PARK CITY GROUP INC
Form 10-Q
May 10, 2018

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 March 31, 2018

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

For the transition period from _____ to _____.

Commission File Number 001-34941

PARK CITY GROUP, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	37-1454128
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

299 South Main Street, Suite 2225 Salt Lake City, UT 84111
(Address of principal executive offices)

(435) 645-2000
(Registrant's telephone number)

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 and 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company

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 if 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: Common Stock, $0.01 par value, 19,766,486 shares as of May 8, 2018.

PARK CITY GROUP, INC.

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Exhibit 32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	

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PARK CITY GROUP, INC.
Consolidated Condensed Balance Sheets

Assets	March 31, 2018	June 30, 2017
Current Assets	Unaudited	
Cash	$14,828,160	$14,054,006
Receivables, net allowance for doubtful accounts of $584,193 and $392,250 at March 31, 2018 and June 30, 2017, respectively	6,713,690	4,009,127
Prepaid expense and other current assets	1,282,667	643,600
Total Current Assets	22,824,517	18,706,733
Property and equipment, net	1,985,021	2,115,277
Other Assets:		
Long-term receivables, deposits, and other assets	1,136,711	2,540,291
Investments	477,884	477,884
Customer relationships	952,650	1,051,200
Goodwill	20,883,886	20,883,886
Capitalized software costs, net	193,441	137,205
Total Other Assets	23,644,572	25,090,466
Total Assets	$48,454,110	$45,912,476
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$1,253,560	$565,487
Accrued liabilities	1,264,721	2,084,980
Deferred revenue	2,360,394	2,350,846
Lines of credit	3,230,000	2,850,000
Current portion of notes payable	186,495	318,616
Total current liabilities	8,295,170	8,169,929
Long-term liabilities		
Notes payable, less current portion	1,641,064	1,996,953
Other long-term liabilities	14,642	36,743
Total liabilities	9,950,876	10,203,625
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; $0.01 par value, 30,000,000 shares authorized;	6,254	6,254

Series B Preferred, 700,000 shares authorized; 625,375 shares issued and outstanding at March 31, 2018 and June 30, 2017;		
Series B-1 Preferred, 550,000 shares authorized; 212,402 and 285,859 shares issued and outstanding at March 31, 2018 and June 30, 2017, respectively	2,124	2,859
Common stock, $0.01 par value, 50,000,000 shares authorized; 19,765,437 and 19,423,821 issued and outstanding at March 31, 2018 and June 30, 2017, respectively	197,657	194,241
Additional paid-in capital	76,634,385	75,489,189
Accumulated deficit	(38,337,186)	(39,983,692)
Total stockholders' equity	38,503,234	35,708,851
Total liabilities and stockholders’ equity	$48,454,110	$45,912,476

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.
Consolidated Condensed Statements of Operations (unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Revenue	$5,278,783	$4,748,652	$15,715,654	$13,750,786
Operating expense:				
Cost of services and product support	1,805,256	1,342,772	4,649,620	3,736,691
Sales and marketing	1,574,663	1,350,726	4,781,752	3,702,975
General and administrative	1,293,727	1,006,605	3,569,584	2,967,842
Depreciation and amortization	165,189	106,899	487,815	336,340
Total operating expense	4,838,835	3,807,002	13,488,771	10,743,848
Income from operations	439,948	941,650	2,226,883	3,006,938
Other expense:				
Interest expense	17,730	(4,729)	(12,157)	(18,052)
Income before income taxes	457,678	936,921	2,214,726	2,988,886
(Provision) for income taxes:	(349)	(35,471)	(76,063)	(94,655)
Net income	457,329	901,450	2,138,663	2,894,231
Dividends on preferred stock	(146,611)	(202,036)	(426,737)	(584,288)
Net income applicable to common shareholders	$310,718	$699,414	$1,711,926	$2,309,943
Weighted average shares, basic	19,648,000	19,390,000	19,519,000	19,331,000
Weighted average shares, diluted	20,321,000	20,353,000	20,250,000	20,251,000
Basic income per share	$0.02	$0.04	$0.09	$0.12
Diluted income per share	$0.02	$0.03	$0.08	$0.11

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.-
Consolidated Condensed Statements of Cash Flows (Unaudited)

	Nine Months Ended March 31,	
	2018	2017
Cash Flows Operating Activities:		
Net income	$2,138,663	$2,894,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	487,815	336,340
Stock compensation expense	489,748	961,589
Bad debt expense	295,050	230,700
(Increase) decrease in:		
Trade receivables	(2,999,613)	(444,022)
Long-term receivables, prepaids and other assets	764,513	(1,722,362)
(Decrease) increase in:		
Accounts payable	688,073	169,504
Accrued liabilities	(98,821)	92,281
Deferred revenue	9,548	(558,576)
Net cash provided by operating activities	1,774,976	1,959,685
Cash Flows from Investing Activities:		
Capitalization of software costs	(111,241)	-
Purchase of property and equipment	(204,004)	(337,777)
Purchase of long-term investments	-	(3,150)
Net cash used in investing activities	(315,245)	(340,927)
Cash Flows from Financing Activities:		
Proceeds from exercise of options and warrants	666,903	121,625
Net increase in lines of credit	380,000	130,432
Proceeds from employee stock purchase plans	244,417	223,465
Proceeds from issuance of note payable	56,078	207,345
Dividends paid	(488,897)	(7,932)
Payments on notes payable and capital leases	(544,088)	(194,539)
Redemption of Series B-1 Preferred	(999,990)	-
Net cash provided by (used in) financing activities	(685,577)	480,396
Net increase in cash and cash equivalents	774,154	2,099,154

