

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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

For the transition period from _____ to _____

Commission File No.: 001-37703

IZEA WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

**1317 Edgewater Dr #1880
Orlando, Florida**

(Address of principal executive offices)

37-1530765

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

32804

(Zip Code)

Registrant's telephone number, including area code: **(407) 674-6911**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	IZEA	The Nasdaq Capital Market

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

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

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

Large accelerated filer ☐

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 ☒

As of November 5, 2021, there were 62,000,000 shares of our common stock outstanding.

Quarterly Report on Form 10-Q for the period ended September 30, 2021

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PART I

ITEM 1 – FINANCIAL STATEMENTS

IZEA Worldwide, Inc. Unaudited Consolidated Balance Sheets

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 74,451,857	\$ 33,045,225
Accounts receivable, net	7,093,028	5,207,205
Prepaid expenses	1,646,895	199,294
Other current assets	40,853	74,467
Total current assets	83,232,633	38,526,191
Property and equipment, net	157,769	230,918
Goodwill	4,016,722	4,016,722
Intangible assets, net	—	505,556
Software development costs, net	1,127,093	1,472,684
Total assets	\$ 88,534,217	\$ 44,752,071
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,372,546	\$ 1,880,144
Accrued expenses	2,419,917	1,924,973
Contract liabilities	10,660,068	7,180,264
Current portion of notes payable	—	1,477,139
Total current liabilities	14,452,531	12,462,520
Finance obligation, less current portion	34,292	43,808
Notes payable, less current portion	31,470	459,383
Total liabilities	14,518,293	12,965,711
Commitments and Contingencies (Note 7)	—	—
Stockholders' equity:		
Preferred stock; \$0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock; \$0.0001 par value; 200,000,000 shares authorized; 61,903,631 and 50,050,167, respectively, issued and outstanding	6,190	5,005
Additional paid-in capital	148,229,391	102,416,131
Accumulated deficit	(74,219,657)	(70,634,776)
Total stockholders' equity	74,015,924	31,786,360
Total liabilities and stockholders' equity	\$ 88,534,217	\$ 44,752,071

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Unaudited Consolidated Statements of Operations and Comprehensive Loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	\$ 7,607,546	\$ 4,036,120	\$ 19,521,917	\$ 11,934,827
Costs and expenses:				
Cost of revenue (exclusive of amortization)	3,975,532	1,701,770	9,664,543	5,256,536
Sales and marketing	2,240,936	1,403,037	6,622,128	4,154,871
General and administrative	2,670,785	1,827,267	7,865,510	6,165,597
Impairment of goodwill	—	—	—	4,300,000
Depreciation and amortization	220,453	372,483	949,906	1,250,859
Total costs and expenses	9,107,706	5,304,557	25,102,087	21,127,863
Loss from operations	(1,500,160)	(1,268,437)	(5,580,170)	(9,193,036)
Other income (expense):				
Interest expense	(1,558)	(16,448)	(24,090)	(42,542)
Other income (expense), net	20,961	30,085	2,019,379	26,175
Total other income (expense), net	19,403	13,637	1,995,289	(16,367)
Net loss	<u>\$ (1,480,757)</u>	<u>\$ (1,254,800)</u>	<u>\$ (3,584,881)</u>	<u>\$ (9,209,403)</u>
Weighted average common shares outstanding – basic and diluted	61,883,017	45,772,638	59,875,142	38,879,218
Basic and diluted loss per common share	\$ (0.02)	\$ (0.03)	\$ (0.06)	\$ (0.24)

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Unaudited Consolidated Statements of Stockholders' Equity
Three Months Ended September 30, 2020 and 2021

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, June 30, 2020	41,784,601	\$ 4,178	\$ 89,315,525	\$ (68,339,372)	\$ 20,980,331
Sale of securities	6,401,931	641	10,377,799	—	10,378,440
Stock issued for payment of services	97,655	10	31,240	—	31,250
Stock issuance costs	—	—	(222,754)	—	(222,754)
Stock-based compensation	47,192	4	108,564	—	108,568
Net loss	—	—	—	(1,254,800)	(1,254,800)
Balance, September 30, 2020	48,331,379	\$ 4,833	\$ 99,610,374	\$ (69,594,172)	\$ 30,021,035

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, June 30, 2021	61,809,573	\$ 6,181	\$ 148,006,352	\$ (72,738,900)	\$ 75,273,633
Stock purchase plan & option exercise issuances	27,995	2	11,239	—	11,241
Stock issued for payment of services	7,716	1	37,543	—	37,544
Stock issuance costs	—	—	(14,094)	—	(14,094)
Stock-based compensation	76,745	8	229,031	—	229,039
Shares withheld to cover statutory taxes	(18,398)	(2)	(40,680)	—	(40,682)
Net loss	—	—	—	(1,480,757)	(1,480,757)
Balance, September 30, 2021	61,903,631	\$ 6,190	\$ 148,229,391	\$ (74,219,657)	\$ 74,015,924

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Unaudited Consolidated Statements of Stockholders' Equity
Nine Months Ended September 30, 2020 and 2021

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-In Capital	Deficit	Stockholders' Equity
Balance, December 31, 2019	34,634,172	\$ 3,464	\$ 74,099,328	\$ (60,384,769)	\$ 13,718,023
Sale of securities	13,258,172	1,326	25,738,967	—	25,740,293
Stock purchase plan & option exercise issuances	10,034	1	2,312	—	2,313
Stock issued for payment of services	292,965	29	93,720	—	93,749
Stock issuance costs	—	—	(680,786)	—	(680,786)
Stock-based compensation	136,036	13	356,833	—	356,846
Net loss	—	—	—	(9,209,403)	(9,209,403)
Balance, September 30, 2020	48,331,379	\$ 4,833	\$ 99,610,374	\$ (69,594,172)	\$ 30,021,035

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-In Capital	Deficit	Stockholders' Equity
Balance, December 31, 2020	50,050,167	\$ 5,005	\$ 102,416,131	\$ (70,634,776)	\$ 31,786,360
Sale of securities	11,186,084	1,119	46,543,569	—	46,544,688
Stock purchase plan & option exercise issuances	164,646	16	59,311	—	59,327
Stock issued for payment of services	22,608	2	109,782	—	109,784
Stock issuance costs	—	—	(1,094,929)	—	(1,094,929)
Stock-based compensation	681,068	68	633,151	—	633,219
Shares withheld to cover statutory taxes	(200,942)	(20)	(437,624)	—	(437,644)
Net loss	—	—	—	(3,584,881)	(3,584,881)
Balance, September 30, 2021	61,903,631	\$ 6,190	\$ 148,229,391	\$ (74,219,657)	\$ 74,015,924

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Unaudited Consolidated Statements of Cash Flows

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (3,584,881)	\$ (9,209,403)
Adjustments to reconcile net loss to net cash used for operating activities:		
Gain on the forgiveness of debt	(1,927,220)	—
Depreciation and amortization	98,759	102,495
Amortization of software development costs and other intangible assets	851,147	1,148,364
Impairment of goodwill	—	4,300,000
Gain on disposal of equipment	(21,522)	(22,423)
Provision for losses on accounts receivable	—	108,381
Stock-based compensation	633,219	356,846
Fair value of stock issued for payment of services	109,784	93,749
Changes in operating assets and liabilities:		
Accounts receivable	(1,885,823)	1,507,206
Prepaid expenses and other current assets	(1,413,987)	(80,038)
Security deposits	—	151,803
Accounts payable	(507,598)	(919,255)
Accrued expenses	516,238	(121,665)
Contract liabilities	3,479,804	561,921
Right-of-use asset and lease liability, net	—	24,024
Net cash used for operating activities	(3,652,080)	(1,997,995)
Cash flows from investing activities:		
Purchase of equipment	(33,912)	(17,290)
Proceeds from sale of equipment	29,824	29,007
Software development costs	—	(266,035)
Net cash used for investing activities	(4,088)	(254,318)
Cash flows from financing activities:		
Proceeds from sale of securities	46,544,688	25,740,293
Stock issuance costs	(1,094,929)	(680,786)
Proceeds from stock purchase plan and option exercise issuances	59,327	2,313
Payments on shares withheld for statutory taxes	(437,644)	—
Proceeds from notes payable	—	1,935,195
Payments on finance obligation	(8,642)	(11,410)
Net cash provided by financing activities	45,062,800	26,985,605
Net increase in cash and cash equivalents	41,406,632	24,733,292
Cash and cash equivalents, beginning of period	33,045,225	5,884,629
Cash and cash equivalents, end of period	<u>\$ 74,451,857</u>	<u>\$ 30,617,921</u>
Supplemental cash flow information:		
Interest paid	\$ 5,610	\$ 39,834
Non-cash financing and investing activities:		
Equipment acquired with financing arrangement	\$ —	\$ 43,003
Fair value of common stock issued for future services	\$ 147,329	\$ 125,000

See accompanying notes to the unaudited consolidated financial statements.

IZEA Worldwide, Inc.
Notes to the Unaudited Consolidated Financial Statements

NOTE 1. COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

IZEA Worldwide, Inc. (together with its wholly-owned subsidiaries, “we,” “us,” “our,” “IZEA” or the “Company”) is a Nevada corporation that was founded in February 2006 under the name PayPerPost, Inc. and became a public company in May 2011. In January 2015, IZEA purchased all of the outstanding shares of capital stock of Ebyline, Inc. (“Ebyline”). In March 2016, the Company formed IZEA Canada, Inc., a wholly-owned subsidiary incorporated in Ontario, Canada, to operate as a sales and support office for IZEA’s Canadian customers. In July 2016, IZEA purchased all the outstanding shares of capital stock of ZenContent, Inc. (“ZenContent”), and in July 2018, a subsidiary of the Company merged with TapInfluence, Inc. (“TapInfluence”). ZenContent, Ebyline, and TapInfluence were merged into IZEA, and the legal entities were dissolved in December 2017, December 2019, and December 2020, respectively.

The Company creates and operates online marketplaces that connect marketers with content creators. The Company compensates the creators for producing unique content such as long and short form text, videos, photos, status updates, and illustrations for marketers or distributing such content on behalf of marketers through their personal websites, blogs, and social media channels. Marketers receive influential consumer content and engaging, shareable stories that drive awareness.

The Company’s primary technology platform, the IZEA Exchange (“*IZEAx*”), enables transactions to be completed at scale through managing custom content workflow, creator search and targeting, bidding, analytics, and payment processing. *IZEAx* is designed to provide a unified ecosystem that enables the creation and publication of multiple types of custom content through a creator’s personal websites, blogs, or social media channels including Twitter, Facebook, Instagram, and YouTube, among others.

In 2020, the Company launched two new platforms, *BrandGraph* and *Shake*. *BrandGraph* is a social media intelligence platform that is heavily integrated with *IZEAx* and while both platforms rely heavily on data from each other, each is available as a stand-alone platform. The platform maps and classifies the complex hierarchy of corporation-to-brand relationships by category and associates social content with brands through a proprietary content analysis engine. *Shake* is a new online marketplace where buyers can quickly and easily hire creators of all types for influencer marketing, photography, design, and other digital services. The Shake platform is aimed at digital creatives seeking freelance “gig” work. Creators list available “Shakes” on their accounts in the platform. Marketers select and purchase creative packages from them through a streamlined chat experience, assisted by ShakeBot - a proprietary, artificial intelligence assistant.

Basis of Presentation

The accompanying consolidated balance sheet as of September 30, 2021, the consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2021 and 2020, the consolidated statements of stockholders' equity for the three and nine months ended September 30, 2021 and 2020, and the consolidated statements of cash flows for the nine months ended September 30, 2021 and 2020 are unaudited but include all adjustments that are, in the opinion of management, necessary for a fair presentation of its financial position at such dates and its results of operations and cash flows for the periods then ended in conformity with generally accepted accounting principles in the United States (“GAAP”). The consolidated balance sheet as of December 31, 2020 has been derived from the audited consolidated financial statements at that date but, in accordance with the rules and regulations of the SEC, does not include all of the information and notes required by GAAP for complete financial statements. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of results that may be expected for the entire fiscal year. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2020 included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2021.

Principles of Consolidation

The consolidated financial statements include the accounts of IZEA Worldwide, Inc. and its wholly-owned subsidiaries, subsequent to the subsidiaries’ individual acquisition, merger, or formation dates, as applicable. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

IZEA Worldwide, Inc.
Notes to the Unaudited Consolidated Financial Statements

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The extent to which COVID-19 impacts the Company's business and financial results will depend on numerous evolving factors including, but not limited to: the magnitude and duration of COVID-19, the extent to which it impacts worldwide macroeconomic conditions, the speed of the anticipated recovery, access to capital markets, and governmental and business reactions to the pandemic. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 as of September 30, 2021 and through the date of the filing of this Quarterly Report on Form 10-Q. The accounting matters assessed included, but were not limited to estimates related to revenue, the accounting for potential liabilities and accrued expenses, the assumptions utilized in valuing stock-based compensation issued for services, the realization of deferred tax assets, and assessments of impairment related to long-lived assets, intangible assets, and goodwill. The Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in additional material impacts to the Company's consolidated financial statements in future reporting periods.

