All obligations to MHCA have been satisfied and the Agreement was terminated as of July 31, 2024.

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**Note 6 – Accrued Expenses and Other Current Liabilities**

The accrued expenses and other current liabilities consist of the following as of:

	June 30, 2024	December 31, 2023
Accrued marketing costs	\$ 4,255,119	\$ 5,717,983
Accrued payroll and commission liabilities	1,325,369	1,544,460
Accrued expenses and other	2,009,943	622,960
Arkansas grant contingency	—	35,000
Accrued taxes, current portion	10,241	6,076
Total	<u>\$ 7,600,672</u>	<u>\$ 7,926,479</u>

**Note 7 – Commitments**

On September 17, 2021, we signed a multi-year agreement with a business development partner to provide referral and support services to us. The agreement required an advance fee of \$ 1.5 million with \$ 300,000 recorded in other current assets. The advance is being amortized as marketing expenses over five years . As of June 30, 2024, \$ 850,000 has been amortized and the total current and non-current balance is \$ 650,000 . As part of the agreement, we granted a warrant exercisable into 300,000 shares of our common stock, which vested over two years upon achieving certain performance metrics (see Note 10 - Stockholders' Equity). Additionally, we agreed to pay quarterly support fees upon reaching certain levels of operational activity. In April 2022, we agreed to Amendment No. 2 ("amendment") to the agreement. The amendment replaced the quarterly support fees with a commission on quarterly cumulative programmatic revenue.

The amendment also revised the cumulative target media spend and the associated commission.

In addition, effective September 26, 2023, Inuvo and the business development partner entered into an Offset Agreement whereby the parties agreed that the commission due to the partner be offset against the outstanding receivable balances due to Inuvo. We offset approximately \$ 960,852 in commissions due to the partner against the outstanding receivable of \$ 642,202 . The total amount of commission recognized, net of the \$ 67 thousand commission adjustment per our offset agreement, for the year ended December 31, 2023 was approximately \$ 52 thousand. Commission expense of approximately \$ 17 thousand was recognized for the six months ended June 30, 2024.

**Note 8 – Income Taxes**

As of June 30, 2024, we have \$ 5 thousand deferred income tax expense and incur only the minimum state taxes which are included in operating expenses. We have deferred tax assets of \$ 42,619,514 . We believe it is more likely than not that essentially none of our deferred tax assets will be realized, and we have recorded a valuation allowance of \$ 41,543,303 for the deferred tax assets that may not be realized as of June 30, 2024. We also have deferred tax liabilities totaling \$ 1,170,800 as of June 30, 2024, related to intangible assets acquired in March 2012 and February 2017. These balances are presented as a net deferred tax liability of \$ 94,589 composed of indefinite lived intangible assets. As of December 31, 2023, the Company has a net deferred tax liability of \$ 89,238 . The net deferred tax liability is due to goodwill and trade name that are amortized for tax purposes both of which are not being amortized for book purposes.

**Note 9 – Stock-Based Compensation**

We maintain a stock-based compensation program intended to attract, retain and provide incentives for talented employees and directors and align stockholder and employee interests. During the 2024 and 2023 periods, we granted restricted stock units ("RSUs") from the 2017 Equity Compensation Plan, as amended ("2017 ECP"). RSU vesting periods are generally up to three years and/or based upon achieving certain financial targets.

As of June 30, 2024, the total number of authorized shares of our common stock under the 2017 ECP was 24,550,000 .

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*Compensation Expense*

For the six months ended June 30, 2024 and June 30, 2023, we recorded stock-based compensation expense for all equity incentive plans of \$ 714,993 and \$ 935,145 , respectively. Total compensation cost not yet recognized at June 30, 2024 was \$ 2,180,386 , which will be recognized over the next three years.

The following table summarizes the stock grants outstanding under 2017 ECP for the three months ended June 30, 2024:

	Options Outstanding	RSUs Outstanding	Options and RSUs Exercised	Available Shares	Total Awards Authorized
Total	—	6,960,020	9,930,783	7,659,197	24,550,000

The fair value of restricted stock units is determined using market value of the common stock on the date of the grant. The fair value of stock options is determined using the Black-Scholes-Merton valuation model. The use of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, exercise price, and forfeiture rate. Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. The

forfeiture rate, which is estimated at a weighted average of 0 % of unvested options outstanding, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

There were no stock option awards outstanding as of the six months ended June 30, 2024.