Cash and cash equivalents at beginning of period	14,054,006	11,443,388
Cash and cash equivalents at end of period	$14,828,160	$13,542,542
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	$79,820	$64,655
Cash paid for interest	$136,500	$31,004
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Common stock to pay accrued liabilities	$971,127	$770,858
Preferred stock to pay accrued liabilities	$200,000	$300,000
Dividends accrued on preferred stock	$426,737	$584,288
Dividends paid with preferred stock	$-	$557,071

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. DESCRIPTION OF BUSINESS

Overview

Park City Group, Inc. (the "Company") is the parent company of ReposiTrak Inc., a compliance, supply chain, and MarketPlace B2B e-commerce services platform that partners with retailers and wholesalers, and their suppliers, to accelerate sales, control risks, and improve supply chain efficiencies.

The Company's supply chain and MarketPlace services provide its customers with greater flexibility in sourcing products by enabling them to choose new suppliers and integrate them into their supply chain faster and more cost effectively, and it helps them to more efficiently manage these relationships, enhancing revenue while lowering working capital, labor costs and waste. The Company's food safety and compliance solutions help reduce a company's potential regulatory, legal, and criminal risk from its supply chain partners by providing a way for them to ensure these suppliers are compliant with food safety regulations, such as the Food Safety Modernization Act ("FSMA").

The Company's services are delivered though proprietary software products designed, developed, marketed and supported by the Company. These products are designed to provide transparency and to facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving back to suppliers and eventually to raw material providers. The Company provides cloud-based applications and services that address e-commerce, supply chain, food safety and compliance activities. The principal customers for the Company's products are multi-store food retail store chains and their suppliers, branded food manufacturers, food wholesalers and distributors, and other food service businesses.

The Company has a hub and spoke business model. The Company is typically engaged by retailers and distributors ("Hubs"), which in turn have it engage their suppliers ("Spokes") to contract for the Company's services. The bulk of the Company's revenue is from recurring subscription payments from these suppliers often based on a monthly volume metric between the Hub and the Spoke. The Company also has a professional services business, which conducts customization, implementation, and training, for which revenue is recognized on a percentage-of-completion or pro rata basis over the life of the subscription, depending on the nature of the engagement. In a few instances, the Company will also sell its software in the form of a use license.

The Company is incorporated in the state of Nevada. The Company has three principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned); Park City Group, Inc., a Delaware corporation (100% owned); and ReposiTrak, Inc., a Utah corporation (100% owned). All intercompany transactions and balances have been eliminated in consolidation.

The Company's principal executive offices are located at 299 South Main Street, Suite 2225, Salt Lake City, Utah 84111. Its telephone number is (435) 645-2000. Its website address is http://www.parkcitygroup.com, and ReposiTrak's website address is http://repositrak.com.

Recent Developments

Redemption of Shares of Series B Preferred Stock

The Company's First Amended and Restated Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock (the "Series B-1 Preferred"), as amended (the "Series B-1 COD"), provides the Company's Board of Directors with the right to redeem any or all of the outstanding shares of the Company's Series B-1 Preferred for a cash payment of $10.70 per share at any time upon providing the holders of Series B-1 Preferred at least ten days written notice that sets forth the date on which the redemption will occur (the "Redemption Notice").

On January 27, 2018, the Company's Board of Directors approved the redemption of 93,457 of the 305,859 issued and outstanding shares of the Company's Series B-1 Preferred (the "Redemption Shares"), and on February 6, 2018, the Company delivered a Redemption Notice to certain holders of the Series B-1 Preferred notifying the holders of the Company's intent to redeem their Redemption Shares on February 7, 2018 (the "Redemption Date") (the "Series B-1 Redemption"). On the Redemption Date, the Company paid an aggregate total of $1.0 million to the holders of shares of Series B-1 Preferred, resulting in the redemption of 93,457 shares of Series B-1 Preferred. Following the Series B-1 Redemption, 212,402 shares of Series B-1 Preferred remain issued and outstanding.

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Basis of Financial Statement Presentation

The interim financial information of the Company as of March 31, 2018 and for the three and nine months ended March 31, 2018 and 2017 is unaudited, and the balance sheet as of June 30, 2017 is derived from audited financial statements. The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements. Accordingly, they omit or condense notes and certain other information normally included in financial statements prepared inaccordance with U.S. generally accepted accounting principles. The accounting policies followed for quarterly financial reporting conform with the accounting policies disclosed in Note 2 to the Notes to Financial Statements included in our Annual Report on Form 10–-K for the year ended June 30, 2017. In the opinion of management, all adjustments necessary for a fair presentation of the financial information for the interim periods reported have been made. All such adjustments are of a normal recurring nature. The results of operations for the three and nine months ended March 31, 2018 are not necessarily indicative of the results that can be expected for the fiscal year ending June 30, 2018. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-–K for the year ended June 30, 2017.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements presented herein reflect the consolidated financial position of Park City Group, Inc. and our subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that materially affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results it reports in its financial statements. The Securities and Exchange Commission has defined the most critical accounting policies as those that are most important to the portrayal of the Company’s financial condition and results and require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company’s most critical accounting policies include: income taxes, goodwill and other long-lived asset valuations, revenue recognition, stock–based compensation, and capitalization of software development costs.