Despite the Company's efforts, the ultimate impact of COVID-19 depends on factors beyond the Company's knowledge or control, including the duration and severity of the outbreak and third-party actions taken to contain its spread and mitigate its public health effects. As a result, the Company is unable to estimate the full extent to which COVID-19 will impact its financial results or liquidity. In consideration of the effect of COVID-19 on the assumptions and estimates used in the preparation of the financial statements, the Company identified the goodwill impairment disclosed in Note 3 as a material adverse effect on its results of operations and financial position in the first quarter of fiscal 2020 that was caused by COVID-19's effect on economic conditions and its business operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents. Deposits in our banks are insured by the FDIC up to a maximum amount of \$250,000. Deposit balances exceeding this limit were approximately \$73.9 million and \$31.4 million as of September 30, 2021 and December 31, 2020, respectively.

Accounts Receivable and Concentration of Credit Risk

The Company's accounts receivable balance consists of trade receivables, unbilled receivables, and a reserve for doubtful accounts. Trade receivables are customer obligations due under normal trade terms. Unbilled receivables represent amounts owed for work that has been performed, but not yet billed. The Company had trade receivables of \$6,875,577 and \$5,148,213 as of September 30, 2021 and December 31, 2020, respectively. The Company had unbilled receivables of \$217,451 and \$58,992 as of September 30, 2021 and December 31, 2020, respectively. Management considers an account to be delinquent when the customer has not paid an amount due by its associated due date. Collectibility of accounts receivable is not significant since most customers are bound by contract and are required to fund the Company for all the costs of an "opportunity," defined as an order created by a marketer for a creator to develop or share content on behalf of a marketer. If a portion of the account balance is deemed uncollectible, the Company will either write-off the amount owed or provide a reserve based on its best estimate of the uncollectible portion of the account. Management determines the collectibility of accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. The Company had a reserve for doubtful accounts of \$155,000 as of September 30, 2021 and December 31, 2020. Management believes that this estimate is reasonable, but there can be no assurance that the estimate will not change as a result of a change in economic conditions or business conditions within the industry, individual customers, or the Company. Any adjustments to this account are reflected in the consolidated statements of operations and comprehensive loss as a general and administrative expense. There was no bad debt expense for the nine months ended September 30, 2021, while bad debt expense was 0.9% of revenue for the nine months ended September 30, 2020.

Concentrations of credit risk with respect to accounts receivable have been typically limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. However, with the Company's addition of SaaS customers, it has increased credit exposure on certain customers who carry significant credit balances related to their marketplace spend. The Company controls credit risk through credit approvals, credit limits, and monitoring procedures. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. The Company had one customer that accounted for 14% of total accounts receivable as of September 30, 2021 and no customer that accounted for an aggregate of more than 10% of total accounts receivable as of December 31, 2020. The Company had two customers that accounted for 24% of its revenue during the three months ended September 30, 2021 and no customer that accounted for more than 10% of its revenue during the three months ended

IZEA Worldwide, Inc.
Notes to the Unaudited Consolidated Financial Statements

September 30, 2020. The Company had one customer that accounted for 13% of its revenue during the nine months ended September 30, 2021 and no customer that accounted for more than 10% of its revenue during the nine months ended September 30, 2020.

Property and Equipment

Property and equipment are recorded at cost, or if acquired in a business combination, at the acquisition date fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer Equipment	3 years
Office Equipment	3 - 10 years
Furniture and Fixtures	5 - 10 years

Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improvements. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for betterments and major improvements are capitalized and depreciated over the remaining useful lives of the assets. The carrying amounts of assets sold or retired and the related accumulated depreciation are eliminated in the year of disposal, with resulting gains or losses included in general and administrative expense in the consolidated statements of operations and comprehensive loss. There were no impairment charges associated with the Company's long-lived tangible assets during the three and nine months ended September 30, 2021 and 2020.

Goodwill

Goodwill represents the excess of the consideration transferred for an acquired business over the fair value of the underlying identifiable net assets. The Company has goodwill in connection with its acquisitions of Ebyline, ZenContent and TapInfluence. Goodwill is not amortized but instead it is tested for impairment at least annually. In the event that management determines that the value of goodwill has become impaired, the Company will record a charge for the amount of impairment during the fiscal quarter in which the determination is made.

The Company performs its annual impairment tests of goodwill as of October 1 of each year, or more frequently, if certain indicators are present. Goodwill is required to be tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below the operating segment level, referred to as a component. Management identifies its reporting units by assessing whether components (i) have discrete financial information available, (ii) engage in business activities, and (iii) whether a segment manager regularly reviews the component's operating results. Net assets and goodwill of acquired businesses are allocated to the reporting unit associated with the acquired business based on the anticipated organizational structure of the combined entities. If two or more components are deemed economically similar, those components are aggregated into one reporting unit when performing the annual goodwill impairment review. The Company had one reporting unit as of September 30, 2021.

Intangible Assets

The Company acquired the majority of its intangible assets through its acquisitions of Ebyline, ZenContent, and TapInfluence. The Company is amortizing the identifiable intangible assets over periods of 12 to 60 months. See Note 3 for further details.

Management reviews long-lived assets, including property and equipment, software development costs and other intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared with the asset's carrying amount to determine if there has been an impairment, which is calculated as the difference between the asset's fair value and the carrying value. Estimates of future undiscounted cash flows are based on expected growth, anticipated future economic conditions and estimates of residual values. Fair values take into consideration management estimates of risk-adjusted discount rates, which are believed to be consistent with assumptions that marketplace participants would use in their estimates of fair value. There were no impairment charges associated with the Company's acquired intangible assets during the three and nine months ended September 30, 2021 and 2020.

Software Development Costs

In accordance with Accounting Standards Codification ("ASC") 350-40, *Internal Use Software*, the Company capitalizes certain internal use software development costs associated with creating and enhancing internally developed software related to its platforms. Software development activities generally consist of three stages (i) the research and planning

IZEA Worldwide, Inc.
Notes to the Unaudited Consolidated Financial Statements

stage, (ii) the application and development stage, and (iii) the post-implementation stage. Costs incurred in the research and planning stage and in the post-implementation stage of software development, or other maintenance and development expenses that do not meet the qualification for capitalization, are expensed as incurred. Costs incurred in the application and infrastructure development stage, including significant enhancements and upgrades, are capitalized. These costs include personnel and related employee benefits expenses for employees or consultants who are directly associated with and who devote time to software projects, and external direct costs of materials obtained in developing the software. The Company also capitalizes certain costs associated with cloud computing arrangements ("CCAs"). Software development, acquired technology, and CCA costs are amortized on a straight-line basis over the estimated useful life of five years upon initial release of the software or additional features. The Company reviews the software development costs for impairment when circumstances indicate that their carrying amounts may not be recoverable. If the carrying value of an asset group is not recoverable, the Company recognizes an impairment loss for the excess of carrying value over the fair value in its consolidated statements of operations and comprehensive loss. See Note 4 for further details.

Leases

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which established a right-of-use model that requires a lessee to record a right-of-use asset and a right-of-use liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company does not record leases on the balance sheet that have a lease term of 12 months or less at the commencement date.

Revenue Recognition

The Company generates revenue from four primary sources: (1) revenue from its managed services when a marketer (typically a brand, agency or partner) pays the Company to provide custom content, influencer marketing, amplification, or other campaign management services ("Managed Services"); (2) revenue from fees charged to software customers on their marketplace spend within the Company's *IZEAx* and *Shake* platforms ("Marketplace Spend Fees"); (3) revenue from license and subscription fees charged to access the *IZEAx* and *BrandGraph* platforms ("License Fees"); and (4) revenue derived from other fees such as inactivity fees, early cash-out fees, and other miscellaneous fees charged to users of the Company's platforms ("Other Fees").

The Company recognizes revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). Under ASC 606, revenue is recognized based on a five-step model as follows: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) performance obligations are satisfied. The core principle of ASC 606 is that revenue is recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are distinct performance obligations. The Company also determines whether it acts as an agent or a principal for each identified performance obligation. For transactions in which the Company acts as a principal, revenue is reported on a gross basis as the amount paid by the marketer for the purchase of content or sponsorship, promotion and other related services and the Company records the amounts it pays to third-party creators as cost of revenue. For transactions in which the Company acts as an agent, revenue is reported on a net basis as the amount the Company charged to the self-service marketer using the Company's platforms, less the amounts paid to the third-party creators providing the service.

The Company maintains separate arrangements with each marketer and content creator either in the form of a master agreement or terms of service, which specify the terms of the relationship and access to its platforms, or by statement of work, which specifies the price and the services to be performed, along with other terms. The transaction price is determined based on the fixed fee stated in the statement of work and does not contain variable consideration. Marketers who contract with the Company to manage their advertising campaigns or custom content requests may prepay for services or request credit terms. Payment terms are typically 30 days from the invoice date. The agreement typically provides for either a non-refundable deposit or a cancellation fee if the agreement is canceled by the customer prior to completion of services. Billings in advance of completed services are recorded as a contract liability until earned. The Company assesses collectibility based on a number of factors, including the creditworthiness of the customer and payment and transaction history.

Managed Services Revenue

For Managed Services Revenue, the Company enters into an agreement to provide services that may include multiple distinct performance obligations in the form of (i) an integrated marketing campaign to provide influencer marketing services, which may include the provision of blogs, tweets, photos or videos shared through social network offerings and content promotion, such as click-through advertisements appearing in websites and social media channels, and (ii) custom content items, such as a research or news article, informational material or videos. Marketers typically purchase influencer marketing services to provide public awareness or advertising buzz regarding the marketer's brand and purchase custom content for internal and external use. The Company may provide one type or a combination of all types of these performance obligations on a statement of work for a lump sum fee. The Company allocates revenue to each performance obligation in the contract at inception based on its relative standalone selling price. These performance obligations are to be provided over a stated period that generally ranges from one day to one year. Revenue is accounted for when the performance obligation has been satisfied depending on the type of service provided. The Company views its obligation to deliver influencer marketing services, including management services, as a single performance obligation that is satisfied over time as the customer receives the benefits from the services. Revenue is recognized using an input method of costs incurred compared to total expected costs to measure the progress towards satisfying the overall performance obligation of the marketing campaign. The delivery of custom content represents a distinct performance obligation that is satisfied over time as the Company has no alternative for the custom content, and the Company has an enforceable right to payment for performance completed to date under the contracts. The Company considers custom content to be a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, and revenue is recognized over time using an output method based on when each individual piece of content is delivered to the customer. Based on the Company's evaluations, revenue from Managed Services is reported on a gross basis because the Company has the primary obligation to fulfill the performance obligations and it creates, reviews, and controls the services. The Company takes on the risk of payment to any third-party creators, and it establishes the contract price directly with its customers based on the services requested in the statement of work.

Marketplace Spend Fees Revenue

For Marketplace Spend Fees Revenue, the self-service customers instruct creators found through the Company's *IZEAx* and *Shake* platforms to provide and/or distribute custom content for an agreed upon transaction price. The Company's platforms control the contracting, description of services, acceptance of and payment for the requested content. This service is used primarily by news agencies or marketers to control the outsourcing of their content and advertising needs. The Company charges the self-service customer the transaction price plus a fee based on the contract. Revenue is recognized when the transaction is completed by the creator and accepted by the marketer or verified as posted by the system. Based on the Company's evaluations, this revenue is reported on a net basis since the Company is acting as an agent through its platform for the third-party creator to provide the services or content directly to the self-service customer or to post approved content through one or more social media platforms.

License Fees Revenue

License Fees Revenue is generated through the granting of limited, non-exclusive, non-transferable licenses to customers for the use of the *IZEAx*, *BrandGraph*, and until February 2020, the *TapInfluence* technology platforms for an agreed-upon subscription period. Customers may also separately subscribe to the *IZEAx Discovery* service within the *IZEAx* platform. Customers license the platforms to manage their own influencer marketing campaigns. Fees for subscription or licensing services are recognized straight-line over the term of the service.

Other Fees Revenue

Other Fees Revenue is generated when fees are charged to the Company's platform users primarily related to monthly plan fees, inactivity fees, and early cash-out fees. Plan fees are recognized within the month they relate to, inactivity fees are recognized at a point in time when the account is deemed inactive, and early cash-out fees are recognized when a cash-out is either below certain minimum thresholds or when accelerated payout timing is requested.

The Company does not typically engage in contracts that are longer than one year. Therefore, the Company does not capitalize costs to obtain its customer contracts as these amounts generally would be recognized over a period of less than one year and are not material.

Advertising Costs

Advertising costs are charged to expense as incurred, including payments to content creators to promote the Company. Advertising costs charged to operations for the three months ended September 30, 2021 and 2020 were approximately \$530,000

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and \$173,000, respectively. Advertising costs charged to operations for the nine months ended September 30, 2021 and 2020 were approximately \$1,484,000 and \$419,000, respectively. Advertising costs are included in sales and marketing expense in the accompanying consolidated statements of operations and comprehensive loss.

