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, 2023**

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

For the transition period from ___________ to ___________

Commission File Number: 001-35384

DATA STORAGE CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**98-0530147**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
48 South Service Road Melville, NY	**11747**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(212) 564-4922**

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 $0.001 per share	DTST	The Nasdaq Capital Market
Warrants to purchase shares of Common Stock, par value $0.001 per share	DTSTW	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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-Accelerated Filer ☒	Smaller Reporting Company ☒
	Emerging Growth Company ☐

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

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

The number of shares of the registrant's common stock, $0.001 par value per share, outstanding as of November 14, 2023, was 6,859,627.

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DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash	$ 993,388	$ 2,286,722
Accounts Receivable (less allowance for credit losses of $49,460 and $27,250 in 2023 and 2022, respectively)	2,344,343	3,502,836
Marketable securities	10,531,921	9,010,968
Prepaid expenses and other current assets	872,033	584,666
Total Current Assets	14,741,685	15,385,192
Property and Equipment:		
Property and Equipment	7,540,204	7,168,488
Less—Accumulated Depreciation	(4,801,184)	(4,956,698)
Net Property and Equipment	2,739,020	2,211,790
Other Assets:		
Goodwill	4,238,671	4,238,671
Operating Lease Right-of-Use Assets	89,547	226,501
Other Assets	48,437	48,437
Intangible Assets, net	1,767,231	1,975,644
Total Other Assets	6,143,886	6,489,253
Total Assets	$ 23,624,591	$ 24,086,235
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 2,858,724	$ 3,207,577
Deferred Revenue	259,542	281,060
Finance Leases Payable Short Term	266,937	359,868
Finance Leases Payable Related Party Short Term	323,808	520,623
Operating Lease Liabilities Short Term	90,979	160,657
Total Current Liabilities	3,799,990	4,529,785
Operating Lease Liabilities	—	71,772
Finance Leases Payable	79,652	281,242
Finance Leases Payable Related Party	60,769	256,241
Total Long-Term Liabilities	140,421	609,255
Total Liabilities	3,940,411	5,139,040
Commitments and Contingencies (Note 6)		
Stockholders' Equity:		
Preferred Stock, Series A par value $0.001; 10,000,000 shares authorized; 0 and 0 shares issued and outstanding in 2023 and 2022, respectively	—	—
Common Stock, par value $0.001; 250,000,000 shares authorized; 6,859,627 and 6,822,127 shares issued and outstanding in 2023 and 2022, respectively	6,860	6,822
Additional Paid in Capital	39,320,548	38,982,440
Accumulated Deficit	(19,430,878)	(19,887,378)
Total Data Storage Corporation Stockholders' Equity	19,896,530	19,101,884
Non-Controlling Interest in Consolidated Subsidiary	(212,350)	(154,689)
Total Stockholder's Equity	19,684,180	18,947,195
Total Liabilities and Stockholders' Equity	$ 23,624,591	$ 24,086,235

The accompanying notes are an integral part of these condensed consolidated Financial Statements.

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Sales	$ 5,986,625	$ 4,419,285	$ 18,770,739	$ 17,904,233
Cost of Sales	3,656,271	2,566,984	11,771,886	11,847,460
Gross Profit	2,330,354	1,852,301	6,998,853	6,056,773
Selling, General and Administrative	2,316,213	2,075,525	6,918,982	7,129,595
Income (Loss) from Operations	14,141	(223,224)	79,871	(1,072,822)
Other Income (Expense)				
Interest Income (Expense), net	143,597	(29,739)	318,968	(186,063)
Total Other Income (Expense)	143,597	(29,739)	318,968	(186,063)
Income (Loss) Before Provision for Income Taxes	157,738	(252,963)	398,839	(1,258,885)
Benefit from Income Taxes	—	—	—	—
Net Income (Loss)	157,738	(252,963)	398,839	(1,258,885)
Loss in Non-Controlling Interest of Consolidated Subsidiary	21,273	7,344	57,661	30,177
Net Income (Loss) attributable to Data Storage Corporation	$ 179,011	$ (245,619)	$ 456,500	$ (1,228,708)
Earnings Per Share – Basic	$ 0.03	$ (0.04)	$ 0.06	$ (0.18)
Earnings Per Share – Diluted	$ 0.02	$ (0.04)	$ 0.06	$ (0.18)
Weighted Average Number of Shares - Basic	6,847,264	6,822,127	6,834,811	6,759,247
Weighted Average Number of Shares - Diluted	7,246,250	6,822,127	7,212,048	6,759,247

The accompanying notes are an integral part of these condensed consolidated Financial Statements.

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance July 1, 2022	—	$ —	6,822,127	$ 6,822	$ 38,799,853	$ (16,513,665)	$ (125,461)	$ 22,167,549
Stock-Based Compensation	—	—	—	—	92,038	—	—	92,038
Net Income (Loss)	—	—	—	—	—	(245,619)	(7,344)	(252,963)
Balance September 30, 2022	—	$ —	6,822,127	$ 6,822	$ 38,891,891	$ (16,759,284)	$ (132,805)	$ 22,006,624
Balance July 1, 2023	—	$ —	6,847,127	$ 6,847	$ 39,191,598	$ (19,609,889)	$ (191,077)	$ 19,397,479
Stock-Based Compensation	—	—	12,500	13	128,950	—	—	128,963
Net Income (Loss)	—	—	—	—	—	179,011	(21,273)	157,738
Balance September 30, 2023	—	$ —	6,859,627	$ 6,860	$ 39,320,548	$ (19,430,878)	$ (212,350)	$ 19,684,180

The accompanying notes are an integral part of these condensed consolidated Financial Statements

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance January 1, 2022	—	$ —	6,693,793	$ 6,694	$ 38,241,155	$ (15,530,576)	$ (102,628)	$ 22,614,645
Stock Options Exercise	—	—	3,334	3	6,931	—	—	6,934
Stock-Based Compensation	—	—	125,000	125	643,805	—	—	643,930
Net Income (Loss)	—	—	—	—	—	(1,228,708)	(30,177)	(1,258,885)
Balance September 30, 2022	—	$ —	6,822,127	$ 6,822	$ 38,891,891	$ (16,759,284)	$ (132,805)	$ 22,006,624
Balance January 1, 2023	—	$ —	6,822,127	$ 6,822	$ 38,982,440	$ (19,887,378)	$ (154,689)	$ 18,947,195
Stock-Based Compensation	—	—	37,500	38	338,108	—	—	338,146
Net Income (Loss)	—	—	—	—	—	456,500	(57,661)	398,839
Balance September 30, 2023	—	$ —	6,859,627	$ 6,860	$ 39,320,548	$ (19,430,878)	$ (212,350)	$ 19,684,180

The accompanying notes are an integral part of these condensed consolidated Financial Statements

DATA STORAGE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash Flows from Operating Activities:		
Net Income (Loss)	$ 398,839	$ (1,258,885)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	928,180	932,328
Stock based compensation	338,145	643,930
Changes in Assets and Liabilities:		
Accounts receivable	1,158,493	373,201
Other assets	—	(63,023)
Prepaid expenses and other current assets	(287,368)	(331,618)
Right of use asset	136,954	145,853
Accounts payable and accrued expenses	(348,851)	147,487
Deferred revenue	(21,518)	(295,822)
Operating lease liability	(141,450)	(147,759)
Net Cash Provided by Operating Activities	2,161,424	145,692
Cash Flows from Investing Activities:		
Capital expenditures	(1,246,996)	(62,564)
Purchase of marketable securities	(1,520,953)	—
Net Cash Used in Investing Activities	(2,767,949)	(62,564)
Cash Flows from Financing Activities:		
Repayments of finance lease obligations related party	(392,287)	(644,209)
Repayments of finance lease obligations	(294,522)	(299,954)
Cash received for the exercised of options	—	6,935
Net Cash Used in Financing Activities	(686,809)	(937,228)
Decrease in Cash and Cash Equivalents	(1,293,334)	(854,100)
Cash and Cash Equivalents, Beginning of Period	2,286,722	12,135,803
Cash and Cash Equivalents, End of Period	$ 993,388	$ 11,281,703
Supplemental Disclosures:		
Cash paid for interest	$ 48,471	$ 100,482
Cash paid for income taxes	$ —	$ —
Non-cash investing and financing activities:		
Assets acquired by finance lease	$ —	$ 1,094,051

The accompanying notes are an integral part of these condensed consolidated Financial Statements.

Note 1 – Basis of Presentation, Organization and Other Matters

Data Storage Corporation ("DSC" or the "Company") headquartered in Melville, NY, provides cloud-based solutions and IT services to businesses within the healthcare, banking and finance, distribution services, manufacturing, construction, education, and government industries. DSC derives its revenues from subscription managed cloud services and solutions, IT managed services, equipment, software and maintenance, and onboarding implementation. DSC maintains cloud-based infrastructure and storage equipment in seven technical centers in New York, Massachusetts, Texas, Florida, North Carolina, and Canada.

On May 31, 2021, the Company completed an acquisition of Flagship Solutions, LLC ("Flagship") (a Florida limited liability company) and its wholly-owned subsidiary, Data Storage FL, LLC. Flagship is a provider of Hybrid Cloud solutions, IT managed services and equipment.