Earnings Per Share

Basic net income per common share (“Basic EPS”) excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share (“Diluted EPS”) reflects the potential dilution that could occur if stock options or other contracts to issue shares of common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti–dilutive effect on net income per common share.

The following table presents the components of the computation of basic and diluted earnings per share for the periods indicated:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2018	2017	2018	2017
Numerator				
Net income applicable to common shareholders	$310,718	$699,414	$1,711,926	$2,309,943
Denominator				
Weighted average common shares outstanding, basic	19,648,000	19,390,000	19,519,000	19,331,000
Warrants to purchase common stock	673,000	963,000	731,000	920,000
Weighted average common shares outstanding, diluted	20,321,000	20,353,000	20,250,000	20,251,000
Net income per share				
Basic	$0.02	$0.04	$0.09	$0.12
Diluted	$0.02	$0.03	$0.08	$0.11

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Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation. These reclassifications have no impact on the previously reported results.

NOTE 3. EQUITY

Restricted Stock Units	Restricted Stock Units	Weighted Average Grant Date Fair Value ($/share)
Outstanding at June 30, 2017	982,613	$6.01
Granted	9,897	12.12
Vested and issued	(119,186)	7.36
Forfeited	(28,264)	10.96
Outstanding at March 31, 2018	845,060	$5.73

The number of restricted stock units outstanding at March 31, 2018 included 638 units that have vested but for which shares of common stock had not yet been issued pursuant to the terms of the agreement.

As of March 31, 2018, there was approximately $4.8 million of unrecognized stock-based compensation expense under our equity compensation plans, which is expected to be recognized on a straight-line basis over a weighted average period of 4.5 years.

Warrants

The following tables summarize information about warrants outstanding and exercisable at March 31, 2018:

	Warrants Outstanding at March 31, 2018			Warrants Exercisable at March 31, 2018	
Range of exercise prices Warrants	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$4.00	1,085,068	1.85	$4.00	1,085,068	$4.00

$6.45-10.00	100,481	.74	$7.29	100,481	$7.29
	1,185,549	1.75	$4.28	1,185,549	$4.28

Preferred Stock

The Company's certificate of incorporation currently authorizes the issuance of up to 30,000,000 shares of 'blank check' preferred stock with designations, rights, and preferences as may be determined from time to time by the Company's Board of Directors, of which 700,000 shares are currently designated as Series B Preferred Stock ("Series B Preferred") and 550,000 shares are designated as Series B-−1 Preferred. As of March 31, 2018, a total of 625,375 shares of Series B Preferred and 212,402 shares of Series B−-1 Preferred were issued and outstanding. Both classes of Series B Preferred Stock pay dividends at a rate of 7% per annum if paid by the Company in cash, or 9% if paid by the Company in additional shares of Series B Preferred ("PIK Shares"), the Company may elect to pay accrued dividends on outstanding shares of Series B Preferred in either cash or by the issuance of PIK Shares.

In July 2017, the Company issued 20,000 shares of Series B-1 Preferred in satisfaction of an accrued bonus payable to the Company's Chief Executive Officer.

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On February 6, 2018, the Company delivered a Redemption Notice to certain holders of the Series B-–1 Preferred notifying the holders of the Company's intent to redeem their Redemption Shares on February 7, 2018 (the "Redemption Date") (the "Series B–-1 Redemption"). On the Redemption Date, the Company paid an aggregate total of $999,990 to the holders of shares of Series B-–1 Preferred, resulting in the redemption of 93,457 shares of Series B–-1 Preferred.

Management believes the Series B-–1 Preferred favorably impacts the Company's overall cost of capital in that it is: (i) perpetual and, therefore, an equity instrument that positively impacts the Company's coverage ratios. (ii) possesses a below market dividend rate relative to similar instruments. (iii) offers the flexibility of a paid–-in-–kind (PIK) payment option. and (iv) is without covenants. After exploring alternative options for redeeming the Series B-–1 Preferred, management determined that alternative financing options were materially more expensive, or would impair the Company's net cash position, which management believes could cause customer concerns and negatively impact the Company's ability to attract new business.

NOTE 4. RELATED PARTY TRANSACTIONS

During the nine months ended March 31, 2018, the Company continued to be a party to a Service Agreement with Fields Management, Inc. ("FMI"), pursuant to which FMI provided certain executive management services to the Company, including designating Randall K. Fields to perform the functions of President and Chief Executive Officer for the Company. Mr. Fields also serves as the Company's Chairman of the Board of Directors and controls FMI. The Company had payables of $230,150 and $77,628 to FMI at March 31, 2018 and June 30, 2017, respectively, under this Agreement. In addition, in the first quarter of fiscal 2017, 20,000 shares of Series B-1 Preferred were paid to FMI in satisfaction of an accrued bonus payable to Mr. Fields.

Randall K. Fields and Robert W. Allen each beneficially own Series B-1 Preferred. As a result of the Series B-1 Redemption, the Company paid an aggregate of $889,159 and $110,831 to Messrs. Fields and Allen, respectively, in consideration for the redemption of 83,099 and 10,358 shares of Series B-1 Preferred. See Note 3.