Income Taxes

The Company has not recorded federal income tax expense due to its history of net operating losses. Deferred income taxes are accounted for using the balance sheet approach, which requires recognition of deferred tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized. The Company incurs minimal state franchise tax in four states, which is included in general and administrative expense in the consolidated statements of operations and comprehensive loss.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's tax years subject to examination by the Internal Revenue Service are 2017 through 2020.

In March 2020, the CARES Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. On June 18, 2021, the U.S. Small Business Administration (the "SBA") approved the forgiveness of the Company's PPP loan and accrued interest thereon in its entirety. The forgiveness was accounted for as debt extinguishment which resulted in a gain of \$1,927,220 recorded in other income (expense) in the Company's consolidated statements of operations and comprehensive loss. The forgiveness of this debt is non-taxable income for federal income tax purposes.

Fair Value of Financial Instruments

The Company's financial instruments are recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect certain market assumptions. There are three levels of inputs that may be used to measure fair value:

- Level 1 – Valuation based on quoted market prices in active markets for identical assets and liabilities.
- Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company does not have any Level 1, 2 or 3 financial assets or liabilities. The respective carrying values of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable, contract liabilities, and accrued expenses. Unless otherwise disclosed, the fair values of the Company's long-term debt obligations approximate their carrying value based upon current rates available to the Company.

Stock-Based Compensation

Stock-based compensation cost related to stock options granted under the 2011 Equity Incentive Plan, as amended and restated, the 2011 B Equity Incentive Plan (together, the "2011 Equity Incentive Plans") (see Note 8) is measured at the grant date, based on the fair value of the award, and is recognized as expense over the employee's requisite service period on a straight-line basis. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes option-pricing model that uses the assumptions noted in the table below. The Company uses the simplified method to estimate the expected term of employee stock options, because it does not believe historical exercise data will provide a reasonable basis for estimating the expected term for the current share options granted. The simplified method assumes that employees will

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exercise share options evenly between the period when the share options are vested and ending on the date when the options would expire. The Company uses the closing stock price of its common stock on the date of the grant as the associated fair value of its common stock. The Company estimates the volatility of its common stock at the date of grant based on the historical volatility of its stock. The Company determines the expected life based on historical experience with similar awards, giving consideration to the contractual terms, vesting schedules and post-vesting forfeitures. The Company uses the risk-free interest rate on the implied yield currently available on U.S. Treasury issues with an equivalent remaining term approximately equal to the expected life of the award. The Company has never paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future.

The Company used the following assumptions for stock options granted under the 2011 Equity Incentive Plans during the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
<i>2011 Equity Incentive Plans Assumptions</i>				
Expected term	6 years	6 years	6 years	6 years
Weighted average volatility	120.67%	116.64%	120.14%	108.56%
Weighted average risk-free interest rate	0.93%	0.42%	0.94%	0.46%
Expected dividends	—	—	—	—
Weighted average expected forfeiture rate	11.03%	8.79%	12.25%	8.64%

The Company estimates forfeitures when recognizing compensation expense and this estimate of forfeitures is adjusted over the requisite service period based on the extent to which actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures are recognized through a cumulative catch-up adjustment, which is recognized in the period of change, and a revised amount of unamortized compensation expense to be recognized in future periods.

The Company may issue shares of restricted stock or restricted stock units which vest over future periods. The value of shares is recorded as the fair value of the stock or units upon the issuance date and is expensed on a straight-line basis over the vesting period. See Note 8 for additional information related to these shares.

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Income Taxes: In December 2019, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The Company adopted ASU 2019-12 on January 1, 2021 with no material impact on its current reporting in the Company’s consolidated financial statements.

Investments - Equity Securities: In January 2020, the FASB issued ASU No. 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, 323 and Topic 815* (“ASU 2020-01”) to clarify the scope and interaction between these standards for equity securities, equity method and certain derivatives. The Company adopted ASU No. 2020-01 on January 1, 2021 with no material impact on its current reporting in the Company’s consolidated financial statements.

Reference Rate Reform: In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”), and further issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope* (“ASU 2021-01”), in January 2021 to provide optional guidance for a limited time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. ASU 2020-04 and ASU 2021-01 also provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. Additionally, they only apply to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. ASU 2020-04 is effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. As of September 30, 2021, the Company does not have any contracts that reference LIBOR rates and this guidance has not had a material impact on its financial statements.

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Codification Improvements: In October 2020, the FASB issued ASU No. 2020-08, *Codification Improvements to Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs* ("ASU 2020-08"), and ASU No. 2020-10, *Codification Improvements* ("ASU 2020-10"). ASU 2020-08 and ASU 2020-10 provide changes to clarify or improve existing guidance. The Company adopted ASU No. 2020-08 and ASU No. 2020-10 on January 1, 2021 with no material impact on its current reporting in the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

Credit Losses: In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 requires use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. In May 2019, the FASB issued ASU 2019-05, which provides transition relief for entities adopting ASU 2016-13. For entities that have adopted ASU 2016-13, the amendments in ASU 2019-05 are effective for fiscal years beginning after December 15, 2019, including interim periods therein. An entity may early adopt the ASU in any interim period after its issuance if the entity has adopted ASU 2016-13. For all other entities, the effective date will be the same as the effective date of ASU 2016-13. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the expected impact of adopting ASU 2016-13 on its consolidated financial statements and disclosures.

Convertible Instruments: In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"). ASU 2020-06 simplifies the guidance on the issuer's accounting for convertible debt instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature. As a result, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. The elimination of these models will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that was within the scope of those models before the adoption of ASU 2020-06. Also, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method will be no longer available. The provisions of ASU 2020-06 are applicable for the Company as a smaller reporting company for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of ASU 2020-06 on its consolidated financial statements and disclosures.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2021	December 31, 2020
Furniture and fixtures	\$ 209,156	\$ 221,733
Office equipment	66,417	67,833
Computer equipment	513,248	513,344
Total	788,821	802,910
Less accumulated depreciation and amortization	(631,052)	(571,992)
Property and equipment, net	<u>\$ 157,769</u>	<u>\$ 230,918</u>

Depreciation and amortization expense on property and equipment recorded in depreciation and amortization expense in the consolidated statements of operations and comprehensive loss was \$33,201 and \$34,578 for the three months ended September 30, 2021 and 2020, respectively, and was \$98,759 and \$102,495 for the nine months ended September 30, 2021 and 2020, respectively.

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NOTE 3. INTANGIBLE ASSETS

The identifiable intangible assets, other than Goodwill, consists of the following assets:

	September 30, 2021		December 31, 2020		Useful Life (in years)
	Intangible Asset Gross Value	Accumulated Amortization	Intangible Asset Gross Value	Accumulated Amortization	
Content provider networks	\$ 160,000	\$ 160,000	\$ 160,000	\$ 160,000	2
Trade names	87,000	87,000	87,000	87,000	1
Developed technology	820,000	820,000	820,000	820,000	5
Self-service content customers	2,810,000	2,810,000	2,810,000	2,304,444	3
Managed content customers	2,140,000	2,140,000	2,140,000	2,140,000	3
Domains	166,469	166,469	166,469	166,469	5
Embedded non-compete provision	28,000	28,000	28,000	28,000	2
Total	<u>\$ 6,211,469</u>	<u>\$ 6,211,469</u>	<u>\$ 6,211,469</u>	<u>\$ 5,705,913</u>	

Total identifiable intangible assets from the Company's acquisitions and other acquired assets net of accumulated amortization thereon consists of the following:

	September 30, 2021	December 31, 2020
Ebyline Intangible Assets	\$ 2,370,000	\$ 2,370,000
ZenContent Intangible Assets	722,000	722,000
Domains	166,469	166,469
TapInfluence Intangible Assets	2,953,000	2,953,000
Total	<u>\$ 6,211,469</u>	<u>\$ 6,211,469</u>
Less accumulated amortization	<u>(6,211,469)</u>	<u>(5,705,913)</u>
Intangible assets, net	<u>\$ —</u>	<u>\$ 505,556</u>

As of September 30, 2021, the Company has fully amortized all identifiable intangible assets. There were no impairment charges associated with the Company's identifiable intangible assets in the three and nine months ended September 30, 2021 and 2020.

Amortization expense recorded in depreciation and amortization in the accompanying consolidated statements of operations and comprehensive loss was \$72,222 and \$237,657 for the three months ended September 30, 2021 and 2020, respectively, and \$505,556 and \$842,637 for the nine months ended September 30, 2021 and 2020, respectively.

The portion of this amortization expense specifically related to the costs of acquired technology that is excluded from cost of revenue and recorded in depreciation and amortization was \$11,500 and \$159,500 for the three and nine months ended September 30, 2020, respectively. There was no amortization expense specifically related to the costs of acquired technology in the three and nine months ended September 30, 2021.

As of September 30, 2021, there are no future estimated amortization expenses related to identifiable intangible assets.

The Company's goodwill balance changed as follows:

	Amount
Balance on December 31, 2019	\$ 8,316,722
Acquisitions, impairments, or other changes during 2020	(4,300,000)
Balance on December 31, 2020	4,016,722
Acquisitions, impairments, or other changes during 2021	—
Balance on September 30, 2021	<u>\$ 4,016,722</u>

The Company performs annual impairment tests on its goodwill during the fourth fiscal quarter, unless events occur during the year trigger the need for interim testing. In March 2020, the Company identified triggering events due to the

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reduction in its projected revenue due to adverse economic conditions caused by the COVID-19 pandemic, the continuation of a market capitalization below the Company's carrying value, and uncertainty for recovery given the volatility of the capital markets surrounding COVID-19. The Company performed an interim assessment of goodwill, using the discounted cash flow method under the income approach and the guideline transaction method under the market approach, and determined that the carrying value of the Company's reporting unit as of March 31, 2020 exceeded the fair value. As a result of the valuation, the Company recorded a \$4.3 million impairment of goodwill, which is reflected as an expense under impairment of goodwill in the consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2020. The Company did not identify any triggering events during the three and nine months ended September 30, 2021.

NOTE 4. SOFTWARE DEVELOPMENT COSTS

Software development costs consists of the following:

	September 30, 2021	December 31, 2020
Software development costs	\$ 3,036,810	\$ 3,036,810
Less accumulated amortization	(1,909,717)	(1,564,126)
Software development costs, net	<u>\$ 1,127,093</u>	<u>\$ 1,472,684</u>

The Company developed its web-based influencer marketing platform, *IZEAx*, to enable influencer marketing and content creation campaigns on a greater scale. The Company continues to add new features and additional functionality to *IZEAx* and developed additional platforms in 2020, *BrandGraph* and *Shake*, to facilitate the contracting, workflow, and delivery or posting of content as well as provide for invoicing, collaborating, and direct payments for the Company's customers and creators. The Company capitalized software development costs of \$0 and \$266,035 during the nine months ended September 30, 2021 and 2020, respectively. The Company has capitalized a total of \$3,036,810 in direct materials, consulting, payroll, and benefit costs to its internal use software development costs in the consolidated balance sheet as of September 30, 2021.

The Company amortizes its software development costs, commencing upon initial release of the software or additional features, on a straight-line basis over the estimated useful life of five years, which is consistent with the amount of time its legacy platforms were in service. Amortization expense on software development costs that is excluded from cost of revenue and recorded in depreciation and amortization expense in the accompanying consolidated statements of operations and comprehensive loss was \$115,159 and \$102,538 for the three months ended September 30, 2021 and 2020, respectively, and \$345,591 and \$305,727 for the nine months ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, future estimated amortization expense related to software development costs is set forth in the following schedule:

	Software Development Amortization Expense
Remainder of 2021	\$ 107,493
2022	400,474
2023	359,685
2024	177,764
2025	78,920
Thereafter	2,757
Total	<u>\$ 1,127,093</u>

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NOTE 5. ACCRUED EXPENSES

Accrued expenses consist of the following:

	September 30, 2021	December 31, 2020
Accrued payroll liabilities	\$ 1,825,193	\$ 1,504,113
Accrued taxes	114,254	286,455
Current portion of finance obligation	31,312	30,487
Accrued other	449,158	103,918
Total accrued expenses	<u>\$ 2,419,917</u>	<u>\$ 1,924,973</u>

NOTE 6. NOTES PAYABLE

Canada Emergency Business Account (“CEBA”) Loan

On April 22, 2020, the Company received a Canadian dollar loan in the principal amount of 40,000 CAD (\$31,470 USD as of September 30, 2021), from TD Canada Trust Bank pursuant to a CEBA term loan agreement (the “CEBA Loan”). The CEBA Loan has an initial term from inception through December 31, 2022 (the “Initial Term”) and an extended term from January 1, 2023 through December 31, 2025 (the “Extended Term”). No interest is accrued and no payments are due on the loan during the Initial Term. If the Company repays 75% of the CEBA Loan (30,000 CAD) on or prior to December 31, 2022, the remaining 10,000 CAD balance will be forgiven. Otherwise, interest will begin to accrue on the unpaid balance on January 1, 2023 with monthly interest payments commencing on January 31, 2023 until the CEBA Loan is paid in full on or before the end of the Extended Term.

