

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 September 30, 2019

OR

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

For the transition period from _____ to _____

Commission file number 000-54545



Ipsidy Inc.

(Exact name of registrant as specified in its charter)

(Former Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

46-2069547

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

670 Long Beach Boulevard
Long Beach, New York
11561

(Address of principal executive offices) (zip code)

516-274-8700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Securities registered pursuant to Section 12(b) of the Act: Not applicable.

Title of each class	Trading Symbol	Name of each exchange on which registered
Not applicable.		

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

Class	Outstanding at October 31, 2019
Common Stock, par value \$0.0001	518,125,454 shares
Documents incorporated by reference:	None

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expressions or phrases identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs.

You should read thoroughly this report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in this report, in Part I. Item 1A. Risk Factors also appear in our Annual Report on Form 10-K for the year ended December 31, 2018 and our other filings with the Securities and Exchange Commission. Some examples of risk factors which may affect our business are as follows:

- our lack of significant revenues/positive cash flow and history of losses,
- our ability to continue as a going concern,
- our ability to raise additional working capital as necessary,
- our ability to satisfy our obligations as they become due,
- the failure to successfully commercialize our product or sustain market acceptance,
- the reliance on third party agreements and relationships for development of our business,
- our operations in foreign markets.

breaches of network or information technology services

- the control exercised by our management,
- the impact of government regulation on our business,
- our ability to effectively compete,
- the possible inability to effectively protect our intellectual property,
- the lack of a public market for our securities and the impact of the penny stock rules on trading in our common stock should a public market ever be established.

Other sections of this report include additional factors which could adversely impact our business and financial performance. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. 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 “Ipsidy Inc.,” the “Company,” “we,” “our,” “us,” and similar terms refer to Ipsidy Inc., a Delaware corporation and its subsidiaries.

The information which appears on our website www.ipsidy.com is not part of this report.

PART I – FINANCIAL INFORMATION

IPSIDY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u> 2019	<u>December 31,</u> 2018
	(unaudited)	
ASSETS		
Current Assets:		
Cash	\$ 1,775,257	\$ 4,972,331
Accounts receivable, net	188,641	130,875
Current portion of net investment in direct financing lease	63,615	58,727
Inventory	184,624	133,541
Other current assets	460,203	471,834
Total current assets	<u>2,672,340</u>	<u>5,767,308</u>
Property and Equipment, net	187,554	204,000
Other Assets	1,099,687	1,566,177
Intangible Assets, net	4,893,837	3,310,184
Goodwill	6,736,043	6,736,043
Net investment in direct financing lease, net of current portion	511,695	560,036
Total assets	<u>\$ 16,101,156</u>	<u>\$ 18,143,748</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,762,996	\$ 1,302,226
Capital lease obligation, current portion	33,793	30,898
Note payable, current portion	1,941,169	-
Deferred revenue	282,604	236,270
Total current liabilities	<u>4,020,562</u>	<u>1,569,394</u>
Capital lease obligation, net of current portion	58,891	84,610
Notes payable, net of discounts and current portion	8,915	1,853,648
Other liabilities	195,150	45,000
Total liabilities	<u>4,283,518</u>	<u>3,552,652</u>
Commitments and Contingencies (Note 13)		
Stockholders' Equity:		
Common stock, \$0.0001 par value, 1,000,000,000 shares authorized; 518,125,454 and 478,950,996 shares issued and outstanding, respectively	51,812	47,895
Additional paid in capital	94,802,418	90,770,682
Accumulated deficit	(83,232,001)	(76,435,235)
Accumulated comprehensive income	195,409	207,754
Total stockholders' equity	<u>11,817,638</u>	<u>14,591,096</u>
Total liabilities and stockholders' equity	<u>\$ 16,101,156</u>	<u>\$ 18,143,748</u>

See notes to condensed consolidated financial statements.

IPSIDY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues:				
Products and services	\$ 537,097	\$ 684,640	\$ 1,889,943	\$ 3,014,374
Lease income	15,664	17,169	48,157	52,551
Total revenues, net	<u>552,761</u>	<u>701,809</u>	<u>1,938,100</u>	<u>3,066,925</u>
Operating Expenses:				
Cost of Sales	142,992	240,908	508,716	1,104,865
General and administrative	2,097,993	2,057,550	6,440,042	7,815,703
Research and development	357,289	202,904	960,071	525,595
Depreciation and amortization	202,235	125,781	529,931	349,921
Total operating expenses	<u>2,800,509</u>	<u>2,627,143</u>	<u>8,438,760</u>	<u>9,796,084</u>
Loss from operations	<u>(2,247,748)</u>	<u>(1,925,334)</u>	<u>(6,500,660)</u>	<u>(6,729,159)</u>
Other Income (Expense):				
Other income	11,068	1,198	23,565	78,932
Interest expense, net	(110,654)	(218,075)	(290,804)	(703,542)
Other expense, net	<u>(99,586)</u>	<u>(216,877)</u>	<u>(267,239)</u>	<u>(624,610)</u>
Income loss before income taxes	(2,347,334)	(2,142,211)	(6,767,899)	(7,353,769)
Income Taxes	<u>(10,902)</u>	<u>(2,887)</u>	<u>(28,867)</u>	<u>(17,304)</u>
Net loss	<u>\$ (2,358,236)</u>	<u>\$ (2,145,098)</u>	<u>\$ (6,796,766)</u>	<u>\$ (7,371,073)</u>
Net Loss Per Share - Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted Average Shares Outstanding - Basic and Diluted	<u>518,125,454</u>	<u>430,651,242</u>	<u>492,288,043</u>	<u>414,132,103</u>

See notes to condensed consolidated financial statements.

IPSIDY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Loss	\$ (2,358,236)	\$ (2,145,098)	\$ (6,796,766)	\$ (7,371,073)
Foreign currency translation loss	(36,573)	(41,669)	(12,345)	(44,399)
Comprehensive loss	<u>\$ (2,394,809)</u>	<u>\$ (2,186,767)</u>	<u>\$ (6,809,111)</u>	<u>\$ (7,415,472)</u>

See notes to condensed consolidated financial statements.

IPSIDY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

Nine Months Ended September 30, 2019	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
	Balances, December 31, 2018	478,950,996	\$ 47,895	\$90,770,682	\$ -	\$(76,435,235)	\$ 207,754
Sale of common stock for cash	38,763,750	3,876	2,924,395	-	-	-	2,928,271
Stock-based compensation	-	-	1,066,270	-	-	-	1,066,270
Common stock issued for services	410,708	41	41,071	-	-	-	41,112
Net loss	-	-	-	-	(6,796,766)	-	(6,796,766)
Foreign currency translation	-	-	-	-	-	(12,345)	(12,345)
Balances, September 30, 2019	<u>518,125,454</u>	<u>\$ 51,812</u>	<u>\$94,802,418</u>	<u>\$ -</u>	<u>\$(83,232,001)</u>	<u>\$ 195,409</u>	<u>\$11,817,638</u>

Three Months Ended September 30, 2019	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
	Balances, June 30, 2019	518,125,454	\$ 51,812	\$94,527,749	\$ (100,000)	\$(80,873,765)	\$ 221,456
Collection of subscription receivable	-	-	-	100,000	-	-	100,000
Stock-based compensation	-	-	274,669	-	-	-	274,669
Net loss	-	-	-	-	(2,358,236)	-	(2,358,236)
Foreign currency translation	-	-	-	-	-	(26,047)	(26,047)
Balances, September 30, 2019	<u>518,125,454</u>	<u>\$ 51,812</u>	<u>\$94,802,418</u>	<u>\$ -</u>	<u>\$(83,232,001)</u>	<u>\$ 195,409</u>	<u>\$11,817,638</u>