On January 27, 2022, the Company formed Information Technology Acquisition Corporation a special purpose acquisition company for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company's financial statements for interim periods in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The information included in this quarterly report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Form 10-K"). The Company's accounting policies are described in the "Notes to Consolidated Financial Statements" in the 2022 Form 10-K and are updated, as necessary, in this Form 10-Q. The December 31, 2022, condensed consolidated balance sheet data presented for comparative purposes was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP. The results of operations for the three and nine months ended September 30, 2023, are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The Consolidated Financial statements include the accounts of the Company and its wholly-owned subsidiaries, (i) CloudFirst Technologies Corporation, a Delaware corporation ("CloudFirst"), (ii) Data Storage FL, LLC, a Florida limited liability company, (iii) Flagship Solutions, LLC, a Florida limited liability company, (iv) Information Technology Acquisition Corporation, a Delaware Corporation, and (v) its majority-owned subsidiary, Nexxis Inc., a Nevada corporation. All inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

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

Estimated Fair Value of Financial Instruments

The fair value measurement disclosures are grouped into three levels based on valuation factors:

- Level 1 – quoted prices in active markets for identical investments

- Level 2 – other significant observable inputs (including quoted prices for similar investments and market corroborated inputs)

- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The Company's Level 1 assets/liabilities include cash, accounts receivable, marketable securities, accounts payable, prepaid, and other current assets. Management believes the estimated fair value of these accounts at September 30, 2023 approximate their carrying value as reflected in the balance sheets due to the short-term nature of these instruments.

The Company's Level 2 assets/liabilities include certain of the Company's operating lease right-of-use assets. Their carrying value approximates their fair values based upon a comparison of the interest rate and terms of such debt given the level of risk to the rates and terms of similar debt currently available to the Company in the marketplace.

The Company's Level 3 assets/liabilities include goodwill and intangible assets. Inputs to determine fair value are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including discounted cash flow models. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

The Company's marketable equity securities are publicly traded stocks measured at fair value using quoted prices for identical assets in active markets and classified as Level 1 within the fair value hierarchy. Marketable equity securities as of September 30, 2023 and December 31, 2022 are $10,531,921 and $9,010,968 respectively.

Recently adopted accounting standards:

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The FASB subsequently issued amendments to ASU 2016-13, which have the same effective date and transition date of January 1, 2023. These standards replace the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measure at amortized cost to be presented at the net amount expected to be collected. The Company determined that this change does not have a material impact to the financial statements or financial statement disclosures.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis. Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, operating lease right-of-use assets, goodwill, and other intangible assets. These assets are measured using Level 3 inputs, if determined to be impaired.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity or remaining maturity at the time of purchase, of three months or less to be cash equivalents.

Investments

The Company invests in equity securities and reports them in accordance with ASU 2016-01. Equity securities are reported at fair value with unrealized gains and losses, net of the related tax effect, reflected as a gain or loss on the statement of operations. Dividends and interest are recognized when earned.

The following table sets forth a summary of the changes in equity investments, at cost that are measured at fair value on a non-recurring basis:

		For the nine months ended September 30, 2023 Total
As of January 1, 2023	$	9,010,968
Purchase of equity investments		103,423
As of March 31, 2023		9,114,391
Purchase of equity investments		115,863
As of June 30, 2023	$	9,230,254
Purchase of equity investments		1,301,667
As of September 30, 2023	$	10,531,921

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments and assets subjecting the Company to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, and trade accounts receivable. The Company's cash and cash equivalents are maintained at major U.S. financial institutions. Deposits in these institutions may exceed the amount of insurance provided on such deposits.

The Company's customers are primarily concentrated in the United States.

As of September 30, 2023, the Company had three customers with an accounts receivable balance representing 16%, 14%, and 10% of total accounts receivable, respectively. As of December 31, 2022, the Company had two customers with an accounts receivable balance representing 23% and 14% of total accounts receivable, respectively.

For the three months ended September 30, 2023, the Company had one customer that accounted for 13% of revenue. For the three months ended September 30, 2022, the Company had one customer that accounted for 14% of revenue. For the nine months ended September 30, 2023, the Company had two customers that accounted for 15% and 11% of revenue, respectively. For the nine months ended September 30, 2022, the Company had two customers that accounted for 20% and 14% of revenue, respectively.

Accounts Receivable/Allowance for Credit Losses

The Company sells its services to customers on an open credit basis. Accounts receivables are uncollateralized, non-interest-bearing customer obligations. Accounts receivables are typically due within 30 days. The allowance for credit losses reflects the estimated accounts receivable that will not be collected due to credit losses. Provisions for estimated uncollectible accounts receivable are made for individual accounts based upon specific facts and circumstances including criteria such as their age, amount, and customer standing. Provisions are also made for other accounts receivable not specifically reviewed based upon historical experience.

Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives or the term of the lease using the straight-line method for financial statement purposes. Estimated useful lives in years for depreciation are five to seven years for property and equipment. Additions, betterments, and replacements are capitalized, while expenditures for repairs and maintenance are charged to operations when incurred. As units of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income.

Goodwill and Other Intangibles

The Company tests goodwill and other intangible assets for impairment on at least an annual basis. Impairment exists if the carrying value of a reporting unit exceeds its estimated fair value. To determine the fair value of goodwill and intangible assets, the Company uses many assumptions and estimates using a market participant approach that directly impact the results of the testing. In making these assumptions and estimates, the Company uses industry accepted valuation models and set criteria that are reviewed and approved by various levels of management.

The Company tests goodwill for impairment on an annual basis on December 31, or more frequently if events occur or circumstances change indicating that the fair value of the goodwill may be below its carrying amount. The Company has four reporting units. The Company uses an income-based approach to determine the fair value of the reporting units. This approach uses a discounted cash flow methodology and the ability of the Company’s reporting units to generate cash flows as measures of fair value of its reporting units.

Revenue Recognition

Nature of goods and services

The following is a description of the products and services from which the Company generates revenue, as well as the nature, timing of satisfaction of performance obligations, and significant payment terms for each:

1) *Cloud Infrastructure and Disaster Recovery Revenue*

Cloud Infrastructure provides clients the ability to migrate their on-premises computing and digital storage to DSC’s enterprise-level technical compute and digital storage assets located in Tier 3 data centers. Data Storage Corporation owns the assets and provides a turnkey solution whereby achieving reliable and cost-effective, multi-tenant IBM Power compute, x86/intel, flash digital storage, while providing disaster recovery and cyber security while eliminating client capital expenditures. The client pays a monthly fee and can increase capacity as required.

Clients can subscribe to an array of disaster recovery solutions. Product offerings provided directly from DSC are High Availability, Data Vaulting and retention solutions, including standby servers which allows clients to centralize and streamline their mission-critical digital information and technical environment while ensuring business continuity if they experience a cyber-attack or natural disaster Client’s data is vaulted, at two data centers with the maintenance of retention schedules for corporate governances and regulations all to meet their back to work objective in a disaster.

2) *Managed Services*

These services are performed at the inception and continue through the term of the agreement. The Company provides professional assistance to its clients during the implementation processes. On-boarding and set-up services ensure that the solution or software is installed properly and function as designed to provide clients with the best solutions. In addition, clients that are managed service clients have a requirement for DSC to offer time and material billing supplementing the client's staff.

The Company also derives both one-time and subscription-based revenue, from providing support, management and renewal of software, hardware, third party maintenance contracts and third-party cloud services to clients. The managed services include help desk, remote access, operating system and software patch management, annual recovery tests and manufacturer support for equipment and on-gong monitoring of client system performance.

3) Equipment and Software

The Company provides equipment and software and actively participates in collaboration with IBM and other equipment manufacturers and software companies to provide innovative business solutions to clients.

4) Nexxis Voice over Internet and Direct Internet Access

The Company provides VoIP, Internet access and data transport services to ensure businesses are fully connected to the internet from any location, remote and on premise. The Company provides Hosted VoIP solutions with equipment options for IP phones and internet speeds of up to 10Gb delivered over fiber optics.

Disaggregation of revenue

In the following table, revenue is disaggregated by major product line, geography, and timing of revenue recognition.

For the Three Months Ended September 30, 2023

	United States	International	Total
Infrastructure & Disaster Recovery/Cloud Service	$ 2,435,939	$ 53,550	$ 2,489,489
Equipment and Software	2,004,410	—	2,004,410
Managed Services	1,167,808	33,307	1,201,115
Nexxis VoIP Services	255,963	—	255,963
Other	35,648	—	35,648
Total Revenue	$ 5,899,768	$ 86,857	$ 5,986,625

For the Three Months Ended September 30, 2022

	United States	**International**	**Total**
Infrastructure & Disaster Recovery/Cloud Service	$ 2,120,592	$ 47,039	$ 2,167,631
Equipment and Software	1,021,451	—	1,021,451
Managed Services	966,346	33,307	999,653
Nexxis VoIP Services	203,191	—	203,191
Other	27,359	—	27,359
Total Revenue	$ 4,338,939	$ 80,346	$ 4,419,285

For the Three Months Ended September 30,		
Timing of revenue recognition	**2023**	**2022**
Products transferred at a point in time	$ 2,220,708	$ 1,112,748
Products and services transferred over time	3,765,917	3,306,537
Total Revenue	$ 5,986,625	$ 4,419,285

For the Nine Months Ended September 30, 2023			
	United States	International	Total
Infrastructure & Disaster Recovery/Cloud Service	$ 6,801,094	$ 157,458	$ 6,958,552
Equipment and Software	7,076,116	—	7,076,116
Managed Services	3,787,722	103,341	3,891,063
Nexxis VoIP Services	728,447	—	728,447
Other	116,561	—	116,561
Total Revenue	$ 18,509,940	$ 260,799	$ 18,770,739

For the Nine Months Ended September 30, 2022			
	United States	**International**	**Total**
Infrastructure & Disaster Recovery/Cloud Service	$ 5,964,383	$ 142,904	$ 6,107,287
Equipment and Software	7,309,400	—	7,309,400
Managed Services	3,709,657	99,921	3,809,578
Nexxis VoIP Services	587,051	—	587,051
Other	90,917	—	90,917
Total Revenue	$ 17,661,408	$ 242,825	$ 17,904,233

For the Nine Months Ended September 30,		
Timing of revenue recognition	**2023**	**2022**
Products transferred at a point in time	$ 8,204,003	$ 7,400,316
Products and services transferred over time	10,566,736	10,503,917
Total Revenue	$ 18,770,739	$ 17,904,233

Contract receivables are recorded at the invoiced amount and are uncollateralized, non-interest-bearing client obligations. Provisions for estimated uncollectible accounts receivable are made for individual accounts based upon specific facts and circumstances including criteria such as their age, amount, and client standing.