The following table summarizes the activities for our RSUs for the six months ended June 30, 2024:

	RSUs	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, beginning of period	7,010,016	\$ 0.48
Granted	3,330,000	\$ 0.41
Vested	( 3,296,662)	\$ 0.64
Cancelled	( 83,334)	\$ 0.52
Outstanding, end of period	6,960,020	\$ 0.37

#### Note 10 – Stockholders' Equity

##### Warrants

On September 17, 2021, we signed an agreement with a marketing platform and consulting company to provide referral and support services to us for a period of five years (see Note 7 - Commitments). As part of that agreement, we granted a warrant exercisable into 300,000 shares of our common stock at an exercise price of \$ 0.72 per share and vests in two tranches when certain performance metrics are achieved. The warrant was valued using the Black Scholes option pricing model at a total of \$ 149,551 based on a seven-year term, an implied volatility of 100 %, a risk-free equivalent yield of 1.17 %, and a stock price of \$ 0.71 . The warrant is classified as equity and will be expensed on a ratable basis over the vesting period of each tranche. On August 31, 2022, 85,862 shares vested in accordance with the contracted performance criteria. On August 31, 2023, 21,136 shares vested in accordance with the contracted performance criteria. For the second tranche, we reversed approximately \$ 7.9 thousand for the year ended December 31, 2023 due to a change in the probability of performance criteria being achieved. In accordance with our agreement, after the second anniversary of the Original Issue Date, any interests in Warrant shares that have not vested pursuant to the terms and conditions of the agreement shall be deemed forfeited and shall never become exercisable. At the period ended December 31, 2023, approximately 193 thousand shares have been forfeited. As of the period ended June, 30, 2024, there are 107 thousand vested shares outstanding.

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*Earnings per Share*

For the three and six months ended June 30, 2024 and 2023, we generated a net loss from continuing operations and as a result, any potential common shares are anti-dilutive.

**Note 11 – Leases**

We have entered into operating and finance leases primarily for real estate and equipment rental. These leases have terms which range from three years to five years, and often include one or more options to renew or in the case of equipment rental, to purchase the equipment. These operating and finance leases are listed as separate line items on our consolidated balance sheets and represent our right to use the underlying asset for the lease term. Our obligation to make lease payments is also listed as separate line items on our consolidated balance sheets. As of June 30, 2024 and December 31, 2023, total operating and financed right-of-use assets were \$ 1,029,164 and \$ 36,449, and \$ 805,786 and \$ 72,560, respectively.

For the six months ended June 30, 2024 and 2023, we recorded \$ 36,115 and \$ 58,013, respectively, in amortization expense related to finance leases.

In May 2023, we entered into an agreement to lease 4,128 square feet of office space in San Jose, CA commencing on September 1, 2023. The lease has a term of sixty-five months with an abatement period of five months and will cost approximately \$ 208,000 during its first year. Thereafter, the lease payments increase by 3 % annually.

In January 2024, we amended and renewed our lease at our corporate headquarters in Little Rock, Arkansas. The lease was extended for thirty-six months commencing on February 1, 2024 and expiring on January 31, 2027 and will cost approximately \$ 127,000 during its first year. Thereafter, the lease payments increase by 2 % annually.

Because the rate implicit in each lease is not readily determinable, we use our incremental borrowing rate to determine the present value of the lease payments.