Nine Months Ended September 30, 2018	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
	Balances, December 31, 2017	403,311,988	\$ 40,331	\$79,053,339	\$ -	\$(66,407,622)	\$ 254,851
Issuance of common stock for cash	64,072,001	6,407	8,945,522	-	-	-	8,951,929
Common stock issued for services	170,240	17	47,651	-	-	-	47,668
Stock-based compensation	3,470,000	347	1,977,368	-	-	-	1,977,715
Cashless exercise of common stock warrants	3,498,943	350	(350)	-	-	-	-
Cashless exercise of common stock options	1,122,233	112	(112)	-	-	-	-
Common stock issued for loan extension	1,500,000	150	(150)	-	-	-	-
Cancellation of shares in settlement of amounts due from prior acquisition	(728,448)	(72)	72	-	-	-	-
Net loss	-	-	-	-	(7,371,073)	-	(7,371,073)
Foreign currency translation	-	-	-	-	-	(44,399)	(44,399)
Balances, September 30, 2018	<u>476,416,957</u>	<u>\$ 47,642</u>	<u>\$90,023,340</u>	<u>\$ -</u>	<u>\$(73,778,695)</u>	<u>\$ 210,452</u>	<u>\$16,502,739</u>

Three Months Ended September 30, 2018	Common Stock		Additional Paid-in Capital	Subscription Receivable	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
	Shares	Amount					
	Balances, June 30, 2018	412,344,956	\$ 41,235	\$80,541,474	\$ -	\$(71,633,597)	\$ 252,121
Issuance of common stock for cash	64,072,001	6,407	8,945,522	-	-	-	8,951,929
Stock-based compensation	-	-	536,344	-	-	-	536,344
Net loss	-	-	-	-	(2,145,098)	-	(2,145,098)
Foreign currency translation	-	-	-	-	-	(41,669)	(41,669)
Balances, September 30, 2018	<u>476,416,957</u>	<u>\$ 47,642</u>	<u>\$90,023,340</u>	<u>\$ -</u>	<u>\$(73,778,695)</u>	<u>\$ 210,452</u>	<u>\$16,502,739</u>

See notes to condensed consolidated financial statements.

IPSIDY INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (6,796,766)	\$ (7,371,073)
Adjustments to reconcile net loss with cash flows from operations:		
Depreciation and amortization expense	527,498	349,921
Stock-based compensation	1,066,270	1,798,285
Stock issued for services	41,112	227,097
Inventory reserve	-	348,308
Amortization of debt discounts and issuance costs	82,323	450,488
Changes in operating assets and liabilities:		
Accounts receivable	(66,815)	(78,166)
Net investment in direct financing lease	43,453	39,060
Other current assets	(110,792)	(60,374)
Inventory	(60,930)	4,000
Accounts payable and accrued expenses	200,117	(122,391)
Deferred revenue	46,334	315,574
Net cash flows from operating activities	<u>(5,028,196)</u>	<u>(4,099,271)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(32,277)	(52,715)
Investment in other assets	(1,035,635)	(745,253)
Net cash flows from investing activities	<u>(1,067,912)</u>	<u>(797,968)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the sale of common stock, net	2,928,271	9,610,793
Payment of debt issuance costs	-	(658,864)
Principal payments on capital lease obligations	(22,824)	(20,255)
Principal payments on notes payable	-	(1,000,000)
Net cash flows from financing activities	<u>2,905,447</u>	<u>7,931,674</u>
Effect of Foreign Currencies	<u>(6,413)</u>	<u>(33,852)</u>
Net Change in Cash	(3,197,074)	3,000,583
Cash, Beginning of the Period	4,972,331	4,413,822
Cash, End of the Period	<u>\$ 1,775,257</u>	<u>\$ 7,414,405</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 10,771</u>	<u>\$ 169,817</u>
Cash paid for income taxes	<u>\$ 28,867</u>	<u>\$ 17,304</u>
Non-cash Investing and Financing Activities:		
Purchase of vehicle with note payable	<u>\$ 16,510</u>	<u>\$ -</u>
Recognition of right to use asset and obligation	<u>\$ 514,473</u>	<u>\$ -</u>
Reclassification of software development costs to intangible assets	<u>\$ 2,021,810</u>	<u>\$ 679,882</u>

See notes to condensed consolidated financial statements.

IPSIDY INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

In the opinion of Management, the accompanying unaudited condensed consolidated financial statements are prepared in accordance with instructions for Form 10-Q, include all adjustments (consisting only of normal recurring accruals) which we considered as necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The results of operations for the three or nine months ended September 30, 2019 are not necessarily indicative of the results to be expected for future periods or the full year.

The condensed consolidated financial statements include the accounts of Ipsidy Inc. and its wholly-owned subsidiaries, Innovation in Motion, Inc., MultiPay S.A.S., ID Global LATAM, IDGS S.A.S., ID Solutions, Inc., FIN Holdings Inc., Ipsidy Enterprises Limited, Ipsidy Peru S.A.C. and Cards Plus Pty Ltd. (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Going concern

As of September 30, 2019, the Company had an accumulated deficit of approximately \$83.2 million. For the nine months ended September 30, 2019, the Company earned revenue of approximately \$1.9 million and incurred a loss from operations of approximately \$6.5 million.

The reports of our independent registered public accounting firm on our consolidated financial statements for the years ended December 31, 2018 and 2017 contained an explanatory paragraph regarding our ability to continue as a going concern based upon our net losses and accumulated deficit.

These unaudited condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to meet its obligations and continue its operations for the next fiscal year. The continuation of the Company as a going concern is dependent upon financial support from the Company's current shareholders, the ability of the Company to obtain additional equity or debt financing to continue operations, the Company's ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition and /or acquiring new clients to generate revenues and cash flows.

There is no assurance that the Company will ever be profitable or be able to secure funding or generate sufficient revenues to sustain operations. As such, there is substantial doubt about the Company's ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Net Loss per Common Share

The Company computes net loss per share in accordance with FASB ASC 260, “Earnings per Share”. ASC 260 requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the statement of operations. Basic EPS is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period including stock options, using the treasury stock method, and convertible notes and stock warrants, using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options, warrants and conversion of convertible notes. Diluted EPS excludes all dilutive potential common shares if their effect is anti-dilutive. The following potentially dilutive securities were excluded from the calculation of diluted loss per share for the nine months ended September 30, 2019 and 2018 because their effect was antidilutive:

Security	2019	2018
Stock Options	106,400,006	105,950,000
Warrants	47,453,227	46,201,477
Total	153,853,233	152,151,477

Inventories

Inventories of kiosks held by IDGS S.A.S are stated at the lower of cost (using the first-in, first-out method) or net realizable value. The kiosks provide electronic ticketing for transit systems. Inventory of plastic/ID cards, digital printing material, which are held by Cards Plus Pty Ltd., are stated at the lower of cost (using the average method) or net realizable value. The Plastic/ID cards and digital printing material are used to provide plastic loyal ID and other types of cards. Inventories at September 30, 2019 and December 31, 2018 consist of kiosks that were not placed into service and are held for sale and cards inventory. Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period. As of September 30, 2019 and December 31, 2018, the Company had an inventory valuation allowance of approximately \$354,000 and \$707,000, respectively, to reflect net realizable value of the kiosks that are being held for sale, and the Company believes no valuation allowance was necessary regarding the cards inventory.

Leases

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842). Topic 842 amends several aspects of lease accounting, including requiring lessees to recognize leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. In July 2018, the FASB issued supplemental adoption guidance and clarification to Topic 842 within ASU 2018-10 “Codification Improvements to Topic 842, Leases” and ASU 2018-11 “Leases (Topic 842): Targeted Improvements.” The new guidance aims to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements. A modified retrospective application is required with an option to not restate comparative periods in the period of adoption.