Paycheck Protection Program (“PPP”) Loan

On April 23, 2020, the Company received a loan from Western Alliance Bank (the “Lender”) in the principal amount of \$1,905,100 (the “PPP Loan”) under the Paycheck Protection Program (“PPP”), evidenced by a promissory note issued by the Company (the “Note”) to the Lender. The term of the Note was two years and carried a fixed interest rate of one percent per year. Certain amounts received under the PPP Loan were able to be forgiven if the loan proceeds were used for eligible purposes, including payroll costs and certain rent or utility costs, and the Company met other requirements regarding, among other things, the maintenance of employment and compensation levels. Loan payments on the PPP Loan may be deferred to either (1) the date that the SBA remits the Company’s loan forgiveness amount to the Lender or (2) ten months after the end of the Company’s loan forgiveness covered period, if the Company does not apply for loan forgiveness. The principal balance of the PPP Loan was \$1,905,100, with \$1,477,139 reflected in the current portion of notes payable in the consolidated balance sheets as of December 31, 2020.

The Company submitted its forgiveness application for the entire amount of the loan in December 2020. On June 18, 2021, the Company was notified by the Lender that the loan had been forgiven by the SBA in full, including accrued interest. The principal amount of \$1,905,100 and accrued interest of \$22,120, totaling \$1,927,220, was recorded as a gain on forgiveness of debt in other income (expense) in the Company’s consolidated statements of operations and comprehensive loss in the nine months ended September 30, 2021.

Finance Obligation

The Company has two long term payment plans with a vendor to pay for its computer equipment in four annual payments between October 2019 and February 2023. The Company used an imputed interest rate of 9.5%, based on its incremental borrowing rate, to determine the present value of its finance obligation. The total balance owed was \$65,604 and \$74,295 as of September 30, 2021 and December 31, 2020, respectively, with the short-term portion of \$31,312 and \$30,487 recorded under accrued expenses in the consolidated balance sheets as of September 30, 2021 and December 31, 2020, respectively.

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Secured Credit Facility

The Company had a secured credit facility agreement (also referred to herein as “line of credit”) with Western Alliance Bank, the parent company of Bridge Bank, N.A. of San Jose, California, which it obtained on March 1, 2013, expanded on April 13, 2015. The line of credit agreement required the Company to pay an annual facility fee of \$20,000 an annual due diligence fee of \$1,000 upon renewal; during the nine months ended September 30, 2021 and 2020, the Company amortized \$7,000 and \$15,750, respectively, of such costs through interest expense.

The Company terminated its line of credit in April 2021. There were no amounts outstanding under this secured credit facility as of December 31, 2020 and no remaining capitalized loan costs related to the secured credit facility as of September 30, 2021.

Summary

Interest expense on financing arrangements recorded in the Company’s consolidated statements of operations and comprehensive loss was \$1,558 and \$16,448 for the three months ended September 30, 2021 and 2020, respectively, and \$24,090 and \$42,542 for the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, the future contractual maturities of our debt obligations by year are set forth in the following schedule:

Remainder of 2021	\$	21,796
2022		64,858
2023		10,420
Total	\$	<u>97,074</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES

Lease Commitments

Due to the Company’s current work from home policy enacted on March 16, 2020 as a result of the COVID-19 pandemic, and its intent to remain virtual first, the Company does not have any office lease agreements as of September 30, 2021. Additionally, the Company does not have any other operating or finance lease greater than 12 months in duration as of September 30, 2021.

Total leasehold rent expense recorded in general and administrative expense in the accompanying consolidated statements of operations and comprehensive loss was \$39,194 and \$263,722 for the three and nine months ended September 30, 2020, respectively. Upon the January 1, 2019 adoption of ASU No. 2016-02, *Leases*, the Company had one material lease greater than 12 months in duration. This was the lease associated with its corporate headquarters in Winter Park, Florida, which expired in April 2020. Cash paid for this one operating lease was \$0 and \$113,516 during the three and nine months ended September 30, 2020, respectively. There were no lease commitments or leasehold rent expense during the three and nine months ended September 30, 2021.

Litigation

From time to time, the Company may become involved in various other lawsuits and legal proceedings that arise in the ordinary course of its business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company’s business. The Company is currently not aware of any legal proceedings or claims that it believes would or could have, individually or in the aggregate, a material adverse effect on the Company. Regardless of final outcomes, however, any such proceedings or claims may nonetheless impose a significant burden on management and employees and may come with costly defense costs or unfavorable preliminary interim rulings.

NOTE 8. STOCKHOLDERS' EQUITY

Authorized Shares

The Company has 200,000,000 authorized shares of common stock and 10,000,000 authorized shares of preferred stock, each with a par value of \$0.0001 per share.

Sale of Securities

On June 4, 2020, the Company entered into an ATM Sales Agreement (the "2020 Sales Agreement") with National Securities Corporation, as sales agent ("National Securities"), pursuant to which the Company could offer and sell, from time to time, through National Securities, shares of the Company's common stock, by any method deemed to be an "at the market offering" ("ATM Offering").

On June 12, 2020, the Company entered into an amendment to the 2020 Sales Agreement to increase the amount of common stock that could be offered and sold in the ATM Offering to \$40 million in the aggregate. On January 25, 2021, the Company entered into a new ATM Sales Agreement (the "January 2021 Sales Agreement") with National Securities, pursuant to which the Company may offer and sell, from time to time, through National Securities, up to \$35 million shares of its common stock, by any method deemed to be an ATM Offering.

During the nine months ended September 30, 2021, the Company sold 11,186,084 shares at an average price of \$4.16 per share for total gross proceeds of \$46,544,688 pursuant to the 2020 Sales Agreement and January 2021 Sales Agreement with National Securities. As of September 30, 2021, the Company had sold a total of 26,005,824 shares at an average price of \$2.88 per share for total gross proceeds of \$74,999,784 pursuant to the 2020 Sales Agreement and January 2021 Sales Agreement with National Securities. The 2020 Sales Agreement and January 2021 Sales Agreement were terminated following the sale of all shares of common stock available to be sold thereunder.

On June 21, 2021, the Company entered into a third ATM Sales Agreement (the "June 2021 Sales Agreement") with National Securities Corporation, as sales agent, pursuant to which the Company could offer and sell, from time to time, through National Securities, up to \$100 million of shares of the Company's common stock by any method deemed to be an ATM Offering. No sales have been made under this agreement as of September 30, 2021.

Equity Incentive Plans

In May 2011, the Company's Board of Directors (the "Board") adopted the 2011 Equity Incentive Plan of IZEA Worldwide, Inc. (as amended, the "May 2011 Plan"). The stockholders approved an amendment and restatement of the Company's May 2011 Plan at its 2020 Annual Meeting of Stockholders held on December 18, 2020, to allow the Company to award restricted stock, restricted stock units and stock options covering up to 7,500,000 shares of common stock as incentive compensation for its officers, employees, consultants, and advisors, including its non-employee directors. Shares of the Company's common stock that are withheld (or not issued) to cover the purchase price of an option or any required tax withholding obligation will again be available for issuance under the May 2011 Plan. As of September 30, 2021, the Company had 3,602,509 remaining shares of common stock available for issuance pursuant to future grants under the May 2011 Plan.

In August 2011, the Company adopted the 2011 B Equity Incentive Plan (the "August 2011 Plan") reserving 4,375 shares of common stock for issuance under the August 2011 Plan. No additional awards may be granted under the August 2011 Plan following the tenth anniversary of its effective date, but awards theretofore granted may extend beyond that date.

Restricted Stock

Under both the May 2011 Plan and the August 2011 Plan (together, the "2011 Equity Incentive Plans"), the Board determines the terms and conditions of each restricted stock issuance, including any future vesting restrictions.

On January 31, 2020, the Company issued its five independent directors a total of 390,625 shares of restricted common stock initially valued at \$125,000 for their annual service as directors of the Company. The stock vested in equal monthly installments from January through December 2020.

During the nine months ended September 30, 2021, the Company issued its six independent directors a total of 30,324 shares of restricted common stock initially valued at \$147,329 for their annual service as directors of the Company. The stock vests in equal monthly installments from January through December 2021.

IZEA Worldwide, Inc.
Notes to the Consolidated Financial Statements

The following table contains summarized information about restricted stock issued during the year ended December 31, 2020 and the nine months ended September 30, 2021:

<i>Restricted Stock Activity</i>	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2019	31,282	\$ 2.15	1.9
Granted	390,625	0.32	
Vested	(408,241)	0.39	
Forfeited	—		
Nonvested at December 31, 2020	13,666	\$ 2.28	1.4
Granted	30,324	4.86	
Vested	(30,475)	4.24	
Forfeited	—	0	
Nonvested at September 30, 2021	13,515	\$ 3.65	0.5

Although restricted stock is issued upon the grant of an award, the Company excludes restricted stock from the computations within the financial statements of total shares outstanding and basic earnings per share until the restricted stock vests.

Expense recognized on restricted stock issued to non-employees for services was \$37,544 and \$31,250 for the three months ended September 30, 2021 and 2020, respectively, and \$109,784 and \$93,749 during the nine months ended September 30, 2021 and 2020, respectively. Expense recognized on restricted stock issued to employees was \$6,364 and \$6,507 for the three months ended September 30, 2021 and 2020, respectively, and \$19,371 and \$27,175 during the nine months ended September 30, 2021 and 2020, respectively.

On September 30, 2021, the fair value of the Company's common stock was approximately \$1.92 per share and the intrinsic value on the non-vested restricted stock was \$25,949. Future compensation expense related to issued, but non-vested, restricted stock awards as of September 30, 2021 is \$49,376. This value is estimated to be recognized over the weighted-average vesting period of approximately six months.

Restricted Stock Units

The Board determines the terms and conditions of each restricted stock unit award issued under the May 2011 Plan.

The Company issued 84,994 restricted stock units on January 3, 2020 to Mr. Ryan Schram, its Chief Operating Officer, under the terms of his employment agreement. The restricted stock units were initially valued at \$23,739 and vest in equal monthly installments over 48 months from issuance. The Company also issued 100,000 restricted stock units on January 3, 2020 to Mr. Schram as additional incentive compensation. The restricted stock units were initially valued at \$27,930 and vest 12 months from issuance.

During the twelve months ended December 31, 2020, the Company issued a total of 580,099 restricted stock units initially valued at \$215,936 to non-executive employees as additional incentive compensation. The restricted stock units vest 12 months from issuance.

During the twelve months ended December 31, 2020, the Company issued Mr. Edward Murphy, its Chief Executive Officer, 123,228 restricted stock units valued at \$61,790 for bonuses owed under the terms of his amended employment agreement. The restricted stock units vest in equal monthly installments over 36 months from issuance.

During the twelve months ended December 31, 2020, the Company issued Mr. Schram 41,824 restricted stock units initially valued at \$14,052 for bonuses owed under the terms of his employment agreement. The restricted stock units vest in equal monthly installments over 48 months from issuance.

During the nine months ended September 30, 2021 the Company issued Mr. Murphy 100,000 restricted stock units valued at \$394,000 as a one-time bonus. The restricted stock units vest in equal monthly installments over 10 months from issuance.

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Notes to the Consolidated Financial Statements

During the nine months ended September 30, 2021 the Company issued Mr. Peter Biere, its Chief Financial Officer, 4,286 restricted stock units valued at \$8,101 for bonuses owed under the terms of his employment agreement. The restricted stock units vest in equal monthly installments over 36 months from issuance.

During the nine months ended September 30, 2021 the Company issued an aggregate of 30,514 restricted stock units valued at \$73,715 to 37 non-executive employees related to performance bonuses. The restricted stock units vest 12 months from issuance.

The following table contains summarized information about restricted stock units during the year ended December 31, 2020 and the nine months ended September 30, 2021:

<i>Restricted Stock Units Activity</i>	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2019	366,812	\$ 0.42	3.2
Granted	930,145	0.37	
Vested	(172,441)	0.41	
Forfeited	(154,167)	0.30	
Nonvested at December 31, 2020	970,349	\$ 0.39	1.2
Granted	134,800	3.53	
Vested	(673,201)	0.73	
Forfeited	(3,336)	1.46	
Nonvested at September 30, 2021	428,612	\$ 0.84	1.4

During the three and nine months ended September 30, 2021, the Company withheld 18,398 and 200,942 shares of common stock valued at \$40,682 and \$437,644, respectively, to cover statutory employee withholding taxes due upon the delivery of common stock for the vested restricted stock units. Expense recognized on restricted stock units issued to employees was \$147,044 and \$44,636 for the three months ended September 30, 2021 and 2020, respectively, and \$427,287 and \$159,720 during the nine months ended September 30, 2021 and 2020, respectively. On September 30, 2021, the fair value of the Company's common stock was approximately \$1.92 per share and the intrinsic value on the non-vested restricted units was \$822,935. Future compensation related to the non-vested restricted stock units as of September 30, 2021 is \$278,669 and it is estimated to be recognized over the weighted-average vesting period of approximately 1.4 years.