Sales are generally recorded in the month the service is provided. For clients who are billed on an annual basis, deferred revenue is recorded and amortized over the life of the contract.

Transaction price allocated to the remaining performance obligations

The Company has the following performance obligations:

1) Data Vaulting: Subscription-based cloud service that encrypts and transfers data to a secure Tier 3 data center and further replicates the data to a second Tier 3 DSC technical center where it remains encrypted. Ensuring client retention schedules for corporate compliance and disaster recovery. Provides for twenty-four (24) hour or less recovery time and utilizes advanced data reduction, reduplication technology to shorten back-up and restore time.

2) High Availability: A managed cloud subscription-based service that provides cost-effective mirroring software replication technology and provides one (1) hour or less recovery time for a client to be back in business.

3) Cloud Infrastructure: Subscription-based cloud service provides for "capacity on-demand" for IBM Power and X86 Intel server systems.

4) Internet: Subscription-based service, offering continuous internet connection combined with FailSAFE which provides disaster recovery for both a clients' voice and data environments.

5) Support and Maintenance: Subscription based service offers support for clients on their servers, firewalls, desktops, or software. Services are provided 24x7x365 to the Company's clients.

6) Implementation / Set-Up Fees: Onboarding and set-up for cloud infrastructure and disaster recovery as well as Cyber Security.

7) Equipment sales: Sale of servers and data storage equipment to the client.

9) License: Granting SSL certificates and licenses.

Disaster Recovery and Business Continuity Solutions

Subscription services allow clients to access data or receive services for a predetermined period of time. As the client obtains access at a point in time and continues to have access for the remainder of the subscription period, the client is considered to simultaneously receive and consume the benefits provided by the entity's performance as the entity performs. Accordingly, the related performance obligation is considered to be satisfied ratably over the contract term. As the performance obligation is satisfied evenly across the term of the contract, revenue is recognized on a straight-line basis over the contract term.

Initial Set-Up Fees

The Company accounts for set-up fees as a separate performance obligation. Set-up services are performed one-time and accordingly the revenue is recognized at the point in time, and is non-refundable, and the Company is entitled to the payment.

Equipment Sales

The obligation for the equipment sales is such that the control of the product transfer is at a point in time (i.e., when the goods have been shipped or delivered to the client's location, depending on shipping terms). Noting that the satisfaction of the performance obligation, in this sense, does not occur over time, the performance obligation is considered to be satisfied at a point in time when the obligation to the client has been fulfilled (i.e., when the goods have left the shipping facility or delivered to the client, depending on shipping terms).

License - granting SSL certificates and other licenses

Performance obligations as it relates to licensing means that the control of the product transfers, either at a point in time or over time, depending on the nature of the license. The revenue standard identifies two types of licenses of IP: (i) a right to access IP; and (ii) a right to use IP. To assist in determining whether a license provides a right to use or a right to access IP, ASC 606 defines two categories of IP: Functional and Symbolic. The Company's license arrangements typically do not require the Company to make its proprietary content available to the client either through a download or through a direct connection. Throughout the life of the contract the Company does not continue to provide updates or upgrades to the license granted. Based on the guidance, the Company considers its license offerings to be akin to functional IP and recognizes revenue at the point in time the license is granted and/or renewed for a new period.

Payment Terms

The typical terms of subscription contracts range from 12 to 36 months, with auto-renew options extending the contract for an additional term. The Company invoices clients one month in advance for its services, in addition to any contractual data overages or for additional services. Equipment, software, and managed services are typically invoiced on net 30-day terms and are non-subscription based.

Warranties

The Company offers guaranteed service levels and service guarantees on some of its contracts. These warranties are not sold separately and are accounted as "assurance warranties".

Significant Judgement

In the instance where contracts have multiple performance obligations the Company uses judgment to establish a stand-alone price for each performance obligation. The price for each performance obligation is determined by reviewing market data for similar services as well as the Company's historical pricing of each individual service. The sum of each performance obligation is calculated to determine the aggregate price for the individual services. The proportion of each individual service to the aggregate price is determined. The ratio is applied to the total contract price in order to allocate the transaction price to each performance obligation.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset might not be recoverable. An impairment loss, measured as the amount by which the carrying value exceeds the fair value is recognized if the carrying amount exceeds estimated un-discounted future cash flows.

Advertising Costs

The Company expenses the costs associated with advertising as they are incurred. The Company incurred $165,403 and $263,485 for advertising costs for the three months ended September 30, 2023, and 2022, respectively. The Company incurred $581,423 and $669,278 for advertising costs for the nine months ended September 30, 2023 and 2022, respectively.

Stock-Based Compensation

The Company follows the requirements of FASB ASC 718-10-10, *Share-Based Payments* with regards to stock-based compensation issued to employees and non-employees. The Company has agreements and arrangements that call for stock to be awarded to the employees and consultants at various times as compensation and periodic bonuses. The expense for this stock-based compensation is equal to the fair value of the stock price on the day the stock was awarded multiplied by the number of shares awarded. The Company has a relatively low forfeiture rate of stock-based compensation and forfeitures are recognized as they occur.

The valuation methodology used to determine the fair value of the options issued during the period is the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including the volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the options. Risk-free interest rates are calculated based on continuously compounded risk-free rates for the appropriate term. The dividend yield is assumed to be zero as the Company has never paid or declared any cash dividends on its Common Stock and does not intend to pay dividends on its Common Stock in the foreseeable future. The expected forfeiture rate is estimated based on management's best assessment.

Estimated volatility is a measure of the amount by which DSC's stock price is expected to fluctuate each year during the expected life of the award. The Company's calculation of estimated volatility is based on historical stock prices over a period equal to the expected life of the awards.

Net Income (Loss) Per Common Share

Basic income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The following table sets forth the information needed to compute basic and diluted earnings per share for the three and nine months ended September 30, 2023, and 2022:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net Income (Loss) Available to Common Shareholders	$ 179,011	$ (245,619)	$ 456,500	$ (1,228,708)
Weighted average number of common shares - basic	6,847,264	6,822,127	6,834,811	6,759,247
Dilutive Securities				
Options	398,986	—	377,237	—
Warrants	—	—	—	—
Weighted average number of common shares - diluted	7,246,250	6,822,127	7,212,048	6,759,247
Earnings (Loss) per share, basic	$ 0.03	$ (0.04)	$ 0.06	$ (0.18)
Earnings (Loss) per share, diluted	$ 0.02	$ (0.04)	$ 0.06	$ (0.18)

The following table sets forth the number of potential shares of common stock that have been excluded from diluted net income (loss) per share because their effect was anti-dilutive:

	Three Months ended September 30,		Nine Months ended September 30,	
	2023	**2022**	**2023**	**2022**
Options	210,211	290,330	231,960	290,330
Warrants	2,415,860	2,419,193	2,415,860	2,419,193
	2,626,071	2,709,523	2,647,820	2,709,523

Note 3 - Prepaids and other current assets

Prepaids and other current assets consist of the following:

	September 30, 2023	December 31, 2022
Prepaid Marketing & Promotion	$ 70,691	$ 4,465
Prepaid Subscriptions and Licenses	650,191	439,088
Prepaid Maintenance	67,840	45,216
Prepaid Insurance	50,409	54,564
Other	32,903	41,333
Total prepaid and other current assets	$ 872,034	$ 584,666

Note 4- Property and Equipment

Property and equipment, at cost, consist of the following:

	September 30, 2023	December 31, 2022
Storage Equipment	$ 60,288	$ 60,288
Furniture and Fixtures	21,625	20,860
Leasehold Improvements	20,983	20,983
Computer Hardware and Software	113,427	93,062
Data Center Equipment	7,323,881	6,973,295
	7,540,204	7,168,488
Less: Accumulated Depreciation	(4,801,184)	(4,956,698)
Net Property and Equipment	$ 2,739,020	$ 2,211,790

Depreciation expense for the three months ended September 30, 2023, and 2022 was $269,372 and $222,009, respectively. Depreciation expense for the nine months ended September 30, 2023, and 2022 was $719,766 and $724,315, respectively.

Note 5 - Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	Estimated life in years	Gross amount	December 31, 2022, Accumulated Amortization	Net
Intangible assets not subject to amortization				
Goodwill	Indefinite	$ 4,238,671	$ —	$ 4,238,671
Trademarks	Indefinite	514,268	—	514,268
Total intangible assets not subject to amortization		4,752,939	—	4,752,939
Intangible assets subject to amortization				
Customer lists	7	2,614,099	1,167,075	1,447,024
ABC acquired contracts	5	310,000	310,000	—
SIAS acquired contracts	5	660,000	660,000	—
Non-compete agreements	4	272,147	272,147	—
Website and Digital Assets	3	33,002	18,650	14,352
Total intangible assets subject to amortization		3,889,248	2,427,872	1,461,376
Total Goodwill and Intangible Assets		$ 8,642,187	$ 2,427,872	$ 6,214,315

	Estimated life in years	Gross amount	September 30, 2023, Accumulated Amortization	Net
Intangible assets not subject to amortization				
Goodwill	Indefinite	$ 4,238,671	$ —	$ 4,238,671
Trademarks	Indefinite	514,268	—	514,268
Total intangible assets not subject to amortization		4,752,939	—	4,752,939
Intangible assets subject to amortization				
Customer lists	7	2,614,099	1,367,432	1,246,667
ABC acquired contracts	5	310,000	310,000	—
SIAS acquired contracts	5	660,000	660,000	—
Non-compete agreements	4	272,147	272,147	—
Website and digital assets	3	33,002	26,705	6,297
Total intangible assets subject to amortization		3,889,248	2,636,285	1,252,963
Total Goodwill and Intangible Assets		$ 8,642,187	$ 2,636,285	$ 6,005,902

Scheduled amortization over the next five years are as follows:

Twelve months ending September 30,	
2024	$ 273,439
2025	267,143
2026	267,143
2027	267,143
2028	133,571
Thereafter	44,524
Total	$ 1,252,963

Amortization expense for the three months ended September 30, 2023, and 2022 was $69,147 and $69,730 respectively. Amortization expense for the nine months ended September 30, 2023, and 2022 was $208,143 and $209,191 respectively.