NOTE 5. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, August 2015, April 2016, May 2016, September 2017 and November 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2014–-09 (ASC Topic 606), Revenue from Contracts with Customers, ASU 2015–-14 (ASC Topic 606) Revenue from Contracts with Customers, Deferral of the Effective Date, ASU 2016-–10 (ASC Topic 606) Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing, ASU 2016–-12 (ASC Topic 606) Revenue from Contracts with Customers, Narrow–Scope Improvements and Practical Expedients, ASU 2017-14, Income Statement - Reporting Comprehensive Income (ASC Topic 606), Revenue Recognition (ASC Topic 606), and Revenue from Contracts with Customers (ASC Topic 606): Amendments to SEC Paragraphs pusuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403, respectively. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry–specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in these ASUs are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted for annual periods beginning after December 15, 2016. This standard may be applied retrospectively to all prior periods presented, or retrospectively with a cumulative adjustment to retained earnings in the year of adoption. The Company currently anticipates adopting the standard using the full retrospective method. We are in the process of completing our analysis on the impact this guidance will have on our Consolidated Financial Statements and related disclosures, as well as identifying the required changes to

our policies, processes and controls. The Company is conducting its assessment in order to be able to state the impact of this ASU on our financial position and results of operation.

In January 2017, the FASB issued ASU 2017-–04, Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment. The amendments in this update simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. An entity should apply the amendments in this update on a prospective basis. The Company notes that this guidance applies to its reporting requirements and will implement the new guidance accordingly.

In August 2016, the FASB issued ASU 2016–-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. Historically, there has been a diversity in practice in how certain cash receipts/payments are presented and classified in the statement of cash flows under Topic 230. To reduce the existing diversity in practice, this update addresses multiple cash flow issues. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company notes that this guidance applies to its reporting requirements and will implement the new guidance accordingly.

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In March 2016, the FASB issued ASU 2016-09 (ASC Topic 718), Stock Compensation—Improvements to Employee Share-Based Payment Accounting. The amendments in this ASU are intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax consequences, classification on the consolidated statement of cash flows and treatment of forfeitures. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company is in the process of assessing the impact, if any, of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 (ASC Topic 842), Leases. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is in the process of assessing the impact, but based on current commitments does not anticipate adoption to have a material impact on its consolidated financial statements.

NOTE 6. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, the Company issued 1,049 shares of common stock in connection with the vesting of employee stock grants.

In accordance with the Subsequent Events Topic of the FASB ASC 855, we have evaluated subsequent events, through the filing date and noted no additional subsequent events that are reasonably likely to impact the financial statements.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressio intended to identify "forward-looking statements." Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties, including those risks factors contained in our June 30, 2017 Annual Report on Form 10-K, incorporated herein by reference. Statements made herein are as of the date of the filing of this Form 10-Q with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

Overview

Park City Group, Inc. (the "Company") is the parent company of ReposiTrak Inc., a compliance, supply chain, and MarketPlace B2B e-commerce services platform that partners with retailers and wholesalers, and their suppliers, to accelerate sales, control risks, and improve supply chain efficiencies.

The Company's supply chain and MarketPlace services provide its customers with greater flexibility in sourcing products by enabling them to choose new suppliers and integrate them into their supply chain faster and more cost effectively, and it helps them to more efficiently manage these relationships, enhancing revenue while lowering working capital, labor costs and waste. Our food safety and compliance solutions help reduce a company's potential regulatory, legal, and criminal risk from its supply chain partners by providing a way for them to ensure these suppliers are compliant with food safety regulations, such as the Food Safety Modernization Act ("FSMA").

The Company's services are delivered though proprietary software products designed, developed, marketed and supported by the Company. These products are designed to provide transparency and facilitate improved business processes among all key constituents in the supply chain, starting with the retailer and moving back to suppliers and eventually to raw material providers. The Company provides cloud-based applications and services that address e-commerce, supply chain, food safety and compliance activities. The principal customers for the Company's products are multi-store food retail store chains and their suppliers, branded food manufacturers, food wholesalers and distributors, and other food service businesses.

The Company has a hub and spoke business model. The Company is typically engaged by retailers and distributors ("Hubs"), which in turn have it engage their suppliers ("Spokes") to contract with the Company for its services. The bulk of the Company's revenue is from recurring subscription payments from these suppliers often based on a monthly volume metric between the Hub and the Spoke. The Company also has a professional services business, which conducts customization, implementation, and training, for which revenue is recognized on a percentage-of-completion or pro rata basis over the life of the subscription, depending on the nature of the engagement. In a few instances, the Company will also sell its software in the form of a license.

The Company is incorporated in the state of Nevada. The Company has three principal subsidiaries: PC Group, Inc., a Utah corporation (98.76% owned); Park City Group, Inc., a Delaware corporation (100% owned); and ReposiTrak, Inc., a Utah corporation (100% owned). All intercompany transactions and balances have been eliminated in consolidation.

Our principal executive offices of the Company are located at 299 South Main Street, Suite 2225, Salt Lake City, Utah 84111. Our telephone number is (435) 645-2000. Our website address is http://www.parkcitygroup.com, and ReposiTrak's website address is http://repositrak.com.

Redemption of Shares of Series B Preferred Stock

Section 4 of the Company's First Amended and Restated Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock ("Series B-1 Preferred"), as amended (the "Series B-1 COD"), provides the Company's Board of Directors with the right to redeem any or all of the outstanding shares of the Company's Series B-1 Preferred for a cash payment of $10.70 per share at any time upon providing the holders of Series B-1 Preferred at least ten days written notice that sets forth the date on which the redemption will occur (the "Redemption Notice").