Stock Options

Under the 2011 Equity Incentive Plans, the Board determines the exercise price to be paid for the stock option shares, the period within which each stock option may be exercised, and the terms and conditions of each stock option. The exercise price of incentive and non-qualified stock options may not be less than 100% of the fair market value per share of the Company's common stock on the grant date. If an individual owns stock representing more than 10% of the outstanding shares, the exercise price of each share of an incentive stock option must be equal to or exceed 110% of fair market value. Unless otherwise determined by the Board at the time of grant, the exercise price is set at the fair market value of the Company's common stock on the grant date (or the last trading day prior to the grant date, if it is awarded on a non-trading day). Additionally, the term is set at ten years and the option typically vests on a straight-line basis over the requisite service period as follows: 25% one year from the date of grant with the remaining vesting monthly in equal increments over the following three years. The Company issues new shares for any stock awards or options exercised under its 2011 Equity Incentive Plans.

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A summary of option activity under the 2011 Equity Incentive Plans during the year ended December 31, 2020 and the nine months ended September 30, 2021, is presented below:

<i>Options Outstanding</i>	Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2019	1,357,837	\$ 3.24	7.2
Granted	411,350	0.69	
Exercised	(369)	1.00	
Expired	—	—	
Forfeited	(56,012)	5.08	
Outstanding at December 31, 2020	1,712,806	\$ 2.56	6.9
Granted	266,594	2.64	
Exercised	(161,270)	0.34	
Expired	—	—	
Forfeited	(17,021)	3.50	
Outstanding at September 30, 2021	1,801,109	\$ 2.77	6.2
Exercisable at September 30, 2021	1,079,065	\$ 3.68	5.2

During the nine months ended September 30, 2021, 161,270 options were exercised for gross proceeds of \$54,105. The intrinsic value on exercised options was \$454,123. There were 369 options exercised during the nine months ended September 30, 2020. The fair value of the Company's common stock on September 30, 2021 was approximately \$1.92 per share and the intrinsic value on outstanding options as of September 30, 2021 was \$971,773. The intrinsic value on exercisable options as of September 30, 2021 was \$412,605.

A summary of the nonvested stock option activity under the 2011 Equity Incentive Plans during the year ended December 31, 2020 and the nine months ended September 30, 2021, is presented below:

<i>Nonvested Options</i>	Common Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Years to Vest
Nonvested at December 31, 2019	600,779	\$ 0.64	3.0
Granted	411,350	0.56	
Vested	(283,766)	0.72	
Forfeited	(12,877)	0.88	
Nonvested at December 31, 2020	715,486	\$ 0.56	2.5
Granted	266,594	2.81	
Vested	(251,647)	0.65	
Forfeited	(8,389)	0.92	
Nonvested at September 30, 2021	722,044	\$ 0.93	2.4

There were outstanding options to purchase 1,801,109 shares with a weighted average exercise price of \$2.77 per share, of which options to purchase 1,079,065 shares were exercisable with a weighted average exercise price of \$3.68 per share as of September 30, 2021.

Expense recognized on stock options issued to employees during the three months ended September 30, 2021 and 2020 was \$73,739 and \$55,202, respectively. Expense recognized on stock options issued to employees during the nine months ended September 30, 2021 and 2020 was \$182,137 and \$166,955, respectively. Future compensation related to non-vested awards as of September 30, 2021 is \$710,661, and it is estimated to be recognized over the weighted-average vesting period of approximately 2.4 years.

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Notes to the Consolidated Financial Statements

The following table shows the number of stock options granted under the Company's 2011 Equity Incentive Plans and the assumptions used to determine the fair value of those options using a Black-Scholes option-pricing model during the nine months ended September 30, 2021 and 2020:

Period Ended	Total Stock Options Granted	Weighted-Average Exercise Price	Weighted-Average Expected Term	Weighted-Average Volatility	Weighted-Average Risk-Free Interest Rate	Expected Dividends	Weighted-Average Grant Date Fair Value
September 30, 2020	410,215	\$0.69	6 years	108.56%	0.46%	—	\$0.56
September 30, 2021	266,594	\$2.64	6 years	120.14%	0.94%	—	\$2.81

Employee Stock Purchase Plan

The amended and restated IZEA Worldwide, Inc. 2014 Employee Stock Purchase Plan (the "ESPP"), provides for the issuance of up to 500,000 shares of the Company's common stock to employees regularly employed by the Company for 90 days or more on a full-time or part-time basis (20 hours or more per week on a regular schedule). The ESPP operates in successive six months offering periods commencing January 1 and July 1 each year. Each eligible employee who elects to participate may purchase up to 10% of their annual compensation in common stock not to exceed \$21,250 annually or 2,000 shares per offering period. The purchase price will be the lower of (i) 85% of the fair market value of a share of common stock on the first day of the offering period or (ii) 85% of the fair market value of a share of common stock on the last day of the offering period. The ESPP will continue until January 1, 2024, unless otherwise terminated by the Board.

During the nine months ended September 30, 2021 and 2020, employees paid \$5,222 to purchase 3,376 shares of common stock and \$1,944 to purchase 9,665 shares of common stock, respectively. Expense recognized on the options to purchase shares under the ESPP was \$1,892 and \$2,223 during the three months ended September 30, 2021 and 2020, respectively, and \$4,424 and \$2,996 during the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021, the Company had 392,237 remaining shares of common stock available for future issuances under the ESPP.

Summary Stock-Based Compensation

Stock-based compensation cost related to all awards granted to employees is measured at the grant date based on the fair value of the award and is recognized as an expense over the employee's requisite service period utilizing the weighted-average forfeiture rates disclosed in Note 1. Total stock-based compensation expense recognized on restricted stock, restricted stock units, stock options, and employee stock purchase plan issuances during the three and nine months ended September 30, 2021 and 2020 was recorded in the Company's consolidated statements of operations and comprehensive loss as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Cost of revenue	\$ 1,898	\$ 9,709	\$ 5,315	\$ 24,278
Sales and marketing	5,342	3,324	16,090	42,967
General and administrative	221,799	95,535	611,814	289,601
Total stock-based compensation	<u>\$ 229,039</u>	<u>\$ 108,568</u>	<u>\$ 633,219</u>	<u>\$ 356,846</u>

NOTE 9. LOSS PER COMMON SHARE

Basic earnings (loss) per common share is computed by dividing the net income or loss by the basic weighted-average number of shares of common stock outstanding during each period presented. Although restricted stock is issued upon the grant of an award, the Company excludes restricted stock from the computations of weighted-average number of shares of common stock outstanding until such time as the stock vests. Diluted loss per share is computed by dividing the net income or loss by the sum of the total of the basic weighted-average number of shares of common stock outstanding plus the additional dilutive securities that could be exercised or converted into common shares during each period presented less the amount of shares that could be repurchased using the proceeds from the exercises.

IZEA Worldwide, Inc.
Notes to the Consolidated Financial Statements

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net loss	\$ (1,480,757)	\$ (1,254,800)	\$ (3,584,881)	\$ (9,209,403)
Weighted average shares outstanding - basic and diluted	61,883,017	45,772,638	59,875,142	38,879,218
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>	<u>\$ (0.24)</u>

The Company excluded the following weighted average items from the above computation of diluted loss per common share, as their effect would be anti-dilutive:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Stock options	1,726,580	1,611,459	1,732,763	1,505,320
Restricted stock units	467,214	1,030,559	549,385	971,326
Restricted stock	20,351	180,843	26,798	283,287
Warrants	—	—	—	8,704
Total excluded shares	<u>2,214,145</u>	<u>2,822,861</u>	<u>2,308,946</u>	<u>2,768,637</u>

NOTE 10. REVENUE

The Company has consistently applied its accounting policies with respect to revenue to all periods presented in the consolidated financial statements contained herein. Beginning in 2021, the Company began classifying subscription fees for *BrandGraph* and *IZEAx* Discovery as License Fees; accordingly, these amounts from 2020 have been reclassified from Other Fees to conform with their 2021 classification. The following table illustrates the Company's revenue by product service type:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Managed Services Revenue	\$ 7,153,517	\$ 3,513,806	\$ 18,139,370	\$ 10,129,210
Marketplace Spend Fees	89,196	120,630	269,160	482,817
License Fees	354,850	396,549	1,082,734	1,291,002
Other Fees	9,983	5,135	30,653	31,798
SaaS Services Revenue	<u>454,029</u>	<u>522,314</u>	<u>1,382,547</u>	<u>1,805,617</u>
Total Revenue	<u>\$ 7,607,546</u>	<u>\$ 4,036,120</u>	<u>\$ 19,521,917</u>	<u>\$ 11,934,827</u>

The following table provides the Company's revenues as determined by the country of domicile:

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
United States	\$ 7,401,814	\$ 3,666,860	\$ 18,964,711	\$ 11,313,653
Canada	205,732	369,260	557,206	621,174
Total	<u>\$ 7,607,546</u>	<u>\$ 4,036,120</u>	<u>\$ 19,521,917</u>	<u>\$ 11,934,827</u>

IZEA Worldwide, Inc.
Notes to the Consolidated Financial Statements

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers reported in the Company's consolidated balance sheet:

	September 30, 2021	December 31, 2020
Accounts receivable, net	\$ 7,093,028	\$ 5,207,205
Contract liabilities (unearned revenue)	\$ 10,660,068	\$ 7,180,264

The increase in contract liabilities is primarily the result of the increase in contracts where the customers have been charged in advance of services in future periods. The Company does not typically engage in contracts that are longer than one year. Therefore, the Company recognized substantially all of the contract liabilities recorded at the end of the year in the following year and it did not recognize any contract assets as of September 30, 2021 or December 31, 2020. The Company does not capitalize costs to obtain its customer contracts given their general duration of less than one year, and the amounts are not material.

Contract receivables are recognized when the receipt of consideration is unconditional. Contract liabilities relate to charges to customers in advance of the Company satisfying performance obligations under the terms of the contracts, which will be earned in future periods. Contract liabilities increase as a result of additional charges to customers and decrease as revenue is recognized upon the Company meeting the performance obligations for those services. As a practical expedient, the Company expenses the costs of sales commissions that are paid to its sales force associated with obtaining contracts less than one year in length in the period incurred.

Remaining Performance Obligations

The Company typically enters into contracts that are one year or less in length. As such, the remaining performance obligations as of September 30, 2021 and December 31, 2020 are equal to the contract liabilities disclosed above. The Company expects to recognize the full balance of the unearned revenue as of September 30, 2021 within the next year.

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

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. The statements, which are not historical facts contained in this report, including those contained in Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the notes to our consolidated financial statements, particularly those that utilize terminology such as “may,” “will,” “would,” “could,” “should,” “expects,” “anticipates,” “anticipates,” “estimates,” “believes,” “thinks,” “intends,” “likely,” “projects,” “plans,” “pursue,” “strategy” or “future,” or the negative of these words or other words or expressions of similar meaning, are forward-looking statements. Such statements are based on currently available operating, financial and competitive information, and are subject to inherent risks, uncertainties, and changes in circumstances that are difficult to predict and many of which are outside of our control. Future events and our actual results and financial condition may differ materially from those reflected in these forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause these differences include, but are not limited to, the following:

- the impact of the COVID-19 pandemic on our operations, financial condition, and the worldwide economy;
- customer cancellations;
- our transition to a fully remote working environment;
- estimates or judgements relating to our critical accounting policies;
- our ability to raise additional funding needed to fund our business operation in the future;
- our ability to satisfy the requirements for continued listing of our common stock on the Nasdaq Capital Market;
- our ability to maintain effective disclosure controls and procedures and internal control over financial reporting;
- our ability to protect our intellectual property without patents;
- results of any future litigation;
- competition in the industry;
- variability of operating results;
- market acceptance of our IZEAx, Shake and BrandGraph platforms;
- variability of operating results;
- our ability to maintain and enhance our brand;
- accuracy of tracking the number of user accounts and our ability to detect click-fraud;
- reliance on third-party social media platforms to provide the mechanism necessary to deliver influencer marketing;
- our development and introduction of new products and services;
- the successful integration of acquired companies, technologies, and assets into our portfolio of software and services;
- marketing and other business development initiatives;
- government regulation, including relating to user privacy;
- economic conditions, including as a result of health and safety concerns;
- the ability of our security measures to protect against cyberattacks;
- the volatility of the price of our common stock;
- dependence on key personnel;
- the ability to attract, hire, and retain personnel who possess the technical skills and experience necessary to meet the service requirements of our customers;
- the potential liability with respect to actions taken by our existing and past employees;
- risks associated with international sales; and
- the other risks and uncertainties described in the Risk Factors sections of this Quarterly Report and our Annual Report on Form 10-K for the year ended December 31, 2020.

All forward-looking statements in this document are based on our current expectations, intentions, and beliefs using information currently available to us as of the date of this Quarterly Report, and we assume no obligation to update any forward-looking statements, except as required by law. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Company Overview

IZEA Worldwide, Inc. (together with its wholly-owned subsidiaries, “we,” “us,” “our,” “IZEA” or the “Company”) creates and operates online marketplaces that connect marketers, including brands, agencies, and publishers, with content creators such as bloggers and tweeters (“creators”). Our technology brings the marketers and creators together, enabling their transactions to be completed at scale through the management of custom content workflow, creator search and targeting, bidding, analytics, and payment processing.