Note 6-Leases

Operating Leases

The Company currently maintains two leases for office space located in Melville, NY.

The first lease for office space in Melville, NY commenced on September 1, 2019. The term of this lease is for three years and eleven months and runs co-terminus with the Company’s existing lease in the same building. The base annual rent is $11,856 payable in equal monthly installments of $988.

A second lease for office space in Melville, NY, was entered into on November 20, 2017, which commenced on April 2, 2018. The term of this lease is five years and three months at $86,268 per year with an escalation of 3% per year and expires on July 31, 2023.

On July 31, 2021, the Company signed a three-year lease for approximately 2,880 square feet of office space at 980 North Federal Highway, Boca Raton, FL. The commencement date of the lease was August 2, 2021. The monthly rent is approximately $4,965.

The Company leases cages and racks for technical space in Tier 3 data centers in New York, Massachusetts, and North Carolina. These leases are month to month. The monthly rent is approximately $39,000. The Company also leases technical space in Dallas, TX. The lease term is thirteen months and monthly payments are $1,403. The lease term expires on July 31, 2023.

On January 1, 2022, the Company entered into a lease agreement for office space with WeWork in Austin, TX. The lease term is six months and requires monthly payments of $1,470 and expired on June 30, 2022. Subsequent to June 30, 2022, the Company is on a $3,073 month-to-month lease with WeWork in Austin, TX.

Finance Lease Obligations

On June 1, 2020, the Company entered into a lease agreement with a finance company to lease technical equipment. The lease obligation is payable in monthly installments of $5,008. The lease carries an interest rate of 7% and is a three-year lease. The term of the lease ended June 1, 2023.

On June 29, 2020, the Company entered into a lease agreement for technical equipment with a finance company. The lease obligation is payable in monthly installments of $5,050. The lease carried an interest rate of 7% and is a three-year lease. The term of the lease ended June 29, 2023.

On July 31, 2020, the Company entered into a lease agreement for technical equipment with a finance company. The lease obligation is payable in monthly installments of $4,524. The lease carried an interest rate of 7% and is a three-year lease. The term of the lease ends July 31, 2023.

On November 1, 2021, the Company entered into a lease agreement with a finance company for technical equipment. The lease obligation is payable in monthly installments of $3,152. The lease carries an interest rate of 6% and is a three-year lease. The term of the lease ends November 1, 2024.

On January 1, 2022, the Company entered into a lease agreement with a finance company for technical equipment. The lease obligation is payable in monthly installments of $17,718. The lease carries an interest rate of 5% and is a three-year lease. The term of the lease ends January 1, 2025.

On January 1, 2022, the Company entered into a technical equipment lease with a finance company. The lease obligation is payable in monthly installments of $2,037. The lease carries an interest rate of 6% and is a three-year lease. The term of the lease ends January 1, 2025.

Finance Lease Obligations – Related Party

On January 1, 2019, the Company entered into a lease agreement with Systems Trading. This lease obligation is payable to Systems Trading with monthly installments of $29,592. The lease carries an interest rate of 6.75% and is a five-year lease. The term of the lease ends March 1, 2024.

On January 1, 2020, the Company entered into a lease agreement with Systems Trading to lease equipment. The lease obligation is payable to Systems Trading with monthly installments of $10,534. The lease carried an interest rate of 6% and is a three-year lease. The term of the lease ended December 31, 2022.

On March 4, 2021, the Company entered into a lease agreement with Systems Trading effective April 1, 2021. This lease obligation is payable to Systems Trading with monthly installments of $1,567 and expires on March 16, 2024. The lease carries an interest rate of 8%.

On January 1, 2022, the Company entered into a lease agreement with Systems Trading effective January 1, 2022. This lease obligation is payable to Systems Trading with monthly installments of $7,145 and expires on February 1, 2025. The lease carries an interest rate of 8%.

On April 1, 2022, the Company entered into a lease agreement with Systems Trading effective May 1, 2022. This lease obligation is payable to Systems Trading with monthly installments of $6,667 and expires on April 1, 2025. The lease carries an interest rate of 8%.

The Company determines if an arrangement contains a lease at inception. Right of Use "ROU" assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company's lease term includes options to extend the lease when it is reasonably certain that it will exercise that option. Leases with a term of 12 months or less are not recorded on the balance sheet, per the election of the practical expedient. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company recognizes variable lease payments in the period in which the obligation for those payments is incurred. Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date, otherwise variable lease payments are recognized in the period incurred. A discount rate of 5% was used in preparation of the ROU asset and operating liabilities.

The components of lease expense were as follows and include both related party and non-related finance leases combined:

		Three Months Ended September 30, 2023
Finance Leases:		
Amortization of assets, included in depreciation and amortization expense	$	91,250
Interest on lease liabilities, included in interest expense		7,409
Operating Lease:		
Amortization of assets, included in total operating expense		31,389
Interest on lease liabilities, included in total operating expense		2,573
Total net lease cost	$	132,621

		Nine Months Ended September 30, 2023
Finance Leases:		
Amortization of assets, included in depreciation and amortization expense	$	527,958
Interest on lease liabilities, included in interest expense		48,471
Operating Lease:		
Amortization of assets, included in total operating expense		141,012
Interest on lease liabilities, included in total operating expense		5,279
Total net lease cost	$	722,720

Supplemental balance sheet information related to leases was as follows:

Operating Leases:		
Operating lease right-of-use asset	$	89,547
Current operating lease liabilities	$	90,979
Noncurrent operating lease liabilities		—
Total operating lease liabilities	$	90,979

		September 30, 2023
Finance Leases:		
Property and equipment, at cost	$	5,521,716
Accumulated amortization		(4,050,770)
Property and equipment, net	$	1,470,946
Current obligations of finance leases	$	590,745
Finance leases, net of current obligations		140,421
Total finance lease liabilities	$	731,166

Supplemental cash flow and other information related to leases were as follows and include both related party and non-related finance leases combined:

		Nine Months Ended September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows related to operating leases	$	141,450
Financing cash flows related to finance leases	$	686,809
Weighted average remaining lease term (in years):		
Operating Leases		0.84
Finance Leases		2.80
Weighted average discount rate:		
Operating Leases		4%
Finance Leases		7%

Long-term obligations under the operating and finance leases at September 30, 2023, mature as follows and include both related party and non-related finance leases combined:

For the Twelve Months Ended September 30,		Operating Leases		Finance Leases
2023	$	92,550	$	601,930
2024		—		159,703
Total lease payments		92,550		761,633
Less: Amounts representing interest		(1,571)		(30,467)
Total lease obligations		90,979		731,166
Less: long-term obligations		—		(140,421)
Total current	$	90,979	$	590,745

As of September 30, 2023, the Company had no additional significant operating or finance leases that had not yet commenced. Rent expense under all operating leases for the three months ended September 30, 2023, and 2022 was $69,974 and $53,991, respectively. Rent expense under all operating leases for the nine months ended September 30, 2023, and 2022 was $205,241 and $159,236, respectively.

Note 7 - Commitments and Contingencies

As part of the Flagship acquisition the Company acquired a licensing agreement for marketing related materials with a National Football League team. The Company has approximately $1.3 million in payments over the next 5 years.

Note 8 – Stockholders' (Deficit)

Capital Stock

The Company has 260,000,000 authorized shares of capital stock, consisting of 250,000,000 shares of Common Stock, par value $0.001, and 10,000,000 shares of Preferred Stock, par value $0.001 per share.

Common Stock Options

On June 2, 2023 the Company registered an additional 700,000 shares of common stock under the 2021 Stock Incentive Plan.

A summary of the Company's options activity and related information follows:

	Number of Shares Under Options	Range of Option Price Per Share	Weighted Average Exercise Price	Weighted Average Contractual Life
Options Outstanding at January 1, 2023	301,391	$ 15.76-1.48	$ 3.46	7.45
Options Granted	307,343	1.96-1.52	1.83	10.00
Exercised	—	—	—	—
Expired/Cancelled	(29,213)	5.80-2.16	3.76	—
Options Outstanding at September 30, 2023	579,521	$ 14.00-1.48	$ 2.58	8.30
Options Exercisable at September 30, 2023	236,584	$ 14.00-1.48	$ 3.24	6.76

Share-based compensation expense for options totaling $81,520 and $74,143 was recognized in the Company's results for the three months ended September 30, 2023, and 2022, respectively. Share-based compensation expense for options totaling $211,223 and $215,968 was recognized in the Company's results for the nine months ended September 30, 2023, and 2022, respectively.

The valuation methodology used to determine the fair value of the options issued during the year was the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including the volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the options.

The risk-free interest rate assumption is based upon observed interest rates on zero-coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the options.

Estimated volatility is a measure of the amount by which the Company's stock price is expected to fluctuate each year during the expected life of the award. The Company's calculation of estimated volatility is based on historical stock prices of the Company over a period equal to the expected life of the awards.

As of September 30, 2023, there was $676,513 of total unrecognized compensation expense related to unvested employee options granted under the Company's share-based compensation plans that is expected to be recognized over a weighted average period of approximately 2.7 years.

The weighted average fair value of options granted, and the assumptions used in the Black-Scholes model during the three months ended September 30, 2023, and 2022, are set forth in the table below.