Information related to our operating lease liabilities for the period ended June 30, 2024 are as follows:

	For the Three Months Ended June 30,	For the Six Months Ended June 30,
Cash paid for operating lease liabilities	\$ 91,908	\$ 148,272
<b>Minimum future lease payments ended June 30, 2024</b>		
2024 (remainder of year)		170,479
2025		349,194
2026		354,565
2027		237,867
2028		233,727
Thereafter		19,525
		1,365,357
Less imputed interest		( 251,323)
Total lease liabilities		<u>\$ 1,114,034</u>
Weighted-average remaining lease term		3.2 years
Weighted-average discount rate		10.5%

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Information related to our financed lease liabilities for the period ended June 30, 2024 are as follows:

	For the Three Months Ended June 30,	For the Six Months Ended June 30,
Cash paid for finance lease liabilities	\$ 18,321	\$ 35,671
<b>Minimum future lease payments ended June 30, 2024</b>		
2024 (remainder of the year)		15,618
2025		18,491
		<u>34,109</u>
Less imputed interest		( 765)
Total lease liabilities		<u>\$ 33,344</u>
		1.2
Weighted-average remaining lease term		years
Weighted-average discount rate		6.25%



**Note 12 – Allowance for Credit Losses**

The activity in the allowance for doubtful accounts was as follows during the six-month period ended June 30, 2024 and the year ended December 31, 2023:

	2024	2023
Balance at the beginning of the year	\$ 1,645,045	\$ 1,440,678
Adjustment to expected losses on accounts receivable	( 1,354,533)	786,549
Charge-offs	( 62,587)	( 582,189)
Recoveries	4,700	7
Ending Balance	<u>\$ 232,625</u>	<u>\$ 1,645,045</u>

The allowance for doubtful accounts at June 30, 2024 was \$ 232,625 , a decrease of \$ 1,412,420 , from December 31, 2023. During 2024, we made an adjustment to the expected losses for accounts receivable for a balance due from a former client in 2022 that now pays consistently, has significantly reduced its outstanding amount owed and is expected to pay the remaining amount due.

**Note 13 – Subsequent Events**

On July 30, 2024, we entered into a Financing and Security Agreement and Collateral Documents (" Financing Agreement") with SLR Digital Finance LLC ("SLR"). Under the terms of the Financing Agreement, SLR has provided us with a \$ 10,000,000 line of credit commitment. We are permitted to borrow up to 90 % of eligible accounts receivable under the Financing Agreement, up to the maximum credit commitment of \$ 10,000,000 . We will pay SLR monthly interest at the rate of 1.0% in excess of the Prime Rate but not less than 7% . The Financing Agreement has a three year term. The Financing Agreement contains certain affirmative and negative covenants to which we are also subject. We agreed to pay SLR an annual facility fee of 0.80 % of the maximum credit commitment. We also agreed to pay a minimum utilization amount of the interest rate multiplied by difference between \$ 500,000 and the average daily outstanding loan during a month. We are obligated to pay SLR a monthly service fee of 0.15 % on of the average net amount of outstanding loans during each month. If we terminate the Financing Agreement prior to the second anniversary of the Effective Date, an amount equal to 1.0% of the maximum credit commitment will be due as an early termination payment and if we terminate after the second anniversary of the Effective Date but prior to the end of the term, an amount equal to 0.25% of the maximum credit commitment will be due. Repayment of the financing agreement will be made through collections from eligible accounts receivable.

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

### Company Overview

Inuvo is an advertising technology and services business selling information technology solutions to brands, agencies and large consolidators of advertising demand ("Platforms"). Inuvo's revenue is derived from the placement of digital advertising throughout devices, websites, applications and browsers across social, search and programmatic advertising channels. Inuvo facilitates, and gets paid, to deliver millions of advertising messages monthly and counts among its client's numerous world-renowned companies across industries.

Inuvo's primary mission is to disrupt the advertising industry with its proprietary and patented generative large language artificial intelligence (AI), a technology capable of identifying and targeting audiences without using a consumer's identity or data. The AI was designed to replace the consumer data, analytics, segmentation and lookalike modeling technologies that have traditionally served the advertising industry as it transitions to a new paradigm where a consumer's identity and data are no longer available for advertising decisions due to legislative and technological changes. Rather than targeting people, the AI targets the reasons behind why people are interested in products, services and brands.

Inuvo's AI technology solves this challenge and can be consumed by clients both as a managed service and software-as-a-service. For certain clients, Inuvo has also developed various proprietary technology and assets that include digital content, websites, automated campaigns, ad fraud detection, performance reporting and predictive media mix modeling.