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On January 27, 2018, the Company's Board of Directors approved the redemption of 93,457 of the 305,859 issued and outstanding shares of the Company's Series B-1 Preferred (the "Redemption Shares"), and on February 6, 2018, the Company delivered a Redemption Notice to certain holders of the Series B-1 Preferred notifying the holders of the Company's intent to redeem their Redemption Shares on February 7, 2018 (the "Redemption Date") (the "Series B-1 Redemption"). On the Redemption Date, the Company paid an aggregate total of $1.0 million to the holders of shares of Series B-1 Preferred, resulting in the redemption of 93,457 shares of Series B-1 Preferred. Following the Series B-1 Redemption, 212,402 shares of Series B-1 Preferred remain issued and outstanding.

Results of Operations

Comparison of the Three Months Ended March 31, 2018 to the Three Months Ended March 31, 2017.

Revenue

	Fiscal Quarter Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Revenue	$5,278,783	$4,748,652	$530,131	11%

Revenue was $5,278,783 and $4,748,652 for the three months ended March 31, 2018 and 2017, respectively, a 11% increase. This increase was driven by growth in all services, and in particular the addition of revenues from the Company's MarketPlace e-commerce services, which did not exist in the prior comparable period. By revenue type, recurring subscription revenue, including revenue attributable to ReposiTrak, grew year-over-year and were enhanced by the addition of transaction fees from MarketPlace, while one-time consulting fees were down versus the comparable period. Management anticipates that total revenue in subsequent periods will continue to grow compared to comparable year-ago periods due to the continued roll-out of MarketPlace and higher subscription revenue, including revenue attributable to ReposiTrak.

Cost of Services and Product Support

	Fiscal Quarter Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Cost of services and product support	$1,805,256	$1,342,772	$462,484	34%
Percent of total revenue	34%	28%		

Cost of services and product support was $1,805,256 and $1,342,772 for the three months ended March 31, 2018 and 2017, respectively, a 34% increase. This increase is primarily attributable to costs related to new product introductions, including MarketPlace and expansion of ReposiTrak compliance capabilities to include new attributes. In particular, the Company incurred certain expenses categorized at Cost of Services associated with the introduction

of new business lines for the Company's MarketPlace e−commerce platform, as well as higher development costs associated with the introduction of new compliance applications and the convergence of the Company's service offerings.

Sales and Marketing Expense

	Fiscal Quarter Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Sales and marketing	$1,574,663	$1,350,726	$223,937	17%
Percent of total revenue	30%	28%		

Sales and marketing expense was $1,574,663 and $1,350,726 for the three months ended March 31, 2018 and 2017, respectively, a 17% increase. This increase in sales and marketing expense is due to an increase in head count and salary expense associated with the expansion of the Company's sales team and associated expense, and to a lesser extent higher marketing expense associated with advertising, trade shows and promotional activities.

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General and Administrative Expense

	Fiscal Quarter Ended March 31,		Variance	
	2018	2017	Dollars	Percent
General and administrative	$1,293,727	$1,006,605	$287,122	29%
Percent of total revenue	25%	21%		

General and administrative expense was $1,293,727 and $1,006,605 for the three months ended March 31, 2018 and 2017, respectively, a 29% increase. This increase is primarily attributable to an increase in salary expense and higher software expense and professional fees associated with the execution of the Company's Project 10x plan to automate and optimize processes to accommodate growth, offset in part by lower stock compensation expense. While no assurances can be given, management currently anticipates that the percentage increase in general and administrative expense will decrease in subsequent periods as the Company completes its Project 10x plan.

Depreciation and Amortization Expense

	Fiscal Quarter Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Depreciation and amortization	$165,189	$106,899	$58,290	55%
Percent of total revenue	3%	2%		

Depreciation and amortization expense was $165,189 and $106,899 for the three months ended March 31, 2018 and 2017, respectively, an increase of 55%. This increase is primarily due to the purchase of fixed assets during the quarter ended September 30, 2017 to support the growth of the business.

Other Income and Expense

	Fiscal Quarter Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Net other income (expense)	$17,730	$(4,729)	$22,459	NM%
Percent of total revenue				

Net other income was $17,730 for the three months ended March 31, 2018 compared to net other expense of $4,729 for the three months ended March 31, 2017. Other income and expense was positive in the quarter versus negative in the comparable period a year ago due to an increase in interest income as a result of a higher yields on the company's cash balance and lower fees on equipment financing versus the comparable period a year ago.

Preferred Dividends

	Fiscal Quarter Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Preferred dividends	$146,611	$202,036	$(55,425)	-27%
Percent of total revenue	3%	4%		

Dividends accrued on the Company's Series B-1 Preferred was $146,611 for the three months ended March 31, 2018, compared to dividends accrued on the Series B-1 Preferred of $202,036 for the year ended March 31, 2017. This decrease was due to the redemption of $1.0 million of the Company's Series B-1 Preferred in the period as well as the Company's decision to begin paying the dividend related to its Series B-1 Preferred in cash as opposed to additional shares of Series B-1 Preferred.

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Comparison of the Nine Months Ended March 31, 2018 to the Nine Months Ended March 31, 2017.

Revenue

	Nine Months Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Revenue	$15,715,654	$13,750,786	$1,964,868	14%

Revenue was $15,715,654 and $13,750,786 for the nine months ended March 31, 2018 and 2017, respectively, a 14% increase. This increase was driven by growth in all services, and in particular the addition of revenues from the sale of Supply Chain products and services and revenue from the Company's MarketPlace e−commerce services, the latter of which did not exist in the prior comparable period. By revenue type, recurring subscription revenue, including revenue attributable to ReposiTrak, grew year-−over−-year and were enhanced by the addition of transaction fees from MarketPlace, while one−time consulting fees were down versus the comparable period.