	2023	2022
Weighted average fair value of options granted	$ 1.77	$ 3.00
Risk-free interest rate	3.41%-4.59%	1.63% – 3.83%
Volatility	195%-199%	204% – 214%
Expected life (years)	10 years	10 years
Dividend yield	$ —%	$ —%

Share-based awards, restricted stock award ("RSAs")

On March 1, 2023, the Company granted certain employees an aggregate of 73,530 RSAs. Compensation expense as a group amounted to $130,883. The shares vest one third each year for three years after issuance.

On March 28, 2023, the Company granted certain employees an aggregate of 44,942 RSAs. Compensation expense as a group amounted to $72,357. The shares vest one third each year for three years after issuance.

On March 31, 2023, the Board resolved that the Company shall issue to Board members an aggregate of 12,500 RSAs. Compensation expense as a group amounted to $22,750. The shares vest one year after issuance.

On April 10, 2023, the Company granted certain employees an aggregate of 50,000 RSA's. Compensation expense as a group amounted to $90,000. The shares vest one third each year for three years after issuance.

On June 30, 2023, the Board resolved that the Company shall issue to Board members an aggregate of 12,500 RSAs. Compensation expense as a group amounted to $29,125. The shares vest one year after issuance.

On September 30, 2023, the Board resolved that the Company shall issue to Board members an aggregate of 12,500 RSAs to each member of the Board. Compensation expense as a group amounted to $38,875. The shares vest one year after issuance.

A summary of the activity related to RSUs for the nine months ended September 30, 2023, is presented below:

Restricted Stock Units (RSUs)	**Total Shares**	**Grant Date Fair Value**
RSU's non-vested at January 1, 2023	50,000	$ 1.48-3.23
RSU's granted	205,972	$ 1.61-3.24
RSU's vested	(37,500)	$ 2.04-3.23
RSU's forfeited	—	$ —
RSU's non-vested September 30, 2023	218,472	$ 1.48-3.24

Stock-based compensation for RSUs has been recorded in the consolidated statements of operations and totaled $48,507 and $17,896 for the three months ended September 30, 2023 and 2022, respectively. Stock-based compensation for RSUs has been recorded in the consolidated statements of operations and totaled $127,986 and $27,962 for the nine months ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, there was $320,344 of total unrecognized compensation expense related to unvested RSUs granted under the Company's share-based compensation plans that is expected to be recognized over a weighted average period of approximately 2.1 years.

Note 9 – Litigation

The Company is currently not involved in any litigation that it believes could have a materially adverse effect on its financial condition or results of operations. There is no action, suit, proceeding, inquiry, or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company's company or any of its subsidiaries, threatened against or affecting DSC, its common stock, any of its subsidiaries or of DSC's or DSC's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

Note 10 – Related Party Transactions

Nexxis Capital LLC

Charles M. Piluso (Chairman and CEO) and Harold Schwartz (President) collectively own 100% of Nexxis Capital LLC ("Nexxis Capital"). Nexxis Capital was formed to purchase equipment and provide leases to Nexxis Inc.'s customers. The Company received funds from Nexxis Capital of $14,267 and $19,494 during the three months ended September 30, 2023, and 2022 respectively. The Company received funds from Nexxis Capital of $30,048 and $33,530 during the nine months ended September 30, 2023, and 2022 respectively.

Note 11 – Segment Information

The Company operates in three reportable segments: Nexxis Inc., Flagship Solutions Group, and CloudFirst. The Company's segments were determined based on its internal organizational structure, the manner in which its operations are managed, and the criteria used by its Chief Operating Decision Maker (CODM) to evaluate performance, which is generally the segment's operating income or losses.

Operations of:	**Products and services provided:**
Nexxis Inc.	NEXXIS is a single-source solution provider that delivers fully-managed cloud-based voice services, data transport, internet access, and SD-WAN solutions focused on business continuity for today's modern business environment.
Flagship Solutions, LLC	Flagship Solutions Group (FSG) is a managed service provider. FSG invoices clients primarily for services that assist the clients' technical teams. FSG has few technical assets and utilizes the assets or software of other cloud providers, whereby managing 3rd party infrastructure. FSG has maintains technical assets on one data center. FSG periodically sells equipment and software.
CloudFirst Technologies Corporation	CloudFirst, provides services from CloudFirst technological assets deployed in six Tier 3 data centers throughout the USA and Canada. This technology has been developed by CloudFirst. Clients are invoiced for cloud infrastructure and disaster recovery on the CloudFirst platform. Services provided to clients are provided on a subscription basis on long term contracts.

The following tables present certain financial information related to the Company's reportable segments and Corporate:

As of September 30, 2023	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Accounts receivable	$ 1,032,309	$ 1,283,809	$ 28,225	$ —	$ 2,344,343
Prepaid expenses and other current assets	616,149	149,239	19,089	87,556	872,033
Net Property and Equipment	2,710,730	22,334	3,118	2,838	2,739,020
Intangible assets, net	279,268	1,487,963	—	—	1,767,231
Goodwill	3,015,700	1,222,971	—	—	4,238,671
Operating lease right-of-use assets	—	89,547	—	—	89,547
All other assets	—	—	—	11,573,746	11,573,746
Total Assets	$ 7,654,156	$ 4,255,863	$ 50,432	$ 11,664,140	$ 23,624,591
Accounts payable and accrued expenses	$ 1,031,518	$ 1,351,349	$ 127,002	$ 348,855	$ 2,858,724
Deferred revenue	106,370	153,172	—	—	259,542
Total Finance leases payable	346,589	—	—	—	346,589
Total Finance leases payable related party	384,577	—	—	—	384,577
Total Operating lease liabilities	—	90,979	—	—	90,979
Total Liabilities	$ 1,869,054	$ 1,595,500	$ 127,002	$ 348,855	$ 3,940,411

As of December 31, 2022	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Accounts receivable	$ 1,543,749	$ 1,924,184	$ 34,903	$ —	$ 3,502,836
Prepaid expenses and other current assets	285,306	213,826	16,799	68,735	584,666
Net Property and Equipment	2,192,085	19,705	—	—	2,211,790
Intangible assets, net	279,268	1,696,376	—	—	1,975,644
Goodwill	3,015,700	1,222,971	—	—	4,238,671
Operating lease right-of-use assets	58,740	167,761	—	—	226,501
All other assets	—	—	—	11,346,127	11,346,127
Total Assets	$ 7,374,848	$ 5,244,823	$ 51,702	$ 11,414,862	$ 24,086,235
Accounts payable and accrued expenses	$ 1,069,278	$ 1,563,408	$ 40,091	$ 534,800	$ 3,207,577
Deferred revenue	115,335	165,725	—	—	281,060
Total Finance leases payable	641,110	—	—	—	641,110
Total Finance leases payable related party	776,864	—	—	—	776,864
Total Operating lease liabilities	62,960	169,469	—	—	232,429
Total Liabilities	$ 2,665,547	$ 1,898,602	$ 40,091	$ 534,800	$ 5,139,040

For the three months ended September 30, 2023	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Sales	$ 3,741,717	$ 1,974,343	$ 270,565	$ —	$ 5,986,625
Cost of Sales	1,990,420	1,501,830	164,021	—	3,656,271
Gross Profit	1,751,297	472,513	106,544	—	2,330,354
Selling, General and Administrative	651,896	544,686	174,527	606,584	1,977,693
Depreciation and Amortization	267,440	70,691	213	176	338,520
Total Operating Expenses	919,336	615,377	174,740	606,760	2,316,213
Income (Loss) from Operations	831,961	(142,864)	(68,196)	(606,760)	14,141
Interest Expense, net	(13,069)	—	—	156,666	143,597
Other Expense	—	—	—	—	—
Total Other Income (Expense)	(13,069)	—	—	156,666	143,597
Income (Loss) before provision for income taxes	$ 818,892	$ (142,864)	$ (68,196)	$ (450,094)	$ 157,738

For the three months ended September 30, 2022	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Sales	$ 2,976,461	$ 1,218,990	$ 223,834	$ —	$ 4,419,285
Cost of Sales	1,525,175	910,852	130,957	—	2,566,984
Gross Profit	1,451,286	308,138	92,877	—	1,852,301
Selling, General and Administrative	556,060	691,863	92,837	443,026	1,783,786
Depreciation and Amortization	220,810	70,929	—	—	291,739
Total Operating Expenses	776,870	762,792	92,837	443,026	2,075,525
Income (Loss) from Operations	674,416	(454,654)	40	(443,026)	(223,224)
Interest Expense, net	(29,123)	(137)	—	(479)	(29,739)
Loss on Disposal of Equipment	—	—	—	—	—
Gain on Forgiveness of Debt	—	—	—	—	—
All Other Expenses	—	—	—	—	—
Total Other Income (Expense)	(29,123)	(137)	—	(479)	(29,739)
Income (Loss) before Provision for Income Taxes	$ 645,293	$ (454,791)	$ 40	$ (443,505)	$ (252,963)

For the nine months ended September 30, 2023	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Sales	$ 10,052,281	$ 7,918,016	$ 800,442	$ —	$ 18,770,739
Cost of Sales	5,323,346	5,949,745	498,795	—	11,771,886
Gross Profit	4,728,935	1,968,271	301,647	—	6,998,853
Selling, General and Administrative	2,002,882	1,729,191	468,605	1,790,124	5,990,802
Depreciation and Amortization	714,585	212,646	492	457	928,180
Total Operating Expenses	2,717,467	1,941,837	469,097	1,790,581	6,918,982
Income (Loss) from Operations	2,011,468	26,434	(167,450)	(1,790,581)	79,871
Interest Expense, net	(56,985)	—	—	375,953	318,968
Total Other Income (Expense)	(56,985)	—	—	375,953	318,968
Income (Loss) before Provision for Income Taxes	$ 1,954,483	$ 26,434	$ (167,450)	$ (1,414,628)	$ 398,839