The Inuvo products and services use analytics, data and artificial intelligence in a manner that optimizes the purchase and placement of advertising in real time. These capabilities are typically sold with services both individually and in combination with each other based on client needs. These products and services include:

- *IntentKey*: An artificial intelligence-based consumer intent recognition system designed to reach highly targeted mobile and desktop In-Market audiences with precision; and
- *Bonfire*: A marketing and advertising solution where a collection of data, analytics, software and publishing is used to align advertising messages with consumers across websites online.

There are many barriers to entry associated with the Inuvo business model, including a proficiency in large language model based artificial intelligence, large scale information processing, software development, consumer data products, analytics, IOT (internet of things) integration and the relationships required to execute within the IOT. Inuvo's intellectual property is protected by 19 issued and eight pending patents.

#### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reported periods. The estimates and assumptions that management makes affect the reported amounts of assets, liabilities, net revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used are based upon management's regular evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material. Our significant accounting policies related to Revenue Recognition, Equity-Based Compensation, Capitalized Software Costs, Goodwill, Long-lived Assets and others are described in Note 2 - Summary of Significant Accounting Policies of our Consolidated Financial Statements included elsewhere in this Report.

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## Results of Operations

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2024	2023	Change	% Change	2024	2023	Change	% Change
Net Revenue	\$18,209,005	\$16,651,405	\$1,557,600	9.4%	\$35,232,782	\$28,498,845	\$6,733,937	23.6%
Cost of Revenue	2,906,188	2,368,540	537,648	22.7%	5,005,230	5,559,103	(553,873)	(10.0)%
Gross Profit	<u>\$15,302,817</u>	<u>\$14,282,865</u>	<u>\$1,019,952</u>	<u>7.1%</u>	<u>\$30,227,552</u>	<u>\$22,939,742</u>	<u>\$7,287,810</u>	<u>31.8%</u>

### Net Revenue

Revenue for the three-month period ended June 30, 2024, increased 9.4% and revenue for the six-month period ended June 30, 2024, increased 23.6% as compared to the same periods in 2023, respectively. The higher revenue for the three-and-six-month period ended June 30, 2024 compared to the

prior year periods was attributable to increasing demand within Platforms. Within Agencies & Brands, a new client which started in 2024 and has begun scaling.

#### Cost of Revenue

Cost of revenue is primarily composed of payments to advertising exchanges that provide access to digital inventory where we serve advertisements. To a lesser extent, cost of revenue includes payments to website publishers and app developers that host advertisements. The decline in cost of revenue for the three-and-six-month period ended June 30, 2024, compared to the same time periods in 2023 was related to the change in revenue mix due to higher revenue from Platform clients.

#### Operating Expenses

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2024	2023	Change	%	2024	2023	Change	%
Marketing costs	\$12,431,580	\$12,056,616	\$ 374,964	3.1%	\$25,534,224	\$19,144,166	\$ 6,390,058	33.4%
Compensation	3,031,231	3,253,416	(222,185)	(6.8%)	6,256,090	6,676,257	(420,167)	(6.3%)
General and administrative	1,539,393	2,311,885	(772,492)	(33.4%)	2,227,903	3,893,774	(1,665,871)	(42.8%)
Operating expenses	<u>\$17,002,204</u>	<u>\$17,621,917</u>	<u>\$ (619,713)</u>	<u>(3.5%)</u>	<u>\$34,018,217</u>	<u>\$29,714,197</u>	<u>\$ 4,304,020</u>	<u>14.5%</u>

Marketing costs consist mostly of traffic acquisition (i.e., media) costs and include those expenses required to attract audiences to various web properties. Marketing costs for the three-and-six-month period ended June 30, 2024 compared to the same period in 2023 increased due to higher media costs required to serve Platform advertisers.

Compensation expense was approximately \$222 thousand lower for the three months ended and approximately \$420 thousand lower for the six months ended June 30, 2024, compared to the same time periods in 2023 primarily due to lower incentive expense, stock-based compensation, and commission expense. Our total employment, both full- and part-time, was 83 at June 30, 2024 compared to 84 at June 30, 2023.