The Company, effective January 1, 2019 has adopted the provisions of the new standard. The Company decided to use the practical expedients available upon adoption of Topic 842 to aid the transition from former accounting to provisions of Topic 842. The package of expedients will effectively allow Ipsidy to run off existing leases, as initially classified as operating or financing, and classify new leases after implementation under the new standard as the business evolves.

The practical expedients elected by the Company in transition permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs. Furthermore, we have elected the short-term lease recognition exemption for leases with a term of 12 or less months which are not reasonably certain of exercising any available renewal options that would extend past 12 months. Additionally, we will continue to account for the executory costs of the direct financing lease as previously concluded and the initial direct costs were not considered significant.

The Company has operating leases principally for offices and some of the leases have renewal options. Management evaluates each lease independently to determine the purpose, necessity to its future operations in addition to other appropriate facts and circumstances.

We adopted Topic 842 using a modified retrospective approach for all existing leases at January 1, 2019. The adoption of Topic 842 impacted our balance sheet by the recognition of the operating lease right-of-use assets and the liability for operating leases. The accounting for finance leases (capital leases) was substantially unchanged. Accordingly, upon adoption, leases that were classified as operating leases under the previous guidance were classified as operating leases under Topic 842. The lease liability is based on the present value of the remaining lease payments, discounted using a market based incremental borrowing rate as the effective date of January 1, 2019 using current estimates as to lease term including estimated renewals for each operating lease. As of January 1, 2019, the Company recorded an adjustment of approximately \$514,000 to operating lease right-of-use assets (“ROU”) and the related lease liability. See Note 12 for further information with respect to leases.

See Notes 7, 10, 11 and 12 to Condensed Consolidated Financial Statements for additional information.

Revenue Recognition

Below is the Company’s revenue recognition policy determined by revenue stream for its significant revenue generating during the periods ended September 30, 2019.

Cards Plus - The Company recognizes revenue for the design and production of cards when products are shipped or services have been performed due to the short term nature of the contracts.

Payment Processing – The Company recognizes revenue for variable fees generated for payment processing solutions that are earned on a usage fee over time based on monthly transaction volumes or on a monthly flat fee rate. Additionally, the Company also sells certain equipment from time to time for which revenue is recognized upon delivery to the customer.

Identity Solutions – The Company recognizes revenue based on the identified performance obligations over the performance period for fixed consideration and for variable fees generated that are earned on a usage fee based over time based on monthly transaction volumes or on a monthly flat fee rate. The Company had a deferred revenue contract liability of approximately \$283,000 and \$236,000 as of September 30, 2019 and December 31, 2018, respectively, for certain revenue that will be earned in future periods. The majority of the \$236,000 of deferred revenue contract liability as of December 31, 2018 was earned in the first three months of 2019. The Company anticipates that approximately \$144,000 of the deferred revenue contract liability as of September 30, 2019 will be earned in the quarter ended December 31, 2019 and the balance in the first three months of 2020.

In 2018, the Company introduced a pay for performance plan for internal and external sales force, which is based on a percentage of revenues received by the Company. In the nine months ended September 30, 2019 and September 30, 2018, no commissions were earned. We will defer and amortize any direct and incremental commission as well as costs to obtain a contract over the term of the related contracts. As of September 30, 2019 and December 31, 2018, there were no deferred commissions.

We will review each new contract for the related performance obligations and related revenue and expense recognition implications. We expect that the revenues derived from the new identity services could include multiple performance obligations. A performance obligation under the new revenue standard is defined as a promise to provide a “distinct” good or service to a customer. The Company has determined that one possible treatment under the new standard is that these services will represent a stand-ready series of distinct daily services that are substantially the same, with the same pattern of transfer to the customer. Further, the Company has determined that the performance obligation to provide account access and facilitate transactions may meet the criteria for the “as invoiced” practical expedient, in that the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company’s performance completed to date. As a result, the Company anticipates it may recognize revenue in the amount to which the Company has a right to invoice, based on completed performance at the relevant date. Additionally, the contracts could include implementation services, or support on an “as needed” basis and we will review each contract and determine whether such performance obligations are separate and distinct and apply the new standard accordingly to the revenue and expense derived from or related to each such service. A more complete analysis of the impact of the standard on these contracts will be performed at the period of time when services are expected to commence, and the conclusions reached by management may be different from those described above. For the quarter ended September 30, 2019 and September 30, 2018, no revenues were recognized or required to be recognized under this practical expedient.

Additionally, the Company will capitalize the incremental costs of acquiring and fulfilling a contract with a customer if the Company expects to recover those costs. The incremental costs of acquiring and fulfilling a contract are those that the Company incurs to acquire and fulfill a contract with a customer that it would not have incurred if the contract had not been acquired (for example, a sales commission or specific incremental costs associated with the contract).

The Company capitalizes the costs incurred to acquire and fulfill a contract only if those costs meet all the following criteria:

- a. The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.
- b. The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- c. The costs are expected to be recovered.

The Company will capitalize contract acquisition and fulfillment costs related to signing or renewing contracts that meet the above criteria, which will be classified as contract cost assets in the Company’s Consolidated Balance Sheets.

Contract cost assets are amortized using the straight-line method over the expected period of benefit beginning at the time revenue begins to be realized. The amortization of contract fulfillment cost assets associated with facilitating transactions are recorded as cost of services in the Company’s Consolidated Statements of Operations. The amortization of contract acquisition cost assets associated with sales commissions that qualify for capitalization are recorded as selling, general and administrative expense in the Company’s Consolidated Statements of Operations.

As of September 30, 2019, and December 31, 2018, the Company had deferred contract costs, represented by contract cost assets of approximately \$4,000 and \$11,000, respectively, which are included in other current assets for certain costs incurred for the future delivery of election support services. The performance obligation will be met over the next eighteen months and the costs will be expensed as the associated revenue is recognized as the Company performs its obligations.

As of September 30, 2019, and December 31, 2018, the Company had approximately \$10,000 and \$15,000 of accounts payable and accrued expenses related to the delivery of biometric identity system and services. The \$10,000 will be paid in accordance with the terms of the service provider agreements.

Share Based Payments

On June 20, 2018, the FASB issued ASU 2018-07 which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. Previously, share-based payment arrangements to nonemployees were accounted for under ASC 718, while nonemployee share-based payments issued for goods and services were accounted for under ASC 505-50. Before the amendment, the major difference for the Company (but not limited to) was the determination of measurement date which generally is the date on which the measurement of equity classified share-based payments becomes fixed. Equity classified share-based payments for employees was fixed at the time of grant. Equity-classified nonemployee share-based payment awards are no longer measured at the earlier of the date which a commitment for performance by the counterparty is reached or the date at which the counterparty's performance is complete. They are now measured at the grant date of the award which is the same as share-based payments for employees. The Company adopted the requirements of the new rule as of January 1, 2019, the effective date of the new guidance.

The Company has determined on the date of adoption that the impact of the new standard was not significant.

Beginning in 2019, the Company in accordance with the requirements of the new standard will expense the fair value of the existing non-employee share-based payments over their vesting period using the fair value determined on the date of adoption. See note 9 of the notes to condensed consolidated financial statements where employee and non-employee share-based payments are presented.

Reclassification

The Company reclassified research and development costs of approximately \$190,000 and \$496,000, respectively, in the three and nine months September 30, 2018 to conform with the current presentation in the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of September 30, 2019 and December 31, 2018:

	2019	2018
Computers and equipment	\$ 287,229	\$ 238,442
Furniture and fixtures	156,867	156,867
	<u>444,096</u>	<u>395,309</u>
Less Accumulated depreciation	256,542	191,309
Property and equipment, net	<u>\$ 187,554</u>	<u>\$ 204,000</u>

Depreciation expense totaled \$65,233 and \$49,502 for the nine months ended September 30, 2019 and 2018, respectively.