For the nine months ended September 30, 2022	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Sales	$ 8,200,881	$ 9,045,733	$ 657,619	$ —	$ 17,904,233
Cost of Sales	4,289,894	7,146,441	411,125	—	11,847,460
Gross Profit	3,910,987	1,899,292	246,494	—	6,056,773
Selling, General and Administrative	1,712,409	2,807,096	278,785	1,398,977	6,197,267
Depreciation and Amortization	720,573	211,755	—	—	932,328
Total Operating expenses	2,432,982	3,018,851	278,785	1,398,977	7,129,595
Income (Loss) from Operations	1,478,005	(1,119,559)	(32,291)	(1,398,977)	(1,072,822)
Interest Expense, net	(108,052)	(75,695)	—	(2,316)	(186,063)
Loss on Disposal of Equipment	—	—	—	—	—
Gain on Forgiveness of Debt	—	—	—	—	—
All Other Expenses	—	—	—	—	—
Total Other Income (Expense)	(108,052)	(75,695)	—	(2,316)	(186,063)
Income (Loss) before Provision for Income Taxes	$ 1,369,953	$ (1,195,254)	$ (32,291)	$ (1,401,293)	$ (1,258,885)

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2022, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed on March 31, 2023 (the "Annual Report") with the U.S. Securities and Exchange Commission (the "SEC"). This Quarterly Report on Form 10-Q contains forward-looking statements, including without limitation, statements related to our plans, strategies, objectives, expectations, intentions, and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) our plans, strategies, objectives, expectations, and intentions are subject to change at any time at our discretion; (ii) our plans and results of operations will be affected by our ability to manage growth; and (iii) other risks and uncertainties indicated from time to time in our filings with the SEC.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We are under no duty to update any of the forward-looking statements after the date of this report.

The Industry and Opportunity

Data Storage Corporation provides managed technologies across multiple platforms. Our technical assets are in geographically diverse, Tier 3 compliant data centers throughout the USA and Canada.

Hybrid and Multi-Cloud have become mainstream technological offerings of the Cloud infrastructure managed services industry as companies have moved away from legacy, on-premises technology solutions. This approach has grown more complex, as companies utilize disparate technical environments, including on-premises equipment and software, multi-clouds interfacing with Software as a Service providers.

Cloud Managed Service Providers assist businesses in achieving their desired cyber security levels, technical cloud infrastructure and financial objectives while optimizing the value of these technologies ensuring business continuity, governance, and operational efficiencies.

One subset and a highly focused segment of ours is the Power server, manufactured by IBM. This niche cloud infrastructure subset has a multi-billion-dollar addressable market. The marketplace is global. This addressable marketplace today is not a focus for AWS, Google, or Microsoft. It is estimated that mid and enterprise businesses in USA and Canada are operating over one million virtual IBM Power servers, with few qualified cloud service providers to assist in migration of their infrastructure to the cloud. According to the most recent information received from IBM, the typical industries utilizing IBM Power servers are finance, retail, healthcare, government, and distribution organizations with only 15% utilizing some type of cloud service.

We, through our subsidiary, CloudFirst Technologies Corporation, a Delaware corporation ("CloudFirst"), are a leader in providing cloud infrastructure to this niche marketplace along with disaster recovery and have provided these unique offerings for over 15 years.

We believe businesses are increasingly under pressure to improve the efficiency of their information and storage systems accelerating the migration from self-managed technical equipment and solutions to fully managed multi-cloud technologies to reduce cost, protect capital, ensure disaster recovery, protect the custom applications developed for these systems, and compete effectively. These trends create an opportunity for cloud technology service providers.

The Company's market opportunity is derived from the demand for fully managed cloud and cybersecurity services across all major operating systems.

The Company operates through three subsidiaries:

CloudFirst's addressable market in the niche addressable marketplace is approximately $3.6 billion in annual recurring revenue, if only one virtual infrastructure partition was provided, where most mid and enterprise level organizations run multiple partitions on one server. This unit has technical assets deployed in six Tier 3 data centers, with technical support and a distribution channel.

Our subsidiary, Flagship Solutions, LLC, a Florida limited liability company ("Flagship"), provides business continuity and infrastructure solutions combining on-premises equipment and software with its value-added managed services to mid and enterprise level business customers. Flagship maintains strong partner relationships with some of the largest IT manufactures, such as the IBM Corporation in supplying the technology behind the highly technical designs built for business customers. Flagship's vision is to expand its multi-cloud infrastructure solutions with more managed services, highlighted by its expanding Cyber Security offerings to capture more of the marketplace outside of the CloudFirst sales and marketing programs.

Our subsidiary, Nexxis Inc., a Nevada corporation ("Nexxis"), is a voice and data solution provider that utilizes major nationwide carriers and providers. The subsidiary provides a suite of communications services including Hosted VoIP, Internet Access, Data Transport, and SD-WAN. The complete voice and data solution combines elements of services into a fully managed solution that delivers high reliability and is engineered to further enhance the clients' business continuity. Nexxis Inc.'s goal is to provide a higher level of technology with simplified management and deliver cost savings wherever possible.

According to Fortune Business Insights, the Cloud Managed Services industry in North America was $16.3 billion in 2019 and has been growing at a rate of 13.8% CAGR bringing us to $24 billion by the end of 2022. Disaster Recovery is projected to be a $3.6 billion in the US by the end of 2022 which is 35% of the $10.3 billion globally based on Grandview Research Disaster Recovery Solutions Market Size report. Cyber Security, specifically the MDR segment, is an established market recognized by buyers**.** Gartner observed a 35% growth in end users' inquiries on the topic in the last year. Gartner estimates that by 2025, the MDR market will reach $2.15 billion in revenue, up from $1.03 billion in 2021, for a compound annual growth rate (CAGR) of 20.2%. The Company's VOIP solutions fit well into this steadily growing segment which is expected to reach $90 billion worldwide in 2022 with a CAGR of 3.1% with $17 billion in the US according to Globe Newswire Market Analysis and Insights: Global VoIP Market.

Company Overview

Data Storage Corporation ("DSC", the "Company," "we," "us," or "our") is headquartered in Melville, New York. Our common stock and warrants are traded on the Nasdaq under the ticker symbols "DTST" and "DTSTW". We operate through three subsidiaries; CloudFirst; Flagship; and Nexxis. These subsidiaries provide solutions and services to a broad range of clients in several industries including healthcare, banking and finance, distribution services, manufacturing, construction, education, and government. The subsidiaries maintain business development teams, as well as independent distribution channels.

We typically provide long-term subscription-based disaster recovery, and cloud infrastructure, cyber security, third party cloud management, managed services, dedicated internet access and UCaaS / VoIP services.

During 2022, based on the May 2021 capital raise and the up list to Nasdaq, we accelerated our organic growth strategies by adding distribution, marketing, and technical personnel. Management continues to be focused on building our sales and marketing strategy and expanding our technology assets throughout its data center network.

We believe businesses are increasingly under pressure to improve the reliability and efficiency of their information and storage systems accelerating the migration from self-managed technical equipment and solutions to fully managed multi-cloud technologies to reduce cost and compete effectively. Further, in today's environment, capital preservation is an encouragement to move from a capital-intensive, on-premises technology to a pay as you grow, CapEx to OpEx model. These trends create an opportunity for Cloud Technology Service providers.

Our market opportunity is derived from the demand for fully managed cloud and cybersecurity services across all major operating systems.

We have designed and built our solutions and services to support demand for cloud-based IBM Power System that support client critical workloads and custom in-house developed applications, manage hybrid cloud deployments and continue to provide solutions that keep data and workloads protected from disasters and security attacks.

Our business offices are in New York, Florida, and Texas. The New York and Florida offices include a technology center and labs adapted to meet the technical requirements of our clients. We maintain our own infrastructure, storage, and networking equipment required to provide subscription solutions in seven geographically diverse data centers located in New York, Massachusetts, Texas, North Carolina, and in Canada, Toronto, and Barrie, serving clients in the United States and Canada.

Our disaster recovery and business continuity solutions allow clients to quickly recover from system outages, human and natural disasters, and cyber security attacks, such as Ransomware. Our managed cloud services begin with migration to the cloud and provide ongoing system support and management that enables its clients to run their software applications and technical workloads in a multi-cloud environment. Our cyber security offerings include comprehensive consultation and a suite of data security, disaster recovery, and remote monitoring services and technologies that are incorporated into our cloud solutions or are delivered as a standalone managed security offering covering the client site endpoint devices, users, servers, and equipment.

Our solution architects and business development teams work with organizations identifying and solving critical business problems. We carefully plan and manage the migration and configuration process, continuing the relationship and advising its clients long after the services have been implemented. Reflecting on client satisfaction, our renewal rate on client subscription solutions is approximately 94% after their initial contract term expired.

Growth Strategies

We will continue to drive revenues by expanding distribution channels while expanding digital and direct marketing programs. We will accelerate building upon its social and digital lead generation programs. Further, we will continue to seek synergetic acquisitions that expand distribution, leading a technology trend, add to our existing technical staff and create economies of scale improving gross profit margins.

We increase revenue and drive growth by developing and managing collaborative solutions as well as joint marketing initiatives. We have a diverse community of distribution partners, ranging from IBM Business Partners, Software Vendors, IT resellers, Managed Service Providers, application support providers, consultants, and other cloud infrastructure providers.

We believe there is a significant need for our solutions on a global basis and, accordingly, the opportunity for us to grow our business through international expansion as these markets increase their use of multi-cloud solutions.

Our Core Services: We provide an array of multi-cloud information technology solutions in highly secure, enterprise-level cloud services for companies using IBM Power Systems, Microsoft Windows, and Linux. Specifically, our support services cover:

Cyber Security Solutions:

- **ezSecurity™** offers a suite of comprehensive cyber security solutions that can be utilized on systems at the client's location or on systems hosted by us. These solutions include fully managed endpoint (PCs and other user devices) security with active threat mitigation, system security assessments, risk analysis, and applications to ensure continuous security. ezSecurity™ contains a specialized offering for protecting and auditing IBM systems including a package designed to protect IBM systems against Ransomware attacks.