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General and administrative costs for the three and six months ended June 30, 2024 decreased \$772 thousand and \$1.7 million, respectively, compared to the same periods in 2023 due primarily to a decrease in the expense for doubtful accounts related to a former client in 2022 that now pays consistently, has significantly reduced its outstanding amount owed and is expected to pay the remaining amount due.

### *Financing expense, net*

Finance expense, net, for the three and six months ended June 30, 2024, was approximately \$42 thousand and \$63 thousand, respectively.

Finance expense, net, for the three and six months ended June 30, 2023, was approximately \$38 thousand and \$57 thousand, respectively.

### *Other income, net*

There was no net other income (expense) in the three-month and six-month period ended June 30, 2024 and the three-month period ended June 30, 2023. For the six-month period ended 2023, net other income was \$14 thousand from the unrealized gains, as detailed in Note 3 - Property and Equipment of our Consolidated Financial Statements.

## **Liquidity and Capital Resources**

Our principal sources of liquidity are the sale of our common stock and our credit facility discussed in Note 5 - Bank Debt of our Consolidated Financial Statements.

On May 30, 2023, we raised \$4.0 million in gross proceeds in a registered direct offering, before expenses, through the sale of an aggregate of 16,000,000 shares of our common stock. The shares were offered pursuant to the Shelf Registration Statement and a prospectus supplement relating to the offering was filed with the SEC on May 26, 2023.

On May 7, 2024, we entered into an At The Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co. LLC ("Wainwright"), to sell shares of our common stock, par value \$0.001 per share, (the "Shares"), having an aggregate sales price of up to \$15,000,000, from time to time, through

an “at the market offering” program under which Wainwright will act as sales agent. The sales, if any, of the Shares made under the ATM Agreement will be made by any method permitted by law deemed to be an “at the market offering” as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The Company will pay Wainwright a commission rate of up to 3.0% of the aggregate gross proceeds from each sale of Shares. For the six-month period ended June 30, 2024, the Company has not sold any shares of common stock under the ATM Agreement.

On July 31, 2024, we entered into a Financing and Security Agreement (the “Financing Agreement”) with SLR Digital Finance LLC (“SLR”), dated July 30, 2024. Pursuant to the terms of the Financing Agreement, SLR will finance up to \$10 million dependent upon eligible receivables. See Note 13 - Subsequent Events of our Consolidated Financial Statements.

We have focused our resources behind a plan to market our collective multi-channel advertising capabilities differentiated by our AI technology, the IntentKey, where we have a technology advantage and higher margins. If we are successful in implementing our plan, we expect to return to positive cash flows from operations. However, there is no assurance that we will be able to achieve this objective.

As of June 30, 2024, we have over \$2 million in cash and cash equivalents. Our net working capital deficit was approximately \$2.8 million. We have encountered recurring losses and cash outflows from operations, which historically we have funded through equity offerings and debt facilities. In addition, our investment in internally developed software consists primarily of labor costs which are of a fixed nature. Through June 30, 2024, our accumulated deficit was \$171.3 million.

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Management plans to support the Company's future operations and capital expenditures primarily through cash raised from the sale of stock in May 2023 and cash generated from its credit facility until such time as we reach profitability. The credit facility is due upon demand and therefore there can be no assurances that sufficient borrowings will be available to support future operations until profitability is reached. Our collection period is less than 30 days and can also be used to meet accrued obligations. We believe our current cash position and credit facility will be sufficient to sustain operations for at least the next twelve months from the date of this filing. If our plan to grow the IntentKey product is unsuccessful, we may need to fund operations through private or public sales of securities, debt financings or partnering/licensing transactions over the long term.