We help power the creator economy, allowing everyone from college students and stay-at-home individuals to celebrities and accredited journalists the opportunity to monetize their content, creativity, and influence through our marketers. These creators are compensated by IZEA for producing unique content such as long and short form text, videos, photos, status updates, and illustrations for marketers or distributing such content on behalf of marketers through their personal websites, blogs, and social media channels.

Marketers engage us to gain access to our industry expertise, technology, data, analytics, and network of creators. The majority of the marketers engage us to perform these services on their behalf, but they also have the ability to use our marketplaces on a self-service basis by licensing our technology. Our technology is used for two primary purposes: the engagement of creators for influencer marketing campaigns, or the engagement of creators to create stand-alone custom content for the marketers’ own use and distribution. Marketers receive influential consumer content and engaging, shareable stories that drive awareness.

Our primary technology platform, *The IZEA Exchange* (“IZEAx”), enables transactions to be completed at scale through the management of custom content workflow, creator search and targeting, bidding, analytics, and payment processing. *IZEAx* is designed to provide a unified ecosystem that enables the creation and publication of multiple types of custom content through a creator’s personal websites, blogs, or social media channels including Twitter, Facebook, Instagram, and YouTube, among others.

In 2020, we launched two new platforms, *BrandGraph* and *Shake*. *BrandGraph* is a social media intelligence platform that is heavily integrated with *IZEAx* and both platforms rely heavily on data from each other, but it is also available as a stand-alone platform. The platform maps and classifies the complex hierarchy of corporation-to-brand relationships by category and associates social content with brands through a proprietary content analysis engine. *Shake* is a new online marketplace where buyers can quickly and easily hire creators of all types for influencer marketing, photography, design, and other digital services. The *Shake* platform is aimed at digital creatives seeking freelance “gig” work. Creators list available “Shakes” on their accounts in the platform and marketers select and purchase creative packages from them through a streamlined chat experience, assisted by ShakeBot - a proprietary, artificial intelligence assistant.

Impact of COVID-19 on our Business

Our operations, sales, and finances were impacted by the COVID-19 pandemic during the nine months ended September 30, 2020. In an effort to protect the health and safety of our employees, we took precautionary action and directed all staff to work from home effective March 16, 2020 and we allowed the leases for our company headquarters and temporary office spaces to expire at the end of their terms throughout 2020. We have not experienced any major declines in operating efficiency in our remote working environment and have made the decision to continue our work from home policy indefinitely as a virtual first employer.

While we are able to maintain full operations remotely, the economic conditions caused by COVID-19 negatively impacted the business activity of our customers in 2020. We observed changes in advertising decisions, timing, and spending priorities from brand and agency customers, which resulted in a negative impact to our revenue in 2020.

Following the third quarter of 2020, we have seen a year over year increase in Managed Services bookings, our net orders from customers, in each of the following quarters through the second quarter of 2021. That growth in bookings led to a 64% growth in overall revenue in the nine months ended September 30, 2021. While we have seen an increase in Managed Services bookings, there is still risk that bookings will not be recognized as revenue if customers cancel prior to the performance of service.

We will continue to actively monitor the COVID-19 situation and may take further actions altering our business operations that we determine are in the best interests of our employees, customers, partners, suppliers, and stakeholders, or as required by federal, state, or local authorities. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our customers, employees, and prospects, or on our future financial results.

Key Components of Results of Operations

Overall consolidated results of operations are evaluated based on Revenue, Cost of Revenue, Sales and Marketing expenses, General and Administrative expenses, Depreciation and Amortization, and Other Income (Expense), net.

Revenue

We generate revenue from four primary sources: (1) revenue from our managed services when a marketer (typically a brand, agency or partner) pays us to provide custom content, influencer marketing, amplification, or other campaign management services (“Managed Services”); (2) revenue from fees charged to software customers on their marketplace spend within our *IZEAx* and *Shake* platforms (“Marketplace Spend Fees”); (3) revenue from license and subscription fees charged to access the *IZEAx* and *BrandGraph* platforms (“License Fees”); and (4) revenue derived from other fees such as inactivity fees, early cash-out fees, and other miscellaneous fees charged to users of our platforms (“Other Fees”).

As discussed in more detail within “Critical Accounting Policies and Use of Estimates” under “Note 1. Company and Summary of Significant Accounting Policies,” under Part I, Item 1 herein, revenue from Marketplace Spend Fees is reported on a net basis and revenue from all other sources, including Managed Services, License Fees, and Other Fees are reported on a gross basis. We further categorize these sources into two primary groups: (1) Managed Services and (2) SaaS Services, which includes revenue from Marketplace Spend Fees, License Fees, and Other Fees.

Cost of Revenue

Our cost of revenue consists of direct costs paid to our third-party creators who provide the custom content, influencer marketing or amplification services for our Managed Service customers where we report revenue on a gross basis. It also includes internal costs related to our campaign fulfillment and SaaS support departments. These costs include salaries, bonuses, commissions, stock-based compensation, employee benefit costs, and miscellaneous departmental costs related to the personnel who are primarily responsible for providing support to our customers and ultimately fulfillment of our obligations under our contracts with customers. Where appropriate, we capitalize costs that were incurred with software that is developed or acquired for our revenue supporting platforms and amortize these costs over the estimated useful lives of those platforms. This amortization is separately stated under depreciation and amortization in our consolidated statements of operations and comprehensive loss.

Sales and Marketing

Our sales and marketing expenses consist primarily of salaries, bonuses, commissions, stock-based compensation, employee benefit costs, travel, and miscellaneous departmental costs for our marketing, sales, and sales support personnel, as well as marketing expenses such as brand marketing, public relation events, trade shows and marketing materials, and travel expenses.

General and Administrative

Our general and administrative expense consists primarily of salaries, bonuses, commissions, stock-based compensation, employee benefit costs, and miscellaneous departmental costs related to our executive, finance, legal, human resources, and other administrative personnel. It also includes travel, public company and investor relations expenses, as well as accounting and legal professional services fees, leasehold facilities, and other corporate-related expenses. General and administrative expense also includes our technology and development costs consisting primarily of our payroll costs for our internal engineers and contractors responsible for developing, maintaining, and improving our technology, as well as hosting and software subscription costs. These costs are expensed as incurred, except to the extent that they are associated with internal use software that qualifies for capitalization, which are then recorded as software development costs in the consolidated balance sheet. We also capitalize costs that are related to our acquired intangible assets. Depreciation and amortization related to these costs are separately stated under depreciation and amortization in our consolidated statements of operations and comprehensive loss. General and administrative expense also includes current period gains and losses on our acquisition costs payable, as well as gains and losses from the sale of fixed assets. Impairments on fixed assets, intangible assets, and goodwill, are included as part of general and administrative expense when they are not material and broken out separately in our consolidated statements of operations and comprehensive loss when they are material.

Depreciation and Amortization

Depreciation and amortization expense consists primarily of amortization of our internal use software and acquired intangible assets from our business acquisitions. To a lesser extent, we also have depreciation and amortization on equipment and leasehold improvements used by our personnel. Costs are amortized or depreciated over the estimated useful lives of the associated assets.

Other Income (Expense)

Interest Expense. Interest expense is mainly related to the imputed interest on our acquisition costs payable and interest when we use our secured credit facility.

Other Income (Expense). Other income (expense) consists primarily of interest income for interest earned or changes in the value of our foreign assets and liabilities and foreign currency exchange gains and losses on foreign currency transactions, primarily related to the Canadian Dollar. For 2021, it also includes gain on the forgiveness of debt.

Results of Operations for the Three Months Ended September 30, 2021 and 2020

The following table sets forth a summary of our consolidated statements of operations and comprehensive loss and the change between the periods:

	Three Months Ended September 30,			
	2021	2020	\$ Change	% Change
Revenue	\$ 7,607,546	\$ 4,036,120	\$ 3,571,426	88 %
Costs and expenses:				
Cost of revenue (exclusive of amortization)	3,975,532	1,701,770	2,273,762	134 %
Sales and marketing	2,240,936	1,403,037	837,899	60 %
General and administrative	2,670,785	1,827,267	843,518	46 %
Depreciation and amortization	220,453	372,483	(152,030)	(41)%
Total costs and expenses	9,107,706	5,304,557	3,803,149	72 %
Loss from operations	(1,500,160)	(1,268,437)	(231,723)	18 %
Other income (expense):				
Interest expense	(1,558)	(16,448)	14,890	(91)%
Other income, net	20,961	30,085	(9,124)	(30)%
Total other income (expense), net	19,403	13,637	5,766	42 %
Net loss	\$ (1,480,757)	\$ (1,254,800)	\$ (225,957)	18 %

Revenue

The following table illustrates our revenue by type, the percentage of total revenue by type, and the change between the periods:

	Three Months Ended September 30,					
	2021		2020		\$ Change	% Change
Managed Services Revenue	7,153,517	94 %	3,513,806	87 %	\$ 3,639,711	104 %
Marketplace Spend Fees	89,196	1 %	120,630	3 %	(31,434)	(26)%
License Fees	354,850	5 %	396,549	10 %	(41,699)	(11)%
Other Fees	9,983	— %	5,135	— %	4,848	94 %
SaaS Services Revenue	454,029	6 %	522,314	13 %	(68,285)	(13)%
Total Revenue	\$ 7,607,546	100 %	\$ 4,036,120	100 %	\$ 3,571,426	88 %

Historically, we have invested the majority of our time and resources in our Managed Services business, which provides the majority of our revenue. Our acquisitions of Ebyline and ZenContent allowed us to expand our product offerings to provide custom content and generate Marketplace Spend Fees in addition to and in combination with our influencer marketing campaigns to expand our Managed Services. Our July 2018 merger with TapInfluence expanded our SaaS Services to derive revenue from Marketplace Spend Fees and License Fees.

Managed Services is generated when a marketer (typically a brand, agency or partner) pays us to provide custom content, influencer marketing, amplification, or other campaign management services. Managed Services revenue during the three months ended September 30, 2021, increased by \$3.6 million or 104% to \$7.2 million compared to \$3.5 million for the same period in 2020, primarily due to increased orders from new and existing customers returning to and expanding their marketing efforts through sponsored social marketing as compared to the prior year period when customers were limiting marketing efforts in light of the COVID-19 uncertainties.

SaaS Services revenue is generated by the self-service use of our technology platforms by marketers to manage their own content workflow and influencer marketing campaigns. It consists of fees earned on the marketer's spend within the *IZEAx*, *BrandGraph*, and *Shake* platforms, along with the license and support fees to access the platform services.

- *Marketplace Spend Fees* decreased by \$31,434 to \$89,196 for the three months ended September 30, 2021 compared to \$120,630 for the same period in 2020, primarily as a result lower spend levels from our marketers and lower average fees assessed on those spends as a result of competitive pricing efforts in IZEAx. Revenue from Marketplace Spend Fees represents our net margins received on this business.
- *License Fees* revenue decreased during the three months ended September 30, 2021 to \$354,850 compared to \$396,549 in the same period of 2020. The decrease in IZEAx license fees was offset by an increase in subscriptions for *BrandGraph* and IZEAx Discovery services. Prior to 2021, the subscription fees for *BrandGraph* and IZEAx Discovery were classified under Other Fees, but these amounts from 2020 have been reclassified under License Fees to conform with their 2021 classification.
- *Other Fees* revenue increased by \$4,848, or approximately 94%, for the three months ended September 30, 2021 compared to the same period in 2020 due to an increase in plan fees assessed on user accounts.

Cost of Revenue

Cost of revenue for the three months ended September 30, 2021 increased by \$2,273,762, or approximately 134%, compared to the same period in 2020 primarily as a result of the increase in Managed Services revenue. Cost of revenue as a percentage of revenue increased from 42% in 2020 to 52% in 2021 primarily due to a higher volume of larger customer contracts which generally carry higher overall delivery costs.

Sales and Marketing

Sales and marketing expense for the three months ended September 30, 2021 increased by \$837,899, or approximately 60%, compared to the same period in 2020. Advertising and marketing expenses increased \$360,000 to further promote brand awareness and improve customer acquisition, satisfaction, and retention. Our payroll and personnel related expenses and stock compensation for sales and marketing personnel increased \$368,000 as a result of increased commission and bonus expense due to the increase in customer bookings in the third quarter of 2021. Additionally, we began outsourcing certain sales support functions and adding new software solutions to assist personnel in 2021 resulting in an increase of \$25,000 for contractors and \$44,000 for software subscriptions.

General and Administrative

General and administrative expense for the three months ended September 30, 2021 increased by \$843,518, or approximately 46%, compared to the same period in 2020. General and administrative expense for the three months ended September 30, 2021 increased due to a \$685,000 increase in payroll, personnel related expenses, and stock compensation primarily as a result of an increase in annual salaries, and higher bonus and stock compensation expense due to the improved company performance in the third quarter of 2021. Contractor expenses increased \$281,000 as we are increasing the number of internal and external engineers working on our technology offerings. These increases were partially offset by decreases in (i) rent expense of \$39,000 due to the non-renewal of expiring office facility leases and (ii) non-renewal of investor relations contracts with a savings of \$16,000.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended September 30, 2021 decreased by \$152,030, or approximately 41%, compared to the same period in 2020.