NOTE 3 – OTHER ASSETS

The Company's other assets consist of software being developed for new product offerings that have not been placed into service and the operating lease ROU assets. The balances as of September 30, 2019 and December 31, 2018 are:

	2019	2018
Software and development	\$ 827,731	\$ 1,566,177
Operating Lease ROU assets, long term	143,071	—
Tax receivable / other	128,885	—
	<u>\$ 1,099,687</u>	<u>\$ 1,566,177</u>

NOTE 4 – INTANGIBLE ASSETS, NET (OTHER THAN GOODWILL)

The Company's intangible assets consist of intellectual property acquired from MultiPay and FIN and are amortized over their estimated useful lives as indicated below. The following is a summary of activity related to intangible assets for the nine months ended September 30, 2019:

	Customer Relationships	Acquired and Developed Software	Intellectual Property	Non-Compete	Patents Pending	Total
Useful Lives	10 Years	5 Years	10 Years	10 Years	N/A	
Carrying Value at December 31, 2018	\$ 1,128,734	\$ 908,893	\$ 1,191,942	\$ 2,433	\$ 78,182	\$ 3,310,184
Additions	—	2,021,810	—	—	24,107	2,045,917
Amortization	(119,036)	(210,219)	(130,896)	(2,113)	—	(462,265)
Carrying Value at September 30, 2019	<u>\$ 1,009,698</u>	<u>\$ 2,720,484</u>	<u>\$ 1,061,046</u>	<u>\$ 320</u>	<u>\$ 102,289</u>	<u>\$ 4,893,837</u>

The following is a summary of intangible assets as of September 30, 2019:

	Customer Relationships	Acquired and Developed Software	Intellectual Property	Non-Compete	Patents Pending	Total
Cost	\$ 1,587,159	\$ 2,981,692	\$ 1,759,809	\$ 14,087	\$ 102,290	\$ 6,445,037
Accumulated amortization	(577,462)	(261,208)	(698,763)	(13,767)	—	(1,551,200)
Carrying Value at September 30, 2019	<u>\$ 1,009,697</u>	<u>\$ 2,720,484</u>	<u>\$ 1,061,046</u>	<u>\$ 320</u>	<u>\$ 102,290</u>	<u>\$ 4,893,837</u>

Future expected amortization of intangible assets is as follows:

Fiscal Year Ending December 31,	
Remainder of 2019	\$ 242,049
2020	966,916
2021	966,916
2022	873,582
2023	822,593
Thereafter	1,021,781
	<u>\$ 4,893,837</u>

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of September 30, 2019 and December 31, 2018:

	<u>2019</u>	<u>2018</u>
Trade payables	\$ 386,641	\$ 401,272
Accrued interest	581,334	401,667
Accrued payroll and related obligations	219,937	260,153
Current portion of operating lease liabilities	194,941	—
Other accrued expenses	380,143	239,134
	<u>\$ 1,762,996</u>	<u>\$ 1,302,226</u>

NOTE 6 - NOTES PAYABLE, NET

The following is a summary of notes payable as of September 30, 2019 and December 31, 2018:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
In January 2017, the Company issued a Senior Unsecured Note (“Note”) a face value of \$3,000,000, payable two years from issuance, along with an aggregate of 4,500,000 shares of Common Stock, with a fair value of \$1,147,500. The Company allocated the proceeds to the note payable and common stock based on their relative fair value and recorded a discount of \$830,018 to be amortized into interest expense over the two-year term of the note. The Company also paid debt issuance costs consisting of a cash fee of \$120,000 and 1,020,000 shares of common stock of the Company with a fair value of \$306,000. On April 30, 2018, the Company and the Noteholder agreed to extend the due date of the note until April 30, 2020 for an extension fee of 1,500,000 shares of the Common Stock issued to the Noteholder. The April 2018 change in terms of the Note payable has been determined to be a debt extinguishment in accordance with ASC 470. The reported amounts under the debt extinguishment are not significantly different than that of the Company’s reported amounts.	\$ 2,000,000	\$ 2,000,000
Installment loan payable related to a vehicle acquisition payable in monthly payments of \$539 per month at an interest rate of 10.8% per annum payable for 36 months	14,113	—
Total Principal Outstanding	<u>\$ 2,014,113</u>	<u>\$ 2,000,000</u>
Unamortized Deferred Debt Discount	(46,763)	(106,886)
Unamortized Deferred Debt Issuance Costs	(17,266)	(39,466)
Notes Payable, Net	<u>\$ 1,950,084</u>	<u>\$ 1,853,648</u>
Notes Payable, current portion, net of discount, issuance costs and current portion	<u>\$ 1,941,169</u>	<u>\$ —</u>
Notes Payable, Net of discounts and current portion	<u>8,915</u>	<u>1,853,648</u>
	<u>\$ 1,950,084</u>	<u>\$ 1,853,648</u>

The following is a roll-forward of the Company's notes payable and related discounts for the nine months ended September 30, 2019:

	Principal Balance	Debt Issuance Costs:	Debt Discounts:	Total:
Balance at December 31, 2018	\$ 2,000,000	\$ (39,466)	\$ (106,886)	\$ 1,853,648
Additions	16,510	—	—	16,510
Amortization	(2,397)	22,200	60,123	79,926
Balance at September 30, 2019	<u>\$ 2,014,113</u>	<u>\$ (17,266)</u>	<u>\$ (46,763)</u>	<u>\$ 1,950,084</u>

Future maturities of notes payable are as follows as of September 30, 2019:

October 1, 2019 – September 30, 2020	\$ 2,005,198
October 1, 2020 – September 30, 2021	5,789
October 1, 2021 – September 30, 2022	3,126
	<u>\$ 2,014,113</u>

NOTE 7 – OTHER LIABILITIES

Other liabilities consisted of the following as of September 30, 2019 and December 31, 2018:

	2019	2018
Operating lease liabilities, long term	\$ 150,150	\$ —
Other	45,000	45,000
	<u>\$ 195,150</u>	<u>\$ 45,000</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

Notes Payable

During the nine months ended September 30, 2019, the Company recorded approximately \$180,000 of interest expense under the terms and conditions of the Note (see Note 6) that is due to the Theodore Stern Revocable Trust, whose trustee Mr. Stern is a member of the Company's Board of Directors.

Purchase of Common Stock

In June 2019, two of the Company's Directors and one Officer purchased 1,562,500 shares of common stock of the 2019 offering as described in Note 9.

Other

In connection with the 2019 offering of common stock, the Company incurred fees to Network 1 Financial Securities Inc. ("Network 1"), a registered broker dealer, one of the Company's financial advisors. The Network 1 fees were approximately \$109,000 paid in cash and 858,000 common stock purchase warrants with a fair value of approximately \$54,000 that are exercisable during a term of five years at a price of \$0.088 cents per share. A member of the Company's Board of Director's maintains a partnership with a key principal of Network 1.

Additionally, the Company rents office space in Long Beach, New York at a monthly cost of \$7,425. The agreement is month to month and can be terminated on 30 days' notice. The agreement is between the Company and Bridgeworks LLC, an entity principally owned by Mr. Beck, our CEO, and his family. During each of the nine months ended September 30, 2019 and September 30, 2018, the Company paid rent of \$66,825 and \$66,825, respectively.

NOTE 9 – STOCKHOLDER’S EQUITY

Common Stock

In June 2019, the Company entered into Subscription Agreements with accredited investors (the “2019 Accredited Investors”) pursuant to which the 2019 Accredited Investors purchased an aggregate of approximately 38,764,000 shares of the Company’s common stock for an aggregate purchase price of approximately \$3,100,000. In connection with the private offering, the Company paid a cash fee of approximately \$178,000 and issued 1,251,750 common stock purchase warrants with a fair value of approximately \$79,000 that are exercisable during a term of five years at an exercise price of \$0.088 per share.