Cost of Services and Product Support

	Nine Months Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Cost of services and product support	$4,649,620	$3,736,691	$912,929	24%
Percent of total revenue	30%	27%		

Cost of services and product support was $4,649,620 and $3,736,691 for the nine months ended March 31, 2018 and 2017, respectively, a 24% increase. This increase is primarily attributable to costs related to new product introductions, including MarketPlace and expansion of ReposiTrak compliance capabilities to include new attributes. In particular, the Company incurred certain expenses categorized as Cost of Services associated with the introduction of new business lines for the Company's MarketPlace e−commerce platform, as well as higher development costs associated with the introduction of new compliance applications and the convergence of the Company's service offerings.

Sales and Marketing Expense

	Nine Months Ended March 31,		Variance	
	2018	2017	Dollars	Percent

Sales and marketing	$4,781,752	$3,702,975	$1,078,777	29%
Percent of total revenue	30%	27%		

Sales and marketing expense was $4,781,752 and $3,702,975 for the nine months ended March 31, 2018 and 2017, respectively, a 29% increase. This increase in sales and marketing and salary expense is due to an increase in head count associated with the expansion of the Company's sales team and associated expenses, and to a lesser extent higher marketing expense associated with advertising, trade shows and promotional activities.

General and Administrative Expense

	Nine Months Ended March 31,		Variance	
	2018	2017	Dollars	Percent
General and administrative	$3,569,584	$2,967,842	$601,742	20%
Percent of total revenue	23%	22%		

General and administrative expense was $3,569,584 and $2,967,842 for the nine months ended March 31, 2018 and 2017, respectively, a 20% increase. This increase is primarily attributable to an increase in software expense and professional fees associated with the execution of the Company's plan to automate and optimize processes to accommodate growth, and to a lesser extent higher salary expense, offset in part by lower stock compensation expense.

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Depreciation and Amortization Expense

	Nine Months Ended December 31,		Variance	
	2018	2017	Dollars	Percent
Depreciation and amortization	$487,815	$336,340	$151,475	45%
Percent of total revenue	3%	2%		

Depreciation and amortization expense was $487,815 and $336,340 for the nine months ended March 31, 2018 and 2017, respectively, an increase of 45%. This increase is primarily due to the purchase of fixed assets in the quarter ended September 30, 2017 to support the growth of the business.

Other Income and Expense

	Nine Months Ended December 31,		Variance	
	2018	2017	Dollars	Percent
Net other (expense)	$(12,157)	(18,052)	$5,895	-33%
Percent of total revenue				

Net other expense was $12,157 for the nine months ended March 31, 2018 compared to net other expense of $18,052 for the nine months ended March 31, 2017. This decrease was due to a higher cash balance and an increase in interest income on that cash balance as a result of a higher yields, and lower fees on equipment financing, versus the comparable period a year ago.

Preferred Dividends

	Nine Months Ended December 31,		Variance	
	2018	2017	Dollars	Percent
Preferred dividends	$426,737	$584,288	$157,551	-27%
Percent of total revenue	3%	4%		

Dividends accrued on the Company’s Series B-1 Preferred was $426,737 for the nine months ended March 31, 2018, compared to dividends accrued on the Series B-1 Preferred of $584,288 for the nine months ended March 31, 2017. This decrease was due to the Company’s redemption of $1.0 million of the Company’s Series B-1 Preferred in the

period as well as the Company's decision to begin paying the dividend related to its Series B-1 Preferred in cash as opposed to shares of Series B-1 Preferred.

Inflation

We do not believe that inflation or changing prices have had a material impact on our historical operations or profitability.

Financial Position, Liquidity and Capital Resources

We believe our existing cash and short-term investments, together with funds generated from operations, are sufficient to fund operating and investment requirements for at least the next twelve months. Our future capital requirements will depend on many factors, including our rate of revenue growth and expansion of our sales and marketing activities, the timing and extent of spending required for research and development efforts and the continuing market acceptance of our products.

	As of		Variance	
	March 31, 2018	June 30, 2017	Dollars	Percent
Cash and cash equivalents	$14,828,160	$14,054,006	$774,154	6%

We have historically funded our operations with cash from operations, equity financings, and borrowings from the issuance of debt. Cash was $14,828,160 and $14,054,006 at March 31, 2018 and June 30, 2017, respectively. This 6% increase is principally the result of increased cash flows from operation, due to higher revenue offset by the payment of $999,990 resulting from the redemption of Series B-1 Preferred. Management currently does not have any plans to redeem any additional shares of Series B-1 Preferred in the near term.

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Net Cash Flows from Operating Activities

	Nine Months Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Cash provided by operating activities	$1,774,976	$1,959,685	$(184,709)	-9%

Net cash provided by operating activities is summarized as follows:

	Nine Months Ended March 31,	
	2018	2017
Net Income	$2,138,663	$2,894,231
Noncash expense and income, net	1,272,613	1,528,629
Net changes in operating assets and liabilities	(1,636,300)	(2,463,175)
	$1,774,976	$1,959,685

Net cash used in operating activities decreased as a result of lower net income and non-cash expenses, offset in part by a lower reduction in operating assets and liabilities. Noncash expense decreased by $256,016 in the nine months ended March 31, 2018 compared to March 31, 2017. Noncash expense decreased as a result of a decrease in stock compensation, offset in part by an increase in bad debt accrual. The reduction in operating assets fell versus the comparable period due to reduction in trade receivables, offset in part by an increase in accounts payable.