Depreciation and amortization expense on property and equipment was \$33,201 and \$34,578 for the three months ended September 30, 2021 and 2020, respectively. Depreciation expense has decreased slightly due to the disposal of aging computer equipment in recent quarters.

Amortization expense was \$187,381 and \$340,195 for the three months ended September 30, 2021 and 2020, respectively. Amortization expense related to intangible assets acquired in acquisitions was \$72,222 and \$237,657 for the three months ended September 30, 2021 and 2020, respectively, while amortization expense related to internal use software development costs was \$115,159 and \$102,538 for the three months ended September 30, 2021 and 2020, respectively. Amortization on our intangible acquisition assets is decreasing due to completion of amortization on certain intangible assets acquired in prior years while amortization on our internal software costs is increasing due to continued development and the release of *BrandGraph* and *Shake* in 2020.

Other Income (Expense)

Interest expense decreased by \$14,890 to \$1,558 during the three months ended September 30, 2021 compared to the same period in 2020 due primarily to the elimination of amounts owed on our acquisition costs payable and amortization thereon after July 2019.

The \$9,124 increase in other income during the three months ended September 30, 2021 when compared to the same period in 2020 resulted primarily from higher levels of short term investments.

Net Loss

Net loss for the three months ended September 30, 2021 was \$1,480,757, a \$225,957 increase compared to the net loss of \$1,254,800 for the same period in 2020. The increase in net loss was a result of the changes discussed above.

Results of Operations for the Nine Months Ended September 30, 2021 and 2020

The following table sets forth a summary of our consolidated statements of operations and comprehensive loss and the change between the periods:

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Revenue	\$ 19,521,917	\$ 11,934,827	\$ 7,587,090	64 %
Costs and expenses:				
Cost of revenue (exclusive of amortization)	9,664,543	5,256,536	4,408,007	84 %
Sales and marketing	6,622,128	4,154,871	2,467,257	59 %
General and administrative	7,865,510	6,165,597	1,699,913	28 %
Impairment of goodwill	—	4,300,000	(4,300,000)	(100)%
Depreciation and amortization	949,906	1,250,859	(300,953)	(24)%
Total costs and expenses	25,102,087	21,127,863	3,974,224	19 %
Loss from operations	(5,580,170)	(9,193,036)	3,612,866	(39)%
Other income (expense):				
Interest expense	(24,090)	(42,542)	18,452	(43)%
Other income (expense), net	2,019,379	26,175	1,993,204	7,615 %
Total other income (expense), net	1,995,289	(16,367)	2,011,656	(12,291)%
Net loss	\$ (3,584,881)	\$ (9,209,403)	\$ 5,624,522	(61)%

Revenue

The following table illustrates our revenue by type, the percentage of total revenue by type, and the change between the periods:

	Nine Months Ended September 30,						
	2021		2020			\$ Change	% Change
Managed Services Revenue	\$	18,139,370	93 %	\$	10,129,210	85 %	\$ 8,010,160 79 %
Marketplace Spend Fees		269,160	1 %		482,817	4 %	(213,657) (44)%
License Fees		1,082,734	6 %		1,291,002	11 %	(208,268) (16)%
Other Fees		30,653	— %		31,798	— %	(1,145) (4)%
SaaS Services Revenue		1,382,547	7 %		1,805,617	15 %	(423,070) (23)%
Total Revenue	\$	19,521,917	100 %	\$	11,934,827	100 %	\$ 7,587,090 64 %

Managed Services revenue during the nine months ended September 30, 2021 increased by \$8.0 million or 79% to \$18.1 million compared to \$10.1 million the same period in 2020, primarily due to increased orders from new and existing customers returning to and expanding their marketing efforts through sponsored social marketing as compared to the prior year period when customers curtailed marketing efforts in light of the COVID-19 uncertainties.

SaaS Services revenue during the nine months ended September 30, 2021 decreased 23% from the same period in 2020, as follows:

- *Marketplace Spend Fees* decreased by \$213,657 for the nine months ended September 30, 2021 when compared with the same period in 2020, primarily as a result of lower spend levels from our marketers and lower average fees assessed on those spends as a result of competitive pricing efforts in *IZEAx*. Revenue from Marketplace Spend Fees represents the net margins on this business.
- *License Fees* revenue decreased during the nine months ended September 30, 2021 to \$1,082,734 compared to \$1,291,002 in the same period of 2020. The decrease was a result of the implementation of a competitive standardized pricing system for all new and renewing *IZEAx* license fee customers in 2020 that was at a lower price point than the former licensing contracts put in place prior to 2020. The decrease in *IZEAx* license fees was

offset by an increase in subscriptions for *BrandGraph* and *IZEAx* Discovery services. Prior to 2021, the subscription fees for *BrandGraph* and *IZEAx* Discovery were classified under Other Fees, but these amounts from 2020 have been reclassified under License Fees to conform with their 2021 classification.

- *Other Fees* revenue decreased \$1,145 for the nine months ended September 30, 2021 compared to the same period in 2020 due to a decrease in the amount of inactivity fees assessed on user accounts.

Cost of Revenue

Cost of revenue for the nine months ended September 30, 2021 increased by \$4,408,007, or approximately 84%, compared to the same period in 2020 primarily as a result of the increase in Managed Services revenue. Cost of revenue as a percentage of revenue increased from 44% in 2020 to 50% in 2021 primarily due to a higher volume of larger customer contracts which generally carry higher overall delivery costs.

Sales and Marketing

Sales and marketing expense for the nine months ended September 30, 2021 increased by \$2,467,257, or approximately 59%, compared to the same period in 2020. Advertising and marketing expenses increased \$1,146,000 as a result of increased spend to increase brand awareness and improve customer acquisition, satisfaction, and retention. Our payroll and personnel related expenses and stock compensation for sales and marketing personnel increased \$1,075,000 as a result of increased commission and bonus expense due to the increase in customer bookings year to date of 2021. Additionally, we began outsourcing certain sales support functions and adding new software solutions to assist personnel in 2021 resulting in an increase of \$136,000 for contractors and \$77,000 for software subscriptions.

General and Administrative

General and administrative expense for the nine months ended September 30, 2021 increased by \$1,699,913, or approximately 28%, compared to the same period in 2020. General and administrative expense for the nine months ended September 30, 2021 increased due to a \$1,276,000 increase in payroll and personnel related expenses primarily as a result of an increase in annual salaries, and higher bonus and stock compensation expense due to the improved company performance in the first two quarters of 2021. Contractor expenses increased \$782,000 as we are increasing the number of internal and external engineers working on our technology offerings. These increases were partially offset by decreases in (i) rent expense of \$255,000 due to the non-renewal of expiring office facility leases, (ii) non-renewal of investor relations contracts with a savings of \$61,000, and (iii) reduced bad debt expense of \$108,000 in 2021 after the outbreak of COVID-19 caused an increase in 2020.

Impairment of Goodwill

In March 2020, we identified triggering events due to the reduction in our projected revenue due to adverse economic conditions caused by the COVID-19 pandemic, the continuation of a market capitalization below our carrying value, and uncertainty for recovery given the volatility of the capital markets surrounding COVID-19. We performed an interim assessment of goodwill, using the discounted cash flow method under the income approach and the guideline transaction method under the market approach, and determined that the carrying value of our Company's reporting unit as of March 31, 2020 exceeded the fair value. As a result of the valuation, we recorded a \$4.3 million impairment of goodwill resulting in an expense for the nine months ended September 30, 2020.

Depreciation and Amortization

Depreciation and amortization expense for the nine months ended September 30, 2021 decreased by \$300,953, or approximately 24%, compared to the same period in 2020.

Depreciation and amortization expense on property and equipment was \$98,759 and \$102,495 for the nine months ended September 30, 2021 and 2020, respectively. Depreciation expense has decreased slightly due to the disposal of aging computer equipment as well as furniture and fixtures in recent periods.

Amortization expense was \$851,147 and \$1,148,364 for the nine months ended September 30, 2021 and 2020, respectively. Amortization expense related to intangible assets acquired in acquisitions was \$505,556 and \$842,637 for the nine months ended September 30, 2021 and 2020, respectively, while amortization expense related to internal use software development costs was \$345,591 and \$305,727 for the nine months ended September 30, 2021 and 2020, respectively. Amortization on our intangible acquisition assets decreased due to completion of amortization on certain intangible assets

acquired in prior years while amortization on our internal software costs increased due to continued development and the release of new platforms.

Other Income (Expense)

Interest expense decreased by \$18,452 to \$24,090 during the nine months ended September 30, 2021 compared to the same period in 2020 due primarily to a reduction in our financing arrangements, including the line of credit with Western Alliance Bank, the PPP Loan, and finance charges on insurance premiums.

The increase in other income during the nine months ended September 30, 2021 when compared to the same period in 2020 resulted primarily from the gain on the forgiveness of debt totaling \$1,927,220 on the PPP Loan, including the principal amount of \$1,905,100 and accrued interest of \$22,120.

Net Loss

Net loss for the nine months ended September 30, 2021 was \$3,584,881, a \$5,624,522 decrease in the net loss of \$9,209,403 for the same period in 2020. The decrease in net loss was primarily the result of the impairment of goodwill recognized in 2020 as well as the debt forgiveness of the PPP Loan in 2021.

Key Metrics

We review information provided by our key financial metrics, Managed Services Bookings, and gross billings, to assess the progress of our business and make decisions on where to allocate our resources. As our business evolves, we may make changes to the key financial metrics that we use to measure our business in future periods.

Managed Services Bookings

Managed Services Bookings is a measure of all sales orders received during a time period less any cancellations received, or refunds given during the same time period. Sales order contracts vary in complexity with each customer and range from custom content delivery to integrated marketing services; our contracts generally run from several months for smaller contracts up to twelve months for larger contracts. We recognize revenue from our Managed Services contracts based on a percentage of completion basis as we deliver the content or services over time, which can vary greatly. Historically, bookings have converted to revenues over a 6-month period on average. However, since late 2020, we have been receiving increasingly larger and more complex sales orders which, in turn, has lengthened the average revenue period to approximately 9-months, with the largest contracts taking longer to complete. For this reason, Managed Services Bookings, while an overall indicator of the health of our business, may not be used to predict quarterly revenues, and could be subject to future adjustment. Managed Services Bookings is useful information as it reflects the amount of orders received in one period, even though revenue from those orders may be reflected over varying amounts of time. Management uses the Managed Services Bookings metric to plan its operating staff, to identify key customer group trends to enlighten go-to-market activities, and to inform its product development efforts.

The following tables set forth our Managed Services Bookings and the change between the periods:

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
Managed Services Bookings	\$ 11,290,569	\$ 4,022,528	\$ 7,268,041	181 %

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Managed Services Bookings	\$ 28,838,629	\$ 10,698,329	\$ 18,140,300	170 %

Gross Billings by Revenue Type

Company management evaluates our operations and makes strategic decisions based, in part, on our key metric of gross billings from our two primary types of revenue, Managed Services and SaaS Services. We define gross billings as the total dollar value of the amounts earned from our customers for the services we perform or the amounts billed to our SaaS customers for their self-service purchase of goods and services on our platforms. The amounts billed to our SaaS customers are on a cost-plus basis. Gross billings are the amounts of our reported revenue plus the cost of payments we made to third-party creators providing the content or sponsorship services, which are netted against revenue for generally accepted accounting principles in the United States (“GAAP”) reporting purposes.

Managed Services Gross Billings include the total dollar value of the amounts billed to our customers for the services we perform. Gross billings for Managed Services are the same as Managed Services Revenue reported for those services in our consolidated statements of operations and comprehensive loss in accordance with GAAP.

SaaS Service Gross Billings include the license and other fees together with the total amounts billed to our SaaS customers for their self-service purchase of goods and services on our platforms, termed ‘Marketplace Spend Fees.’ Our SaaS customers’ marketplace spend is billed on a cost-plus basis. SaaS Services Revenue includes the total of License and Other Fees gross billings, plus the Marketplace Spend Fees gross billings netted by our third-party creator costs on those billings in accordance with GAAP.

We consider gross billings to be an important indicator of our potential performance as it measures the total dollar volume of transactions generated through our marketplaces. Tracking gross billings allows us to monitor the percentage of gross billings that we are able to retain after payments to our creators. Additionally, tracking gross billings is critical as it pertains to our credit risk and cash flows. We invoice our customers based on total services performed or based on their self-service transactions plus our fee. Then we remit the agreed-upon transaction price to the creators. If we do not collect the money from our customers prior to the time of payment to our creators, we could experience large swings in our cash flows. Additionally, we incur the credit risk to collect amounts owed from our customers for all services performed by us or by the creators. Finally, gross billings allow us to evaluate our transaction totals on an equal basis in order for us to see our contribution margins by revenue stream so that we can better understand where we should be allocating our resources.