The Company also issued 410,708 shares of common stock during the nine months ended September 30, 2019 to two service providers in satisfaction of approximately \$41,000 due for services.

Warrants

The Company issued 1,251,750 common stock warrants to its investment bankers in connection with the June 2019 private common stock offering as described above in the nine months ended September 30, 2019:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding at December 31, 2018	46,201,477	\$ 0.08	1.9 Years
Granted	1,251,750	0.09	5.0 Years
Outstanding at September 30, 2019	47,453,227	\$ 0.09	1.3 Years

Stock Options

During the nine months ended September 30, 2019, the Company granted options to acquire 600,000 shares of common stock to three employees at fair market value on date of grant. Of the 600,000 stock options, 475,000 options vest over a three-year period and 125,000 options vest upon achieving certain performance thresholds. The options have a term of ten years and the approximate fair value of the options as of the grant date was \$49,000. The following assumptions were used to determine fair value in the nine-months ended September 30, 2019.

Expected Volatility – 75%
Expected Term – 2.5 – 6.5 Years
Risk Free Rate – 2.0%
Dividend Rate – 0.00%

Activity related to stock options for the nine months ended September 30, 2019 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (Yrs.)	Aggregate Intrinsic Value
Outstanding as of December 31, 2018	106,253,339	\$ 0.20	7.4	\$ 1,989,163
Granted	600,000	0.12	9.5	-
Forfeitures	(453,333)	0.11	-	-
Outstanding as of September 30, 2019	106,400,006	0.20	6.6	\$ 1,952,230
Exercisable as of September 30, 2019	99,540,282	\$ 0.20	6.6	\$ 1,920,074

The following table summarizes stock option information as of September 30, 2019:

Exercise Price	Outstanding	Weighted Average Contractual Life (Yrs.)	Exercisable
\$ 0.00001	3,500,000	6.0	3,500,000
0.05	32,700,006	6.8	31,700,006
0.10	27,200,000	7.0	26,644,444
0.12	1,200,000	9.2	—
0.13	250,000	8.1	145,832
0.15	2,800,000	6.1	2,800,000
0.22	2,750,000	8.3	750,000
0.25	2,500,000	8.6	1,166,667
0.26	500,000	8.6	166,667
0.29	1,000,000	7.5	666,667
0.40	1,000,000	6.4	1,000,000
0.45	31,000,000	6.1	31,000,000
	106,400,006	6.6	99,540,282

During the nine months ended September 30, 2019, the Company recognized approximately \$866,000 of stock-based compensation expense related to options of which non-employees' expense was approximately \$226,000. As of September 30, 2019, there was approximately \$554,000 of unrecognized compensation costs related to stock options outstanding of which approximately \$33,000 was related to non-employees and will be expensed through 2022.

NOTE 10 – DIRECT FINANCING LEASE

In September 2015, the Company and an entity in Colombia entered into a rental contract for the rental of 78 kiosks to provide cash collection and fare services at transportation stations. The lease term began in May 2016 when the kiosks were installed and operational and when the lease commenced. The term of the rental contract is ten years at an approximate monthly rental of \$11,900. The lessee has the option at the end of the lease term to purchase each unit for approximately \$40. The term of the lease approximates the expected economic life of the kiosks. The lease was accounted for as a direct financing lease.

The Company has recorded the transaction as its net investment in the lease and will receive monthly payments of \$11,856 before estimated executory costs, or \$142,272, annually, to reduce investment in the lease and record income associated with the related amount due. Executory costs are estimated to be \$1,677 month and initial direct costs are not considered significant. The transaction resulted in incremental revenue in the nine months ended September 30, 2019 of approximately \$48,000.

The equipment is subject to a direct lease valued at approximately \$748,000. At the inception of the lease term, the aggregate minimum future lease payments to be received was approximately \$1,422,000 before executory cost. Unearned income recorded at the inception of this lease was approximately \$474,000 and is being recorded over the term of the lease using the effective income rate method. Future minimum lease payments to be received under the lease for the next five years and thereafter are as follows:

Remainder 2019	\$ 30,537
2020	122,148
2021	122,148
2022	122,148
2023	122,148
Thereafter	285,012
Sub-total	<u>804,141</u>
Less deferred revenue	<u>(228,831)</u>
Net investment in lease	<u>\$ 575,310</u>

NOTE 11 – LEASE OBLIGATION PAYABLE

The Company entered into a lease in March 2017 for the rental of its printer for its secured plastic and credential card products business under an arrangement that is classified as a finance lease. The leased equipment is amortized on a straight-line basis over its lease term including the last payment (61 payments) which would transfer ownership to the Company. Total amortization related to the lease equipment as of September 30, 2019 is \$83,043. The following is a schedule showing the future minimum lease payments under finance lease by year and the present value of the minimum lease payments as of September 30, 2019. The interest rate related to the lease obligation is 12% and the maturity date is June 30, 2022.

Year Ending

Remainder of 2019	\$ 10,774
2020	43,096
2021	43,096
2022	10,774
Total minimum lease payments	<u>107,740</u>
Less: Amount representing interest	<u>(15,056)</u>
Present value of minimum lease payments	<u>\$ 92,684</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time, the Company is a party to various legal or administrative proceedings arising in the ordinary course of our business. While any litigation contains an element of uncertainty, we have no reason to believe the outcome of such proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

Leases

For the nine months ended September 30, 2019, lease expense was approximately \$341,000 inclusive of short-term leases.

The lease related balances included in the Condensed Consolidated Balance Sheet as of September 30, 2019 were as follows:

Assets:

Current portion of operating lease ROU assets - included in other current assets	\$ 220,584
Operating lease ROU assets – included in Other Assets	<u>143,071</u>
Total operating lease assets	<u>\$ 363,655</u>

Liabilities:

Current portion of ROU liabilities – included in Accounts payable and accrued expenses	\$ 194,941
Long-term portion of ROU liabilities – included in Other liabilities	<u>150,150</u>
Total operating lease liabilities	<u>\$ 345,090</u>

The weighted average lease term remaining is 1.2 years and weighted average discount rate is 13.55%.

The following table presents the maturity of the Company's operating lease liabilities as of September 30, 2019:

Remainder of 2019	\$ 108,735
2020	140,198
2021	96,606
2022	<u>49,716</u>
Total operating lease payments	<u>395,255</u>
Less: Imputed interest	<u>(50,165)</u>
Total operating lease liabilities	<u>\$ 345,090</u>

The Company leases approximately 2,100 square feet of office space in Plantation, Florida. Monthly rental is approximately \$2,700 per month with a 3% increase on each annual anniversary. The Company will be responsible for their respective share of building expenses. The lease term is through August 2020.

Additionally, the Company rents office space in Long Beach, New York at a monthly cost of \$7,425. The agreement is month to month and can be terminated on 30 days' notice. The agreement is between the Company and Bridgeworks LLC, an entity principally owned by Mr. Beck, our CEO and his family.

In October 2018, the Company entered into an office lease in Alpharetta, Georgia, for approximately \$3,800 per month through June 30, 2020 or through the termination of the master lease.

The Company leases an office location in Bogota, Colombia. In April 2017, MultiPay S.A.S. entered an office lease beginning April 22, 2017 for two years. The new lease cost is approximately \$8,500 per month with an inflation adjustment after one year. The lease is automatically extended for one additional year unless written notice to the contrary is provided at least six months in advance. Furthermore, the Company leases an apartment at approximately \$2,000 a month for one of the management team.

The Company also leases space for its operation in South Africa. The current lease is through June 30, 2022 and the approximate monthly rent is \$8,000.

NOTE 13 – SEGMENT INFORMATION

General information

The segment and geographic information provided in the table below is being reported consistent with the Company’s method of internal reporting. Operating segments are defined as components of an enterprise for which separate financial information is available and which is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The CODM regularly reviews net revenue and gross profit by geographic regions. The Company’s products and services operate in two reportable segments; identity solutions and payment processing.