Data Protection and Recovery Solutions:

- **ezVault™** solution is at the core of our data protection services and allows our clients to have their data protected and stored offsite with unlimited data retention in a secure location that uses encrypted, enterprise-grade storage which allows for remote recovery from system outages, human and natural disasters, and cyber security attacks like Ransomware and viruses allowing restoration of data from a known good point in time prior to an attack.

- **ezRecovery™** provides standby systems, networking, and storage in our cloud infrastructure that allows for faster recovery from client backups stored using ezVault™ at the same cloud based hosted location.

- **ezAvailability™** solution offers reliable real-time data replication for mission-critical applications with Recovery Time Objective under fifteen minutes and near-zero Recovery Point Objective, with optional, fully managed replication services. Our ezAvailability™ service consists of a full-time enterprise system, storage, and network resources, allowing quick and easily switched production workloads to our cloud when needed. Our ezAvailability™ services are backed by a Service-Level Agreement ("SLA") to help assure performance, availability, and access.

- **ezMirror™** solution provides replication services that mirror the clients' data at the storage level and allows for similar near-zero Recovery Point Objective as ezAvailability with less application management and Recovery Time Objective under 1 hour.

Cloud Hosted Production Systems: **ezHost™** solution provides managed cloud services that removes the burden of system management from its clients and ensures that their software applications and IT workloads are running smoothly. ezHost™ provides full-time, scalable compute, storage, and network infrastructure resources to run clients' workloads on our enterprise-class infrastructure. ezHost™ replaces the cost of support, maintenance, system administration, space, electrical power, and cooling of the typical hardware on-premises systems with a predictable monthly expense. Our ezHost services are backed by an SLA governing performance, availability, and access.

Voice & Data Solutions: Nexxis, our voice and data division, specializes in stand-alone and fully-managed VoIP, Internet Access, and Data Transport solutions that satisfy the requirements of the traditional corporate and modern remote workforce. Nexxis dedicated internet access services with speeds of up to 10 Gbps and data transport circuits are typically delivered over fiber-optic networks while shared internet access is typically delivered via fiber, coaxial, and wireless networks to help businesses stay fully connected from any location. SD-WAN options provide the ability for multi-site companies to prioritize their data traffic from site to site while FailSAFE, a Cloud-first SD-WAN solution, can be used by a single location to gain industry-leading connectivity to cloud services and the internet. Nexxis Hosted VoIP with Unified Communications is a full-featured cloud-based PBX solution with built-in redundancy that provides business continuity and includes the option to integrate with Microsoft Teams.

RESULTS OF OPERATIONS

Three months ended September 30, 2023, as compared to September 30, 2022

Total Revenue. For the three months ended September 30, 2023, total revenue was $5,986,625, an increase of $1,567,340 or 35% compared to $4,419,285 for the three months ended September 30, 2022. The increase is attributed to an increase in all our revenue streams during the current period. The increased revenue in Infrastructure & Disaster Recovery/Cloud was primarily to increased sales at out CloudFirst division. The increased revenue in Equipment and Software was attributed to an increase in sales at CloudFirst by approximately $263,459 and Flagship by approximately $726,550, offset by a slight decrease at Nexxis of approximately $7.050. The increase in Managed Services was attributed to an increase in sales at CloudFirst of approximately $169,159 and an increase at Flagship of approximately $32,303. The increase in Nexxis VoIP services is attributable to an increase in sales at our Nexxis division.

Revenue	For the Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Infrastructure & Disaster Recovery/Cloud Service	$ 2,489,489	$ 2,167,631	$ 321,858	15%
Equipment and Software	2,004,410	1,021,451	982,959	96%
Managed Services	1,201,115	999,653	201,462	20%
Nexxis VoIP Services	255,963	203,191	52,772	26%
Other	35,648	27,359	8,289	30%
Total Revenue	$ 5,986,625	$ 4,419,285	$ 1,567,340	35%

Cost of Sales. For the three months ended September 30, 2023, cost of sales was $3,656,271, an increase of $1,089,287 or 42% compared to $2,566,984 for the three months ended September 30, 2022. The increase of 42% was mostly related to the increase in sales. Cost of Sales at CloudFirst, Flagship and Nexxis increased by approximately $465,245, $591,231, and $32,903 respectively all related to increase in sales.

Selling, General and Administrative Expenses. For the three months ended September 30, 2023, selling, general and administrative expenses were $2,316,213, an increase of $240,688, or 12%, as compared to $2,075,525 for the three months ended September 30, 2022. The net increase is reflected in the chart below.

Selling, General and Administrative expenses	**For the Three Months Ended September 30,**			
	2023	**2022**	**$ Change**	**% Change**
Increase in Salaries	$ 1,203,134	$ 1,028,084	$ 175,050	17%
Increase in Professional Fees	264,928	203,032	61,896	30%
Increase in Software as a Service Expense	54,168	42,744	11,424	27%
Decrease in Advertising Expenses	165,403	263,485	(98,082)	(37)%
Increase in Commissions Expense	348,779	279,789	68,990	25%
Decrease in Amortization and Depreciation Expense	72,931	73,747	(816)	(1)%
Decrease in Travel and Entertainment	41,369	44,739	(3,370)	(8)%
Increase in Rent and Occupancy	56,876	55,851	1,025	2%
Decrease in Insurance	30,623	33,860	(3,237)	(10)%
Increase in all other Expenses	78,002	50,194	27,808	55%
Total Expenses	$ 2,316,213	$ 2,075,525	$ 240,688	12%

Salaries. Salaries increased as a result of an increase in personnel cost and in increase in other employee benefits across all divisions.

Professional Fees. Professional fees increased primarily due to an increase in legal fees relating to employment matters and other corporate projects.

S*oftware as a Service Expense (SaaS).* SaaS increased due to the consulting engagements related to one of our CRM platforms across all divisions.

Advertising Expenses. Advertising Expenses decreased due to non-renewal of a marketing program at Flagship.

Commissions Expense. Commissions expenses increased due to an increase in sales across all divisions.

Travel And Entertainment. Travel And Entertainment expenses decreased due to less travel by executives and reduced corporate events.

Other Income (Expense). Other income for the three months ended September 30, 2023, increased $173,336 to $143,597 from $(29,739) for the three months ended September 30, 2022. The increase in other income is primarily attributable to the increase in interest income from the marketable securities.

Net Income (Loss) before provision for income taxes. Net income before provision for income taxes for the three months ended September 30, 2023, was $157,738, as compared to a net loss of $(252,963) for the three months ended September 30, 2022.

Nine months ended September 30, 2023, as compared to September 30, 2022

Total Revenue. For the nine months ended September 30, 2023, total revenue was $18,770,739, an increase of $866,506 or 5% compared to $17,904,233 for the nine months ended September 30, 2022. The increase is primarily attributed to an increase in Infrastructure & Disaster Recovery/Cloud Service and Managed Services and Nexxis VoIP Services offset by a decrease in one-time equipment sales during the current period. The increased revenue in Infrastructure & Disaster Recovery/Cloud was primarily to increased sales at out CloudFirst division. The decreased revenue in Equipment and Software was attributed to a decrease of one-time equipment sales at Flagship by approximately $1,009,177 offset by an increase of $779,618 in one time equipment sales at CloudFirst. The increase in Managed Services was attributed to an increase in sales at CloudFirst of approximately $96,159 offset by a decrease at Flagship of approximately $115,040. The increase in Nexxis VoIP services is attributable to an increase in sales at our Nexxis division.

Revenue	For the Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Infrastructure & Disaster Recovery/Cloud Service	$ 6,958,552	$ 6,107,287	$ 851,265	14%
Equipment and Software	7,076,116	7,309,400	(233,284)	(3)%
Managed Services	3,891,063	3,809,578	81,485	2%
Nexxis VoIP Services	728,447	587,051	141,396	24%
Other	116,561	90,917	25,644	28%
Total Revenue	$ 18,770,739	$ 17,904,233	$ 866,506	5%

Cost of Sales. For the nine months ended September 30, 2023, cost of sales was $11,771,886, a decrease of $75,574 or 1% compared to $11,847,460 for the nine months ended September 30, 2022. The decrease of 1% was mostly related to new negotiated pricing at Flagship offset by an increase in Cost of Sales at CloudFirst and Nexxis due to the increase in revenue.

Selling, General and Administrative Expenses. For the nine months ended September 30, 2023, selling, general and administrative expenses were $6,918,982, a decrease of $210,613, or 3%, as compared to $7,129,595 for the nine months ended September 30, 2022. The net decrease is reflected in the chart below.

Selling, General and Administrative Expenses	**For the Nine Months Ended September 30,**			
	2023	**2022**	**$ Change**	**% Change**
Decrease in Salaries	$ 3,600,450	$ 3,918,745	$ (318,295)	(8)%
Increase in Professional Fees	772,834	590,661	182,173	31%
Decrease in Software as a Service Expense	140,602	189,643	(49,041)	(26)%
Decrease in Advertising Expenses	581,423	669,278	(87,855)	(13)%
Increase in Commissions Expense	1,000,541	918,882	81,659	9%
Increase in Amortization and Depreciation Expense	220,870	220,694	176	0%
Decrease in Travel and Entertainment	131,155	160,665	(29,510)	(18)%
Increase in Rent and Occupancy	167,713	163,965	3,748	2%
Decrease in Insurance	88,047	94,251	(6,204)	(7)%
Decrease in all other Expenses	215,347	202,811	12,536	6%
Total Expenses	$ 6,918,982	$ 7,129,595	$ (210,613)	(3)%

Salaries. Salaries decreased as a result of a reduction in stock-based compensation at Flagship.

Professional Fees. Professional fees increased primarily due to an increase in legal fees relating to employment matters and other corporate projects.

S*oftware as a Service Expense (SaaS).* SaaS decreased due to the completion of certain consulting engagements related to one of our CRM platforms.