*Cash Flows*

The table below sets forth a summary of our cash flows for the six months ended June 30, 2024 and 2023:

	For the Six Months Ended June 30,	
	2024	2023
Net cash used in operating activities	\$ (1,160,170)	\$ (2,833,853)
Net cash provided by/(used in) investing activities	\$ (933,955)	\$ 1,452,445
Net cash provided by/(used in) financing activities	\$ (334,425)	\$ 3,495,105



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#### *Cash Flows - Operating*

Net cash used in operating activities was \$1,160,170 during the six months ended June 30, 2024. We reported a net loss of \$3,858,849, which included non-cash expenses of depreciation and amortization expense of \$1,350,004, depreciation of right of use assets of \$36,115 and stock-based compensation expense of \$714,993. The change in operating assets and liabilities during the six months ended June 30, 2024 was a net provision of cash of \$2,177,150 primarily due to a decrease in accounts receivable of \$2,500,163 partially offset by a decrease of accrued liabilities and other liabilities of \$324,358 and a decrease in accounts payable of \$356,230. Our terms are such that we generally collect receivables prior to paying trade payables. However, our Media sales arrangements typically have slower payment terms than the terms of related payables.

During the comparable six-month period in 2023, cash used in operating activities was \$2,833,853 from a net loss of \$6,817,343 and included several non-cash expenses of depreciation and amortization expense of \$1,317,203 and stock-based compensation expense of \$935,145. The change in operating assets and liabilities during the six months ended June 30, 2023 was a net provision of cash of \$1,371,741 primarily due to an increase of accrued liabilities and other liabilities of \$3,069,680 partially offset by a lower accounts payable balance.

#### *Cash Flows - Investing*

Net cash used in investing activities was \$933,955 for the six months ended June 30, 2024, and consisted primarily of capitalized internal development costs.

Net cash provided by investing activities was \$1,452,445 for the six months ended June 30, 2023, and consisted primarily of the sale of marketable securities, partially offset by capitalized internal development costs.

#### *Cash Flows - Financing*

Net cash used in financing activities was \$334,425 during the six months ended June 30, 2024, and was primarily due to net taxes paid on restricted stock unit grants exercised.

Net cash provided by financing activities during the six months ended June 30, 2023 was \$3,495,105, and was primarily from proceeds from the capital raise (see Note 1 - Organization and Business of our Consolidated Financial Statements).

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**Off Balance Sheet Arrangements**

As of June 30, 2024, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable to a smaller reporting company.

**ITEM 4. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

We maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Disclosure controls and procedures are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this report, is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and to reasonably assure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management does not expect that our disclosure controls will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future

conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of June 30, 2024, the end of the period covered by this report, our management concluded their evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. As of the evaluation date, our Chief Executive Officer and Chief Financial Officer concluded that we maintain disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II

### ITEM 1 - LEGAL PROCEEDINGS

None.

### ITEM 1A. RISK FACTORS-UPDATE

We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Accordingly, we incorporate by reference the risk factors disclosed in Part I, Item 1A of our Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 29, 2024 and our subsequent filings with the SEC, subject to the new or modified risk factors appearing below that should be read in conjunction with the risk factors disclosed in such Form 10-K and our subsequent filings.

***We rely on one customer for a significant portion of our revenues.*** We are reliant upon one customer for most of our revenue. For the three-month

period ending June 30, 2024, one Platform customer accounted for 72.9% of our overall revenue and for the six-month period ended June 30, 2024, 74.3% of our overall revenue. The amount of revenue we receive from this customer is dependent on a number of factors outside of our control, including changes in the respective customers advertising budget, both in terms of allocated dollars and media mix, financial resources of the customers, as well as general economic conditions. We would likely experience a significant decline in revenue and our business operations could be significantly harmed if these customers do not continue to utilize our services. Additionally, our business operations and financial condition could be significantly harmed if these customers do not pay for our services on a timely basis. The loss of any of these customers or a material change in the revenue or gross profit they generate or their failure to timely pay us for our services would have a material adverse impact on our business, results of operations and financial condition in future periods.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY AND DISCLOSURES.**

Not applicable.

**ITEM 5. OTHER INFORMATION.**

None.