Information about revenue, profit/loss and assets

The CODM evaluates performance and allocates resources based on net revenue and operating results of the geographic region as the current operations of each geography are either primarily identity management or payment processing. Identity management revenue is generated in North America and Africa and payment processing is earned in South America which are the three geographic regions of the Company. We have included the lease income in payment processing as the leases are related to unattended ticking kiosks.

Long lived assets are in North America, South America and Africa. Most assets are intangible assets recorded from the acquisition of MultiPay (South America) in 2015 and FIN Holdings (North America and Africa) in 2016. Assets for North America, South America and Africa amounted to approximately \$7.8 million, \$0.8 million and \$2.1 million, respectively, of which \$4.9 million, \$0.1 million and \$1.7 million related to goodwill as of September 30, 2019.

Analysis of revenue by segment and geographic region and reconciliation to consolidated revenue, gross profit, and net loss are provided below. The Company has included in the schedule below an allocation of corporate overhead based on management’s estimate of resource requirements.

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net Revenues:				
North America	\$ 135,963	\$ 217,184	\$ 509,587	\$ 1,717,881
South America	106,873	100,257	352,814	295,473
Africa	309,925	384,368	1,075,699	1,053,301
	<u>552,761</u>	<u>701,809</u>	<u>1,938,100</u>	<u>3,066,655</u>
Identity Management	445,888	601,552	1,585,286	2,771,182
Payment Processing	106,873	100,257	352,814	295,473
	<u>552,761</u>	<u>701,809</u>	<u>1,938,100</u>	<u>3,066,655</u>
Loss From Operations				
North America	(786,901)	(566,507)	(2,206,553)	(1,180,436)
South America	(1,235,152)	(1,365,614)	(3,712,973)	(4,973,078)
Africa	(225,695)	6,787	(581,134)	(575,645)
	<u>(2,247,748)</u>	<u>(1,925,334)</u>	<u>(6,500,660)</u>	<u>(6,729,159)</u>
Identity Management	(1,012,596)	(559,720)	(2,787,687)	(1,756,081)
Payment Processing	(1,235,152)	(1,365,614)	(3,712,973)	(4,973,078)
	<u>(2,247,748)</u>	<u>(1,925,334)</u>	<u>(6,500,660)</u>	<u>(6,729,159)</u>
Interest Expense	(110,654)	(218,075)	(290,804)	(703,542)
Other income/(expense)	11,068	1,198	23,565	78,932
Loss before income taxes	<u>(2,347,334)</u>	<u>(2,142,211)</u>	<u>(6,767,899)</u>	<u>(7,353,769)</u>
Income tax expense	(10,902)	(2,887)	(28,867)	(17,304)
Net loss	<u>\$ (2,358,236)</u>	<u>\$ (2,145,098)</u>	<u>\$ (6,796,766)</u>	<u>\$ (7,371,073)</u>

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

Going concern

As of September 30, 2019, the Company had an accumulated deficit of approximately \$83.2 million. For the nine months ended September 30, 2019 the Company earned revenue of approximately \$1.9 million and incurred a loss from operations of approximately \$6.5 million.

The reports of our independent registered public accounting firms on our consolidated financial statements for the years ended December 31, 2018 and 2017 contained an explanatory paragraph regarding our ability to continue as a going concern based upon our net losses.

These unaudited condensed consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to meet its obligations and continue its operations for the next fiscal year. The continuation of the Company as a going concern is dependent upon financial support from the Company’s current shareholders, the ability of the Company to obtain additional equity financing to continue operations, the Company’s ability to generate sufficient cash flows from operations, successfully locating and negotiating with other business entities for potential acquisition and /or acquiring new clients to generate revenues and cash flows.

There is no assurance that the Company will ever be profitable or be able to secure funding or generate sufficient revenues to sustain operations. As such, there is substantial doubt about the Company’s ability to continue as a going concern. These unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Overview

Ipsidy Inc. (together with its subsidiaries, the “Company”, “we” or “our”) operates an Identity as a Service (IDaaS) platform that delivers a suite of secure, mobile, biometric identity solutions, available to any vertical, anywhere. In a world that is increasingly digital and mobile, our mission is to help our customers know with biometric certainty the identity of the people with whom they are engaging. We provide solutions to everyday problems: Who is applying for a loan? Who is accessing the computer system? Who is at the door?

Ipsidy provides secure, biometric identification, identity verification and electronic transaction authentication and processing services. We have developed an identity transaction platform for our customers, be they businesses, residences, governments, or other organizations, to enable their users to more easily verify and authenticate their identity through a mobile phone or portable device of their choosing (as opposed to dedicated hardware). Our system enables participants to complete transactions with a digitally signed authentication response, including the underlying transaction data. In this way our systems can provide pre-transaction authentication of identity as well as embed each user’s identity attributes, within every electronic transaction message processed through our platform, or other electronic systems.

We believe that it is essential that businesses and consumers know who is on the other side of an electronic transaction and have an audit trail, proving that the identity of the other party was duly authenticated. Our solutions are intended to provide our customers with the next level of transaction security, control and certainty. Our platform uses biometric and multi-factor identity solutions, which are intended to support a wide variety of electronic transactions. We define “electronic transactions” in the broadest sense to include not only financial transactions (i.e. exchanges of value in all of their forms), and legal transactions (e.g. approving the release of personal or other confidential data), but also access control to physical environments (e.g. entrances to offices, public buildings, data centers and other sensitive locations) and digital environments (e.g. accessing financial accounts, voting systems, email systems and controlling data network log-ins).

The Company's products focus on the broad requirement for identity verification and authentication, and access and transaction controls and associated identity management needs. Organizations of all descriptions require cost-effective and secure mobile electronic transaction solutions for them and their customers. We aim to offer our customers solutions that can be integrated into each customer's business and organizational operations in order to facilitate their use and enhance the end user customer experience.

Our digital mobile wallet applications, or electronic account holders are used to contain different services and accounts that can be easily added and enable users to conveniently and securely effect a variety of electronic transactions, using their identity. One example is for consumers and employees to use their mobile application to authenticate identity, in order to access secure digital, or physical environments. We recently announced the launch of our integrated Verified solution with Datapro as an add-on to their online banking software. Another example is our closed-loop payment account, digital issuance platform, that is intended to offer secure and cost-effective methods of conversion of cash and paper to electronic payments.

The Company's solutions for fingerprint-based identity management and electronic payment transaction processing have been in the market for several years. For example, in 2017, we won an international competitive tender to provide our IDSearch Automated Fingerprint Identification de-duplication system (AFIS) to the Zimbabwe Electoral Commission, for them to ensure that no duplicate entries existed in the voter roll for the 2018 election. The AFIS system was delivered under tight deadlines and within budget, in order to enable the voter roll to be published and the election to occur as planned.

Management believes that some of the advantages of the Company's Identity Transaction Platform approach are the ability to leverage the platform to support a variety of vertical markets including the identity solutions and transaction processing sectors and the adaptability of the platform to the requirements of new markets and new products requiring low cost, secure, and configurable mobile solutions. These vertical markets include but are not limited to banking and payment transactions, elections, schools, public transportation, government and enterprise security. At its core, the Company's offering, combining its proprietary biometric technologies, with those acquired is intended to facilitate the processing of diverse electronic transactions, be they payments, votes, or physical or digital access, all of which can include identity verification, authentication and identity transaction recording. The Company continues to invest in developing, patenting and acquiring the various elements necessary to enhance the platform, which is intended to allow us to achieve our goals.