Net Cash Flows used in Investing Activities

	Nine Months Ended March 31,		Variance	
	2018	2017	Dollars	Percent
Cash used in investing activities	$315,245	$340,927	$(25,682)	-8%

Net cash used in investing activities for the nine months ended March 31, 2018 was $315,245 compared to net cash used in investing activities of $340,927 for the nine months ended March 31, 2017. This decrease in cash used in investing activities for the nine months ended March 31, 2018 is due to an decrease in fixed asset purchases offset in part by the capitalization of software costs.

Net Cash Flows from Financing Activities

	Nine Months Ended March31,		Variance	
	2018	2017	Dollars	Percent
Cash (used in) provided by financing activities	$(685,577)	$480,396	$(1,165,973)	NM%

Net cash used in financing activities totaled $685,577 for the nine months ended March 31, 2018 as compared to cash flows provided by financing activities of $480,396 for the nine months ended March 31, 2017. The decrease in net cash provided by financing activities is primarily attributable to the redemption of $1.0 million of the Company's Series B-1 Preferred as well the payment of dividends on the Series B-1 Preferred in cash, offset in part by proceeds from the exercise of warrants.

Working Capital

At March 31, 2018, the Company had working capital of $14,529,347 when compared with working capital of $10,536,804 at June 30, 2017. This $3,992,543 increase in working capital is primarily due to an increase of $2,704,563 in accounts receivable, an increase of $774,154 in cash, an increase of $639,067 in prepaid expenses and other current assets, a reduction of $820,259 in accrued liabilities, and a reduction of $132,121 in notes payable, offset in part by an increase of $688,073 in accounts payable, an increase of $380,000 in lines of credit, and the redemption of $999,990 of Series B-1 Preferred. Management currently does not have any plans to redeem any additional shares of Series B-1 Preferred in the near term. While no assurances can be given, management currently believes that the Company will increase its working capital position in subsequent periods.

	As of March 31,	As of June 30,	Variance	
	2018	2017	Dollars	Percent
Current assets	$22,824,517	$18,706,733	$4,117,784	22%

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Current assets as of March 31, 2018 totaled $22,824,517 an increase of $4,117,784 when compared to $18,706,733 as of June 30, 2017. The increase in current assets is attributable to an increase of $2,704,563 in accounts receivable, an increase in cash of $774,154 in cash, and an increase of $639,067 in prepaid expenses and other current assets.

	As of March 31, 2018	As of June 30, 2016	Variance Dollars	Variance Percent
Current liabilities	$8,295,170	$8,169,929	$125,241	2%

Current liabilities totaled $8,295,170 as of March 31, 2018 as compared to $8,169,929 as of June 30, 2017. The comparative increase in current liabilities is principally due to an increase of $688,073 in accounts payable, an increase of $380,000 in lines of credit, and an increase of $9,548 in deferred revenue, offset in part by a reduction of $820,259 in accrued liabilities and a reduction of $132,121 in notes payable.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operation, liquidity or capital expenditures.

Contractual Obligations

Total contractual obligations and commercial commitments as of March 31, 2018 are summarized in the following table (in thousands):

	Payment Due by Year				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-Term Debt Obligations	$1,827,559	$190,138	$391,419	$425,540	$820,462
Capital Lease Obligations	-	-	-	-	-
Operating Lease Obligations	233,066	233,066	-	-	-
Purchase Obligations	-	-	-	-	-
Other Long-Term Liabilities Reflected on the Balance Sheet under GAAP	-	-	-	-	-
Total	$2,060,625	$423,204	$391,419	$425,540	$820,462

Recent Accounting Pronouncements

In May 2014, August 2015, April 2016, May 2016, September 2017 and November 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2014−-09 (ASC Topic 606), Revenue from Contracts with Customers, ASU 2015−-14 (ASC Topic 606) Revenue from Contracts with Customers, Deferral of the Effective Date, ASU 2016-−10

(ASC Topic 606) Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing, ASU 2016–-12 (ASC Topic 606) Revenue from Contracts with Customers, Narrow–Scope Improvements and Practical Expedients, ASU 2017-14, Income Statement - Reporting Comprehensive Income (ASC Topic 606), Revenue Recognition (ASC Topic 606), and Revenue from Contracts with Customers (ASC Topic 606): Amendments to SEC Paragraphs pusuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403, respectively. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry–specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in these ASUs are effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted for annual periods beginning after December 15, 2016. This standard may be applied retrospectively to all prior periods presented, or retrospectively with a cumulative adjustment to retained earnings in the year of adoption. The Company currently anticipates adopting the standard using the full retrospective method. We are in the process of completing our analysis on the impact this guidance will have on our Consolidated Financial Statements and related disclosures, as well as identifying the required changes to our policies, processes and controls. The Company is conducting its assessment in order to be able to state the impact of this ASU on our financial position and results of operation.

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In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment. The amendments in this update simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. An entity should apply the amendments in this update on a prospective basis. The Company notes that this guidance applies to its reporting requirements and will implement the new guidance accordingly.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. Historically, there has been a diversity in practice in how certain cash receipts/payments are presented and classified in the statement of cash flows under Topic 230. To reduce the existing diversity in practice, this update addresses multiple cash flow issues. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company notes that this guidance applies to its reporting requirements and will implement the new guidance accordingly.