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**ITEM 6. EXHIBITS**

No.	Exhibit Description	Form	Date Filed	Number	Filed or Furnished Herewith
<a href="#">3(i).1</a>	<a href="#">Articles of Incorporation, as amended</a>	10-KSB	3/1/04	4	
<a href="#">3(i).2</a>	<a href="#">Amended to Articles of Incorporation filed March 14, 2005</a>	10-KSB	3/31/06	3.2	
<a href="#">3(i).3</a>	<a href="#">Articles of Merger between Inuvo, Inc. and Kowabunga! Inc.</a>	8-K	7/24/09	3.4	
<a href="#">3(i).4</a>	<a href="#">Certificate of Change Filed Pursuant to NRS 78.209</a>	8-K	12/10/10	3(i).4	
<a href="#">3(i).5</a>	<a href="#">Certificate of Merger as filed with the Secretary of State of Nevada on February 29, 2012</a>	10-K	3/29/12	3(i).5	
<a href="#">3(i).6</a>	<a href="#">Articles of Amendment to Amended Articles of Incorporation as filed on February 29, 2012</a>	10-K	3/29/12	3(i).6	
<a href="#">3(i).7</a>	<a href="#">Articles of Amendment to Amended Articles of Incorporation as filed on October 31, 2019</a>	10-Q	5/15/20	3(i).7	
<a href="#">3(i).8</a>	<a href="#">Certificate of Validation of Amendment to Amended Articles of Incorporation as filed October 16, 2020.</a>	10-Q	11/9/20	3(i).8	
<a href="#">3(i).9</a>	<a href="#">Articles of Amendment to Articles of Incorporation as filed January 7, 2021</a>	10-K	2/11/21	3(i).9	
<a href="#">3(i).10</a>	<a href="#">Articles of Amendment to Articles of Incorporation as filed on August 19, 2021</a>	10-Q	11/12/21	3(i).10	
<a href="#">3(ii).1</a>	<a href="#">Amended and Restated By-Laws</a>	10-K	3/31/10	3(ii).4	
<a href="#">3(ii).2</a>	<a href="#">Bylaw amendment adopted February 29, 2012</a>	8-K	3/6/12	3(ii).1	
<a href="#">31.1</a>	<a href="#">Rule 13a-14(a)/15d-14(a) certification of Chief Executive Officer</a>				Filed
<a href="#">31.2</a>	<a href="#">Rule 13a-14(a)/15d-14(a) certification of Chief Financial Officer</a>				Filed
<a href="#">32.1</a>	<a href="#">Section 1350 certification of Chief Executive Officer</a>				Furnished
<a href="#">32.2</a>	<a href="#">Section 1350 certification of Chief Financial Officer</a>				Furnished
101.INS	Inline XBRL Instance Document				Filed
101.SCH	Inline XBRL Taxonomy Extension Schema Document				Filed

101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed
104	The cover page for Inuvo, Inc.'s quarterly report on Form 10-Q for the period ended June 30, 2024, formatted in Inline XBRL (included with Exhibit 101 attachments).	Filed

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#### 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.

**Inuvo, Inc.**

By: /s/ Richard K. Howe

August 8, 2024



Richard K. Howe,  
Chief Executive Officer, principal executive officer

August 8, 2024

By: /s/ Wallace D. Ruiz

Wallace D. Ruiz,  
Chief Financial Officer, principal financial and  
accounting officer

## Rule 13a-14(a)/15d-14(a) Certification

I, Richard K. Howe, certify that:

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

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;

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;

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

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;

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;

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

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

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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: August 8, 2024

/s/ Richard K. Howe

Richard K. Howe

Chief Executive Officer, principal executive officer

## Rule 13a-14(a)/15d-14(a) Certification

I, Wallace D. Ruiz, certify that:

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

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;

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;

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

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;

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;

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

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

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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: August 8, 2024

/s/ Wallace D. Ruiz

Wallace D. Ruiz

Chief Financial Officer, principal financial and accounting officer

Section 1350 Certification

In connection with the Quarterly Report of Inuvo, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Richard K. Howe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: August 8, 2024

/s/ Richard K. Howe

Richard K. Howe

Chief Executive Officer, principal executive officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Section 1350 Certification

In connection with the Quarterly Report of Inuvo, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Wallace D. Ruiz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: August 8, 2024

/s/ Wallace D. Ruiz

Wallace D. Ruiz

Chief Financial Officer, principal financial and accounting officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.