The Company was incorporated in the State of Delaware on September 21, 2011 and changed its name to Ipsidy Inc. on February 1, 2017, and our common stock is traded on the OTCQX U.S. Market under the trading symbol "IDTY". Our corporate headquarters is located at 670 Long Beach Blvd., Long Beach, NY 11561 and our main phone number is (516) 274-8700. We maintain a website at www.ipsidy.com. The contents of our website are not incorporated into, or otherwise to be regarded as part of, this Quarterly Report on Form 10-Q

Adjusted EBITDA

This discussion includes information about Adjusted EBITDA that is not prepared in accordance with GAAP. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. A reconciliation of this non-GAAP measure is included below.

Adjusted EBITDA is a non-GAAP financial measure that represents GAAP net income (loss) adjusted to exclude (1) interest expense, (2) interest income, (3) provision for income taxes, (4) depreciation and amortization, (5) stock-based compensation expense (stock options and restricted stock) and (6) certain other items management believes affect the comparability of operating results.

Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period results. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management, and it will be a focus as we invest in and grow the business. Additionally, we will continue to use Adjusted EBITDA in connection with our executive performance-based compensation in 2019.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not include the impact of certain charges or gains resulting from matters we consider not to be indicative of our ongoing operations.

Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as a supplement to our GAAP results.

Reconciliation of Net Loss to Adjusted EBITDA
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net loss	\$ (2,358,236)	\$ (2,145,098)	\$ (6,796,766)	\$ (7,371,073)
Add Back:				
Interest Expense	110,654	218,075	290,804	703,542
Other	(11,068)	(1,198)	(23,565)	(78,932)
Depreciation and amortization	202,235	125,781	529,931	349,921
Taxes	10,902	2,887	28,867	17,304
Stock compensation	274,669	536,344	1,066,270	1,977,368
Adjusted EBITDA (Non-GAAP)	\$ (1,770,844)	\$ (1,263,209)	\$ (4,904,459)	\$ (4,401,870)

Adjusted EBITDA loss for the nine months ended September 30, 2019 increased approximately \$0.5 million due to increased investment in salary and technology expense as the Company expanded its infrastructure to support its Identity Transaction Platform.

Three Months and Nine Months Ended September 30, 2019 and September 30, 2018

Revenues, net

During the three months and nine months ended September 30, 2019, the Company had revenues of approximately \$0.6 million and \$1.9 million compared to \$0.7 million and \$3.1 million in the three and nine months ended September 30, 2018. The decrease in 2019 compared to 2018 is related to the sale of an Automated Fingerprint Identification System (“AFIS”) and Identity Management System Solution in 2018 offset by revenue increases in 2019 from Colombia and South Africa.

During the nine months ended September 30, 2019, the Company had revenues from operations in North America, South America and Africa of \$0.5 million, \$0.3 million and \$1.1 million, respectively, compared to \$1.7 million, \$0.3 million and \$1.1 million, respectively, in the nine months ended September 30, 2018 respectively.

Operating Expenses:

Cost of sales

During the three and nine months ended September 30, 2019, cost of sales was less than the cost of sales in the three and nine months ended September 30, 2018 principally due to the sale of an AFIS and Identity Management System Solution in 2018, which was not repeated in 2019.

General and administrative

During the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, general and administrative expense increased by approximately \$0.1 million and decreased by \$1.4 million respectively. The increase in the three months ended September 30, 2019 as compared to September 30, 2018 was principally due to increased costs associated with our infrastructure to support our future business offset by lower stock compensation costs. The decrease in the nine-month period in 2019 as compared to 2018 was due in part to lower stock compensation charges and in 2018, the Company incurred a charge of \$0.5 million in 2018 which was principally for a valuation charge related to kiosks.

Research and development

During the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018, research and development expense increased by approximately \$0.1 million and \$0.4 million, respectively, principally due to higher compensation expense associated with our technology engineering and development efforts to expand and deliver our product offerings.

Depreciation and amortization

Depreciation and amortization expense increased in the three months and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018 due to increased amortization expenses associated with the new platform and services being offered.

Other Income (Expense)

Interest expense

Interest expense decreased in the three months and nine months ended September 30, 2019 principally due to a decreased level of debt discount amortization expense as well as a lower outstanding balance compared to the three and nine months ended September 30, 2018.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate sufficient cash to satisfy its need for cash. As of September 30, 2019, the Company had approximately \$1.8 million of cash and had a deficiency in net working capital of \$1.3 million as its Note payable and related interest is due in April 2020.

Cash used in operating activities was approximately \$5.0 million and \$4.1 million in the nine months ended September 30, 2019 and September 30, 2018, respectively.

We expect the revenue and cash flow will begin to increase sequentially in the ensuing quarters starting in 2020 as we board customers for existing and new products and services as our new platform is being deployed.

In June 2019, the Company entered into Subscription Agreements with accredited investors (the “2019 Accredited Investors”) pursuant to which the 2019 Accredited Investors purchased an aggregate of approximately 38,764,000 shares of the Company’s common stock for an aggregate purchase price of approximately \$3,100,000. In connection with the private offering, the Company paid financial advisors a cash fee of approximately \$178,000 and issued 1,251,750 common stock purchase warrants that are exercisable during a term of five years at an exercise price of \$0.088 per share.

The Company needs to raise additional capital in the fourth quarter of 2019. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. There can be no assurance that such additional financing will be available to us on acceptable terms, or at market pricing, or at all. Our failure to obtain financing would have a material adverse effect on the organization.

In the fourth quarter of 2019, the Company has taken certain actions to reduce its current cash requirements by lowering expenses. These actions include reducing headcount and other costs.

The Company estimates its cash needs for the balance of 2019 and 2020 will approximate \$10.0 million, in part as the \$2.0 million Note payable and accrued interest is due in April 2020. The amount needed could be impacted by the execution of our business plan, current operations, and future investment.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that 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 is deemed by our management to be material to investors.

Recent Accounting Policies

The recent material accounting policies that may be the most critical to understanding of the financial results and conditions are discussed in Note 1 of the unaudited condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to include disclosure under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

The Company’s management with the participation of the Company’s Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. The term “disclosure controls and procedures”, as defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based upon the evaluation of the disclosure controls and procedures at the end of the period covered by this report, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of the end of the period ended September 30, 2019.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is a party to various legal or administrative proceedings arising in the ordinary course of business. While any litigation contains an element of uncertainty, we have no reason to believe the outcome of such proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 1A. RISK FACTORS

Risk factors describing the major risks to our business can be found under Item 1A, "Risk Factors", in our Annual Report on Form 10-K for the year ended December 31, 2018. There has been no material change in our risk factors from those previously discussed in the Annual Report on Form 10-K.

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

In June 2019, the Company entered into Subscription Agreements with accredited investors (the "2019 Accredited Investors") pursuant to which the 2019 Accredited Investors purchased an aggregate of approximately 38,764,000 shares of the Company's common stock for an aggregate purchase price of approximately \$3,100,000. In connection with the private offering, the Company paid registered broker-dealers, a cash fee of approximately \$173,000 and issued 1,251,750 common stock purchase warrants that are exercisable during a term of five years at an exercise price of \$0.088 per share.