In March 2016, the FASB issued ASU 2016-09 (ASC Topic 718), Stock Compensation—Improvements to Employee Share-Based Payment Accounting. The amendments in this ASU are intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax consequences, classification on the consolidated statement of cash flows and treatment of forfeitures. The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The Company is in the process of assessing the impact, if any, of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 (ASC Topic 842), Leases. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is in the process of assessing the impact, but based on current commitments does not anticipate adoption to have a material impact on its consolidated financial statements.

Critical Accounting Policies

This Management’s Discussion and Analysis of Financial Condition and Results of Operations discusses the Company’s financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles.

We commenced operations in the software development and professional services business during 1990. The preparation of our financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions. Management bases its estimates and judgments on historical experience of operations and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, will affect its more significant judgments and estimates used in the preparation of our consolidated financial statements.

Income Taxes

In determining the carrying value of the Company's net deferred income tax assets, the Company must assess the likelihood of sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions, to realize the benefit of these assets. If these estimates and assumptions change in the future, the Company may record a reduction in the valuation allowance, resulting in an income tax benefit in the Company's statements of operations. Management evaluates whether or not to realize the deferred income tax assets and assesses the valuation allowance quarterly.

Goodwill and Other Long-Lived Asset Valuations

Goodwill is assigned to specific reporting units and is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. Management reviews the long-lived tangible and intangible assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The carrying value of a long-lived asset is considered impaired when the anticipated cumulative undiscounted cash flows of the related asset or group of assets is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset. Economic useful lives of long-lived assets are assessed and adjusted as circumstances dictate.

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Revenue Recognition

We recognize revenue when all of the following conditions are satisfied: (i) there is persuasive evidence of an arrangement, (ii) the service has been provided to the customer, (iii) the collection of our fees is probable, and (iv) the amount of fees to be paid by the customer is fixed or determinable.

We recognize subscription, hosting, premium support, and maintenance revenue ratably over the length of the agreement beginning on the commencement dates of each agreement or when revenue recognition conditions are satisfied. Revenue from license and professional services agreements are recognized as delivered.

Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Agreements with multiple deliverables such as subscriptions, support, and professional services, are accounted for separately if the deliverables have standalone value upon delivery. Subscription services have standalone value as the services are typically sold separately. When considering whether professional services have standalone value, the Company considers the following factors: (i) availability of services from other vendors, (ii) the nature and timing of professional services, and (iii) sales of similar services sold separately. Multiple deliverable arrangements are separated into units of accounting and the total contract consideration is allocated to each unit based on relative selling prices.

Stock-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. The Company records compensation expense on a straight-line basis. The fair value of options granted are estimated at the date of grant using a Black-Scholes option pricing model with assumptions for the risk-free interest rate, expected life, volatility, dividend yield and forfeiture rate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business is currently conducted principally in the United States. As a result, our financial results are not affected by factors such as changes in foreign currency exchange rates or economic conditions in foreign markets. We do not engage in hedging transactions to reduce our exposure to changes in currency exchange rates, although if the geographical scope of our business broadens, we may do so in the future.

Our exposure to risk for changes in interest rates relates primarily to our investments in short-term financial instruments. Investments in both fixed rate and floating rate interest earning instruments carry some interest rate risk. The fair value of fixed rate securities may fall due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Partly as a result of this, our future interest income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that have fallen in estimated fair value due to changes in interest rates. However, as substantially all of our cash consist of bank deposits and short-term money market instruments, we do not expect any material change with respect to our net income as a result of an interest rate change.

Our exposure to interest rate changes related to borrowing has been limited, and we believe the effect, if any, of near-term changes in interest rates on our financial position, results of operations and cash flows should not be material. At March 31, 2018, the debt portfolio was composed of approximately 94% variable rate debt and 6% fixed rate debt.

	March 31, 2018 (unaudited)	Percent of Total Debt
Fixed rate debt	$322,099	6%
Variable rate debt	4,735,460	94%
Total debt	$5,057,559	100%

The table that follows presents fair values of principal amounts and weighted average interest rates for our investment portfolio as of March 31, 2018:

Cash:	Aggregate Fair Value	Weighted Average Interest Rate
Cash	$14,828,160	1.55%

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ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, periodically evaluates the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of March 31, 2018. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, including to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal controls over financial reporting. The Company's Chief Executive Officer and Chief Financial Officer have determined that there have been no changes in the Company's internal control over financial reporting during the period covered by this report identified in connection with the evaluation described in the above paragraph that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, from time to time, involved in various legal proceedings incidental to the conduct of our business. Historically, the outcome of all such legal proceedings has not, in the aggregate, had a material adverse effect on our business, financial condition, results of operations or liquidity. There is currently no pending or threatened material legal proceeding that, in the opinion of management, could have a material adverse effect on our business or financial condition.

ITEM 1A. RISK FACTORS

There are no risk factors identified by the Company in addition to the risk factors previously disclosed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended June 30, 2017.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1	Amendment No. 1 to Services Agreement, by and between the Company, Randall K. Fields, and Fields Management, Inc., dated May 8, 2018.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARK CITY GROUP, INC.

Date: May 10, 2018 By: /s/ Randall K. Fields
Randall K. Fields
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)

Date: May 10, 2018 By: /s/ Todd Mitchell
Todd Mitchell
Chief Financial Officer
(Principal Financial Officer & Principal Accounting Officer)