The following tables set forth our gross billings by revenue type, the percentage of total gross billings by type, and the change between the periods:

	Three Months Ended September 30,				QTD	QTD
	2021		2020		\$ Change	% Change
Managed Services Gross Billings	\$ 7,153,517	83 %	\$ 3,513,806	64 %	\$ 3,639,711	104 %
Marketplace Spend Fees	1,105,516	13 %	1,605,729	29 %	(500,213)	(31)%
License Fees	354,850	4 %	396,549	7 %	(41,699)	(11)%
Other Fees	9,983	— %	5,135	— %	4,848	94 %
SaaS Services Gross Billings	1,470,349	17 %	2,007,413	36 %	(537,064)	(27)%
Total Gross Billings	\$ 8,623,866	100 %	\$ 5,521,219	100 %	\$ 3,102,647	56 %

	Nine Months Ended September 30,				YTD	YTD
	2021		2020		\$ Change	% Change
Managed Services Gross Billings	\$ 18,139,370	80%	\$ 10,129,210	63%	\$ 8,010,160	79%
Marketplace Spend Fees	3,295,451	15%	4,702,383	29%	(1,406,932)	(30)%
License Fees	1,082,734	5%	1,291,002	8%	(208,268)	(16)%
Other Fees	30,653	—%	31,798	—%	(1,145)	(4)%
SaaS Services Gross Billings	4,408,838	20%	6,025,183	37%	(1,616,345)	(27)%
Total Gross Billings	\$ 22,548,208	100%	\$ 16,154,393	100%	\$ 6,393,815	40%

Non-GAAP Financial Measure

Adjusted EBITDA

Adjusted EBITDA is a “non-GAAP financial measure” under the rules of the Securities and Exchange Commission (the “SEC”). We define Adjusted EBITDA as earnings or loss before interest, taxes, depreciation and amortization, non-cash stock-based compensation, gain or loss on asset disposals or impairment, and certain other unusual or non-cash income and expense items such as gains or losses on settlement of liabilities and exchanges, and changes in the fair value of derivatives, if applicable.

We use Adjusted EBITDA as a measure of operating performance, for planning purposes, to allocate resources to enhance the financial performance of our business, and in communications with our Board of Directors regarding our financial performance. We believe that Adjusted EBITDA also provides useful information to investors as it primarily excludes non-cash transactions, and it provides consistency to facilitate period-to-period comparisons.

All companies do not calculate Adjusted EBITDA in the same manner, and Adjusted EBITDA as presented by us may not be comparable to Adjusted EBITDA presented by other companies, which limits its usefulness as a comparative measure. Moreover, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for an analysis of our results of operations as under GAAP. These limitations are described further in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

The following table sets forth a reconciliation from the GAAP measurement of net loss to our non-GAAP financial measure of Adjusted EBITDA for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (1,480,757)	\$ (1,254,800)	\$ (3,584,881)	\$ (9,209,403)
Gain on the forgiveness of debt	—	—	(1,927,220)	—
Non-cash stock-based compensation	229,039	108,568	633,219	356,846
Non-cash stock issued for payment of services	37,544	31,250	109,784	93,749
Interest expense	1,558	16,448	24,090	42,542
Depreciation and amortization	220,453	372,483	949,906	1,250,859
Impairment of goodwill	—	—	—	4,300,000
Other non-cash items	(13,732)	1,283	(21,522)	(22,423)
Adjusted EBITDA	\$ (1,005,895)	\$ (724,768)	\$ (3,816,624)	\$ (3,187,830)
Revenue	\$ 7,607,546	\$ 4,036,120	\$ 19,521,917	\$ 11,934,827
Adjusted EBITDA as a % of Revenue	(13)%	(18)%	(20)%	(27)%

Liquidity and Capital Resources

We had cash and cash equivalents of \$74,451,857 as of September 30, 2021 as compared to \$33,045,225 as of December 31, 2020, an increase of \$41,406,632, primarily due to net proceeds received from the sale of our common stock, partly offset by operating losses. We have incurred significant net losses and negative cash flow from operations for most periods since our inception in 2006, which has resulted in a total accumulated deficit of \$74,219,657 as of September 30, 2021. To date, we have financed our operations through revenue from operations, the sale of our equity securities, and proceeds from the PPP Loan.

Cash used for operating activities was \$3,652,080 during the nine months ended September 30, 2021 and is primarily the result of operating losses during the period. Net cash used for investing activities was \$4,088 during the nine months ended September 30, 2021 due to purchases and sales of our fixed assets. Net cash provided by financing activities during the nine months ended September 30, 2021 was \$45,062,800, which consisted primarily of net proceeds of approximately \$45.5 million from the sale of our common stock.

At the Market (ATM) Offering

On June 4, 2020 and January 25, 2021, we entered into ATM Sales Agreements with National Securities Corporation, as sales agent (“National Securities”), pursuant to which we could offer and sell shares of our common stock through National Securities, by any method deemed to be an “at the market offering” as defined in Rule 415 under the Securities Act of 1933, as amended, for aggregate purchase prices of up to \$40 million and \$35 million, respectively (the “ATM Offerings”). During the nine months ended September 30, 2021, we sold 11,186,084 shares at an average price of \$4.16 per share for total gross proceeds of \$46,544,688. From June 4, 2020 through April 15, 2021, we sold a total of 26,005,824 shares at an average price of \$2.88 per share for total gross proceeds of \$74,999,784 in the ATM Offerings under our shelf registration statement on Form S-3 (File No. 333-238619). The June 2020 and January 2021 Sales Agreements were each terminated following the sale of all shares of common stock available to be sold thereunder.

On June 21, 2021, we entered into a third ATM Sales Agreement with National Securities Corporation, as sales agent, pursuant to which we could offer and sell shares of our common stock, from time to time, through National Securities, for aggregate purchase prices up to \$100 million by any method deemed to be an ATM Offering under our shelf registration statement on Form S-3 (File No. 333-256078). No sales have been made under this agreement as of September 30, 2021.

PPP Loan

On April 23, 2020, we received a PPP Loan in the principal amount of \$1,905,100. On June 18, 2021, we were notified by the Lender that the loan had been forgiven by the SBA in full, including accrued interest. The principal amount of \$1,905,100 and accrued interest of \$22,120 was recorded as a gain on forgiveness of debt in other income (expense) in our consolidated statements of operations and comprehensive loss in June 2021.

Financial Condition

We have seen impacts on our operations due to changes in advertising decisions, timing, and spending priorities from our customers as a result of COVID-19, which has had and may continue to have a negative impact to our expected future sales and valuation estimates. With our cash on hand as of September 30, 2021, we expect to have sufficient cash reserves and financing sources available to cover expenses at least one year from the issuance of this Quarterly Report based on our current estimates of revenue and expenses for the next twelve months. While the disruption caused by COVID-19 is currently expected to be temporary, it is generally outside of our control and there is uncertainty around the duration and the total economic impact. Therefore, this matter could have a further material adverse impact on our business, results of operations, and financial position in future periods.

Off-Balance Sheet Arrangements

We did not engage in any activities involving variable interest entities or “off-balance sheet arrangements” (as that term is defined in Item 303(a)(4)(ii) of Regulation S-K) as of September 30, 2021.

Critical Accounting Policies and Use of Estimates

There have been no material changes to our critical accounting policies as set forth in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in our Annual Report on Form 10-K for the year ended December 31, 2020. For a summary of our significant accounting policies, please refer to Note 1 — Company and Summary of Significant Accounting Policies included in Item 1 of this Quarterly Report.

Recent Accounting Pronouncements

See “Note 1. Company and Summary of Significant Accounting Policies,” under Part I, Item 1 of this Quarterly Report for information on additional recent pronouncements.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (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 us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Furthermore, controls and procedures could be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. Misstatements due to error or fraud may occur and not be detected on a timely basis.

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q for the period ended September 30, 2021, an evaluation was performed under the supervision and with the participation of our management including our principal executive officer and principal financial and accounting officer to determine the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2021. Based on this evaluation, our management concluded that our disclosure controls and procedures were effective as designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officer, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the fiscal quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

From time to time, we may become involved in various other lawsuits and legal proceedings that arise in the ordinary course of our business. Litigation is, however, subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. As of November 10, 2021, we are not aware of any legal proceedings or claims that we believe would or could have, individually or in the aggregate, a material adverse effect on us. Regardless of final outcomes, however, any such proceedings or claims may nonetheless impose a significant burden on management and employees and may come with costly defense costs or unfavorable preliminary interim rulings.

ITEM 1A – RISK FACTORS

You should carefully consider the below risk factors and those factors discussed under Item 1A of Part I to our Annual Report on Form 10-K for the year ended December 31, 2020 regarding the numerous and varied risks, known and unknown, that may prevent us from achieving our goals. If any of these risks actually occur, our business, financial condition or results of operation may be materially and adversely affected. In such case, the trading price of our common stock could decline, and investors could lose all or part of their investment. These risk factors may not identify all risks that we face, and our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Risks Relating to our Common Stock

The price of our common stock in the public markets has experienced, and may in the future experience, extreme volatility due to a variety of factors, many of which are beyond our control.

Since our common stock started trading on the Nasdaq Capital Market, it has been relatively thinly traded and at times been subject to price volatility. Recently, our common stock has experienced extreme price and volume volatility. From January 1, 2020 to December 31, 2020, the closing price of our common stock ranged from a low of \$0.13 on March 18, 2020 to a high of \$2.82 on June 11, 2020, with an average daily trading volume of 6.7 million shares. On January 25, 2021, the price increased to an intraday high of \$7.45 per share (a 52-week high) and 25.3 million shares were traded. By comparison, during the three months ended June 30, 2021, the closing price of our common stock averaged \$3.28 with an average daily trading volume of 3.7 million shares and, during the three months ended September 30, 2021, the closing price of our common stock averaged \$2.19 with an average daily trading volume of 1.0 million shares.

In addition to shares of our common stock, the stock market in general, and the stock prices of technology-based companies in particular, have experienced volatility that often has been unrelated to the operating performance of any specific public company. Further, on some occasions, our stock price may be, or may be purported to be, subject to “short squeeze” activity. A “short squeeze” is a technical market condition that occurs when the price of a stock increases substantially, forcing market participants who had taken a position that its price would fall (i.e. who had sold the stock “short”), to buy it, which in turn may create significant, short-term demand for the stock not for fundamental reasons, but rather due to the need for such market participants to acquire the stock in order to forestall the risk of even greater losses. A “short squeeze” condition in the market for a stock can lead to short-term conditions involving very high volatility and trading that may or may not track fundamental valuation models.

In addition, in the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Securities litigation brought against us following volatility in our stock price, regardless of the merit or ultimate results of such litigation, could result in substantial costs, which would hurt our financial condition and operating results and divert management’s attention and resources from our business.

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

The Company did not sell any unregistered securities during the period covered by this report.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of IZEA, Inc., filed with the Nevada Secretary of State on November 28, 2011 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 23, 2011).
3.2	Certificate of Change of IZEA, Inc., filed with the Nevada Secretary of State on July 30, 2012 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 1, 2012).
3.3	Certificate of Amendment to Articles of Incorporation filed with the Secretary of State of the State of Nevada on April 17, 2014 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
3.4	Certificate of Withdrawal of Certificate of Designation filed with the Secretary of State of the State of Nevada effective January 23, 2015 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 29, 2015).
3.5	Certificate of Amendment filed with the Secretary of State of the State of Nevada effective January 11, 2016 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 12, 2016).
3.6	Amended and Restated Bylaws of IZEA, Inc. (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on November 23, 2011).
3.7	Certificate of Designation (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 27, 2011).
3.8	Articles of Merger of IZEA Innovations, Inc. filed with the Secretary of State of the State of Nevada effective April 5, 2016 (Incorporated by reference to Exhibit 3.11 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 11, 2016).
3.9	Articles of Merger of IZEA Worldwide, Inc. filed with the Secretary of State of the State of Nevada effective August 20, 2018 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 23, 2018).
3.10	Articles of Merger of IZEA Worldwide, Inc. filed with the Secretary of State of the State of Nevada effective December 17, 2019 (Incorporated by reference to Exhibit 3.10 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2020).
3.11	Articles of Merger of IZEA Worldwide, Inc. filed with the Secretary of State of the State of Nevada effective December 14, 2020 (Incorporated by reference to Exhibit 3.11 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2021).
31.1 *	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 * (a)	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 * (a)	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	<p>(b) The following materials from IZEA Worldwide, Inc.'s Quarterly Report for the quarter ended September 30, 2021 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Operations and Comprehensive Loss, (iii) the Unaudited Consolidated Statement of Stockholders' Equity, (iv) the Unaudited Consolidated Statements of Cash Flow, and (iv) the Notes to the Unaudited Consolidated Financial Statements.</p>
*	Filed or furnished herewith.
(a)	In accordance with Item 601 of Regulation S-K, this Exhibit is hereby furnished to the SEC as an accompanying document and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.
(b)	In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

IZEA Worldwide, Inc.
a Nevada corporation

November 10, 2021

By: /s/ Edward H. Murphy

Edward H. Murphy
Chairman and Chief Executive Officer
(Principal Executive Officer)

November 10, 2021

By: /s/ Peter J. Biere

Peter J. Biere
Chief Financial Officer
(Principal Financial and Accounting Officer)