The offers sales, and issuances of the securities were made to accredited investors and the Company relied upon the exemptions in Section 4 (a) 2 of the Securities Act and/or Rule 506 of Regulation D promulgated thereunder with regard to any sales. No advertising or general solicitations was employed in offering the securities. The offers and sales were made to accredited investors and transfer of the securities was restricted by the Company in accordance with the requirements of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable to our operations.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	(1) Agreement and Plan of Reorganization
3.1	(2) Certificate of Incorporation
3.2	(2) By-laws
3.3	(3) Certificate of Ownership and Merger
3.4	(4) Certificate of Amendment to the Certificate of Incorporation dated February 1, 2017
3.5	(5) Certificate of Amendment to the Certificate of Incorporation dated October 3, 2017
4.1	(6) Stock Option dated May 28, 2015 issued to Ricky Solomon
4.2	(7) Common Stock Purchase Warrant issued to Ricky Solomon
4.3	(8) Form of Common Stock Purchase Warrant issued to the 2015 Accredited Investors
4.4	(9) Stock Option dated September 25, 2015 issued to Herbert M. Seltzer
4.5	(10) Common Stock Purchase Warrant issued to ID Solutions Inc.
4.6	(11) Stock Option issued to Thomas Szoke dated September 25, 2015
4.7	(11) Stock Option issued to Douglas Solomon dated September 25, 2015
4.8	(11) Stock Option issued to Maksim Umarov dated September 25, 2015
4.9	(12) Form of Common Stock Purchase Warrant issued to the 2015 Accredited Investors
4.10	(13) Form of Common Stock Purchase Warrant issued to the April 2016 Accredited Investors
4.11	(14) Stock Option issued to Parity Labs, LLC
4.12	(15) Stock Option Agreement entered between the Company and Stuart P. Stoller dated January 31, 2017
4.13	(4) Stock Option Agreement entered between the Company and Philip D. Beck dated January 31 2017
4.14	(29) Letter Agreement between Ipsidy Inc. and Theodore Stern Revocable Trust dated April 30, 2018.
4.15	(30) Form of Subscription Agreement by and between Ipsidy Inc. and the August 2018 Accredited Investors
4.16	(31) Form of Subscription Agreement by and between Ipsidy Inc. and the June 2019 Accredited Investors
10.1	(16) Assignment of Patents
10.2	(16) Assignment of Patents

10.3	(16)	Assignment of Patents
10.4	(17)	The ID Global Solutions Corporation Equity Compensation Plan
10.5	(18)	Share Purchase Agreement by and between ID Global Solutions Corporation and the Multipay S.A. Shareholders
10.6	(6)	Director Agreement by and between ID Global Solutions Corporation and Ricky Solomon dated May 28, 2015
10.7	(19)	Director Agreement by and between ID Global Solutions Corporation and Herbert M. Seltzer dated September 25, 2015
10.8	(20)	Employment Agreement between ID Global Solutions Corporation and Maksim Umarov dated July 1, 2015
10.9	(21)	Letter Agreement entered between ID Global Solutions Corporation and Maksim Umarov dated September 25, 2015
10.10	(22)	Share Exchange Agreement by and between ID Global Solutions Corporation, Fin Holdings, Inc. and the Fin Holdings, Inc. shareholders
10.11	(23)	Contract for the Provision of Cash Collection Services entered into by and between ID Global LATAM S.A.S. and Recaudo Bogota S.A.S. dated December 30, 2016
10.12	(15)	Confidential Settlement Agreement and General Release between ID Global Solutions Corporation and Charles D. Albanese dated January 26, 2017
10.13	(15)	Executive Retention Agreement entered between the Company and Stuart P. Stoller dated January 31, 2017
10.14	(4)	Indemnification Agreement entered between the Company and Stuart P. Stoller dated January 31, 2017
10.15	(4)	Executive Retention Agreement entered between the Company and Philip D. Beck dated January 31 2017
10.16	(4)	Executive Retention Agreement entered between the Company and Thomas Szoke dated January 31 2017
10.17	(4)	Executive Retention Agreement entered between the Company and Douglas Solomon dated January 31, 2017
10.18	(4)	Form of Conversion Agreement dated January 31, 2017
10.19	(4)	Stand-Off Agreement dated January 31, 2017 entered between Philip Beck, Stuart Stoller, Thomas Szoke, Douglas Solomon, Herbert Selzer, Ricky Solomon and the Company
10.20	(24)	Amendment No. 1 to the Share Purchase Agreement by and between Ipsidy Inc and the MultiPay Shareholders dated March 7, 2015
10.21	(4)	Form of Indemnity Agreement
10.22	(25)	Confidential Settlement Agreement and General Release between Ipsidy Inc. and Douglas Solomon dated September 13, 2017

10.23	(25)	Agency Agreement between Ipsidy Inc. and Douglas Solomon dated September 13, 2017
10.24	(26)	Restricted Stock Agreement dated September 29, 2017 between Philip D. Beck and Ipsidy Inc.
10.25	(26)	Restricted Stock Agreement dated September 29, 2017 between Stuart P. Stoller and Ipsidy Inc.
10.26	(27)	Settlement Agreement entered between ID Global LATAM S.A.S. and Recaudo Bogota S.A.S.
10.27*	(29)	2017 Incentive Stock Plan
10.28*	(29)	Letter from Ipsidy Inc. to Philip Beck dated May 3, 2018
10.29*	(29)	Letter from Ipsidy Inc. to Stuart Stoller dated May 3, 2018
10.30*	(29)	Letter from Ipsidy Inc. to Thomas Szoke dated May 3, 2018
14.1	(28)	Code of Ethics
21.1	(28)	List of Subsidiaries
31.1*		Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act
31.2*		Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act
32.1*		Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- 101. INS XBRL Instance Document *
- 101. SC XBRL Taxonomy Extension Schema Document *
- 101. CA XBRL Taxonomy Extension Calculation Linkbase Document *
- 101. DEF XBRL Taxonomy Extension Definition Linkbase Document *
- 101. LA XBRL Taxonomy Extension Label Linkbase Document *
- 101. PRE XBRL Taxonomy Extension Presentation Linkbase Document *

* Filed herewith

- (1) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on August 13, 2013.
- (2) Incorporated by reference to the Form 10-12G Registration Statement filed with the Securities Exchange Commission on November 9, 2011.
- (3) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 9, 2014.
- (4) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 6, 2017.
- (5) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 3, 2017.
- (6) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on June 1, 2015.
- (7) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on September 9, 2015.
- (8) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (9) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (10) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (11) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (12) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on December 29, 2015.
- (13) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on April 25, 2016.
- (14) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on August 16, 2016.
- (15) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 1, 2017.

- (16) Incorporated by reference to the Form S-1 Registration Statement filed with the Securities Exchange Commission on February 13, 2014.
- (17) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on November 28, 2014.
- (18) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on March 12, 2015.
- (19) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (20) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (21) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on October 1, 2015.
- (22) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on February 12, 2016.
- (23) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on January 6, 2017.
- (24) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on June 30, 2017.
- (25) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on September 14, 2017.
- (26) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on November 13, 2017.
- (27) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on November 15, 2017.
- (28) Incorporated by reference to the Form 10-K Annual Report filed with the Securities Exchange Commission on July 12, 2017.
- (29) Incorporated by reference to the Form 10-Q Quarterly Report filed with the Securities Exchange Commission on May 4, 2018.
- (30) Incorporated by reference to the Form 8-K Current Report filed with the Securities Exchange Commission on August 17, 2018.
- (31) Incorporated by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on June 21, 2019

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.

IPSIDY INC.

By: /s/ Philip Beck
Philip Beck, Chairman of the Board of Directors, Chief
Executive Officer, and President
Principal Executive Officer

By: /s/ Stuart Stoller
Chief Financial Officer,
Principal Financial and Accounting Officer

Dated: November 13, 2019

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Philip Beck, Chairman of the Board of Directors, Chief Executive Officer and President certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ipsidy Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant) and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 13, 2019

/s/ Philip Beck

Philip Beck
Chairman of the Board of Directors,
Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Stuart Stoller Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ipsidy Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant) and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 13, 2019

/s/ Stuart Stoller

Stuart Stoller

Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Ipsidy Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2019 as filed with the Securities and Exchange Commission (the "Report"), I, Philip Beck, Chairman of the Board of Directors, Chief Executive Officer and President of the Company, and, Stuart Stoller, 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:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Philip Beck

Philip Beck, Chairman of the Board of Directors,
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 13, 2019

/s/ Stuart Stoller

Stuart Stoller, Chief Financial Officer
(Principal Financial and Accounting Officer)