Advertising Expenses. Advertising Expenses decreased due to non-renewal of a marketing program at Flagship.

Commissions Expense. Commissions expenses increased due to an increase in sales at Cloudfirst.

Travel and Entertainment. Travel And Entertainment expense decreased due to less travel by executives and reduced corporate events.

All Other Expenses. Other expenses decreased primarily due to reduction of bad debt expense, tax expense and reductions across all other expenses such as computer, training and dues and subscriptions.

Other Income (Expense). Other income for the nine months ended September 30, 2023, increased $505,031 to $318,698 from $(186,063) for the nine months ended September 30, 2022. The increase in other income is primarily attributable to the increase in interest income from the marketable securities.

Net Income (Loss) before provision for income taxes. Net income before provision for income taxes for the nine months ended September 30, 2023, was $398,839, as compared to a net loss of $(1,258,885) for the nine months ended September 30, 2022.

LIQUIDITY AND CAPITAL RESOURCES

The consolidated financial statements have been prepared using generally accepted accounting principles in the United States of America ("GAAP") applicable for a going concern, which assumes that we will realize our assets and discharge our liabilities in the ordinary course of business.

To the extent we are successful in growing our business, identifying potential acquisition targets, and negotiating the terms of such acquisition, and the purchase price may include a cash component, we plan to use our working capital and the proceeds of any financing to finance such acquisition costs.

Our opinion concerning our liquidity is based on current information. If this information proves to be inaccurate, or if circumstances change, we may not be able to meet our liquidity needs, which will require a renegotiation of related party capital equipment leases, a reduction in advertising and marketing programs, and/or a reduction in salaries for officers that are major shareholders.

We have long-term contracts to supply our subscription-based solutions that are invoiced to clients monthly. We believe the total contract value of our subscription contracts with clients based on the actual contracts that we have to date, exceeds $10 million. Further, we continue to see an uptick in client interest distribution channel expansion and in sales proposals. In 2023, we intend to continue to work to increase our presence in the IBM "Power I" infrastructure cloud and business continuity marketplace in the niche of IBM "Power" and in the disaster recovery global marketplace utilizing its technical expertise, data centers utilization, assets deployed in the data centers, 24 x 365 monitoring, and software. We believe that the cash generated from operations will be sufficient to meet our cash requirements for the next twelve months and beyond the next twelve months.

During the nine months ended September 30, 2023, our cash decreased by $1,293,334 to $993,388 from $2,286,722 on December 31, 2022. Net cash of $2,161,424 was provided by our operating activities resulting primarily from the changes in assets and liabilities. Net cash of $2,767,949 was used in investing activities from the purchase of equipment and short-term investments. Net cash of $686,809 was used by financing activities resulting primarily from repayments on capital lease obligations.

Our working capital was $10,941,697 on September 30, 2023, increasing by $86,290 from $10,855,407 at December 31, 2022. The increase is primarily attributable to an increase in cash and accounts receivable. This was offset by a decrease in accounts payable and finance and operating leases.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities".

Non-GAAP Financial Measures

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we consider and are including herein Adjusted EBITDA, a Non-GAAP financial measure. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is net income (loss). We define Adjusted EBITDA as net income adjusted for interest and financing fees, depreciation, amortization, stock-based compensation, and other non-cash income and expenses. We believe that Adjusted EBITDA provides us an important measure of operating performance because it allows management, investors, debtholders, and others to evaluate and compare ongoing operating results from period to period by removing the impact of our asset base, any asset disposals or impairments, stock-based compensation and other non-cash income and expense items associated with our reliance on issuing equity-linked debt securities to fund our working capital.

Our use of Adjusted EBITDA has limitations as an analytical tool, and this measure should not be considered in isolation or as a substitute for an analysis of our results as reported under GAAP, as the excluded items may have significant effects on our operating results and financial condition. Additionally, our measure of Adjusted EBITDA may differ from other companies' measure of Adjusted EBITDA. When evaluating our performance, Adjusted EBITDA should be considered with other financial performance measures, including various cash flow metrics, net income, and other GAAP results. In the future, we may disclose different non-GAAP financial measures in order to help our investors and others more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

The following table shows our reconciliation of net income to adjusted EBITDA for the three months ended September 30, 2023 and 2022, respectively:

	For the three months ended September 30, 2023				
	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Net Income (Loss)	$ 818,892	$ (142,864)	$ (68,196)	$ (450,094)	$ 157,738
Non-GAAP adjustments:					
Depreciation and Amortization	267,440	70,691	213	176	338,520
Interest and Letter of Credit Fees	13,069	—	—	(151,666)	(138,597)
Stock Based Compensation	15,603	24,016	6,827	82,518	128,964
Adjusted EBITDA	$ 1,115,004	$ (48,157)	$ (61,156)	$ (519,066)	$ 486,625

	For the three months ended September 30, 2022				
	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Net Income (Loss)	$ 645,291	$ (454,792)	$ 41	$ (443,504)	$ (252,964)
Non-GAAP adjustments:					
Flagship Acquisition Costs	—	—	—	—	—
Depreciation and Amortization	220,810	70,929	—	—	291,739
Interest and Letter of Credit Fees	30,960	137	—	479	31,576
Stock Based Compensation	26,175	28,805	1,824	35,235	92,039
Adjusted EBITDA	$ 923,236	$ (354,921)	$ 1,865	$ (407,790)	$ 162,390

The following table shows our reconciliation of net income to adjusted EBITDA for the nine months ended September 30, 2023 and 2022, respectively:

	For the nine months ended September 30, 2023				
	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Net Income (Loss)	$ 1,954,483	$ 26,434	$ (167,450)	$ (1,414,628)	$ 398,839
Non-GAAP adjustments:					
Depreciation and Amortization	714,585	212,646	492	457	928,180
Interest and Letter of Credit Fees	56,985	—	—	(370,953)	(313,968)
Stock Based Compensation	50,662	76,634	11,227	199,623	338,146
Adjusted EBITDA	$ 2,776,715	$ 315,714	$ (155,731)	$ (1,585,501)	$ 1,351,197

	For the nine months ended September 30, 2022				
	CloudFirst Technologies Corporation	Flagship Solutions LLC	Nexxis Inc.	Corporate	Total
Net Income (Loss)	$ 1,369,952	$ (1,195,254)	$ (32,291)	$ (1,401,292)	$ (1,258,885))
Non-GAAP adjustments:					
Flagship Acquisition Costs	—	—	—	770	770
Depreciation and Amortization	720,571	211,755	—	—	932,326
Interest and Letter of Credit Fees	108,054	75,695	—	2,316	186,065
Stock Based Compensation	79,976	488,007	5,380	70,567	643,930
Adjusted EBITDA	$ 2,278,553	$ (419,797)	$ (26,911)	$ (1,327,639)	$ 504,206

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company this item is not required.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this Report, under the supervision and with the participation of DSC’s management, including its principal executive officer and principal financial officer, DSC conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Rule 13a-15(e) under the Exchange Act defines “disclosure controls and procedures” as controls and other procedures of a company that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to a company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level at September 30, 2023.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. As set forth above, our Chief Executive Officer and Chief Financial Officer have concluded, based on the evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

Changes in Internal Control Over Financial Reporting.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition, or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

Our business, financial condition, results of operations, and cash flows may be impacted by a number of factors, many of which are beyond our control, including those set forth in our most recent Annual Report on Form 10-K for the year ended December 31, 2022, the occurrence of any one of which could have a material adverse effect on our actual results.

There have been no material changes to the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

There were no unregistered sales of our equity securities during the period ended September 30, 2023, that were not previously reported in our filings with the SEC.

Item 3. Defaults Upon Senior Securities.

There were no defaults upon senior securities during the period ended September 30, 2023.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

There is no other information required to be disclosed under this item that was not previously disclosed.

Item 6. Exhibits.

Exhibit No.	Description
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form SB-2 (File No. 333-148167) filed on December 19, 2007).
3.2	Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 333-148167) filed on October 24, 2008).
3.3	Certificate of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 333-148167) filed on January 9, 2009).
3.4	Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form SB-2 (File No. 333-148167) filed on December 19, 2007).
3.5	Amended Bylaws (incorporated by reference to Exhibit 3.2 to Form 8-K (File No. 333-148167) filed on October 24, 2008).
3.6	Form of Certificate of Amendment to the Articles of Incorporation (incorporated by reference to Appendix A to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.7	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 7, 2008 (incorporated by reference to Appendix C to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.8	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 7, 2008 (incorporated by reference to Appendix C to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.9	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 16, 2008 (incorporated by reference to Appendix D to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.10	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated October 16, 2008 (incorporated by reference to Appendix D to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.11	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated January 6, 2009 (incorporated by reference to Appendix E to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.12	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated January 6, 2009 (incorporated by reference to Appendix E to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.13	Form of Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated June 24, 2009 (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.14	Form of Certificate of Validation and Ratification of the Certificate of Correction to the Certificate of Amendment to the Articles of Incorporation dated June 24, 2009 (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
3.15	Certificate of Designations, Preferences and Rights of Series A Preferred Stock of Data Storage Corporation (incorporated by reference to Appendix F to the Information Statement on Schedule 14C (File No. 001-35384) filed with the Securities and Exchange Commission on March 8, 2021).
31.2*	Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).
32.1*	Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instant Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATA STORAGE CORPORATION

Date: November 14, 2023

By: */s/ Charles M. Piluso*
Charles M. Piluso
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2023

By: /s/ *Chris H. Panagiotakos*
Chris H. Panagiotakos
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles M. Piluso, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Data Storage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: */s/ Charles M. Piluso*
Charles M. Piluso
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chris Panagiotakos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Data Storage Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

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

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

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

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

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: */s/ Chris H. Panagiotakos*
Chris H. Panagiotakos
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

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

In connection with this Quarterly Report of Data Storage Corporation (the "Company"), on Form 10-Q for the period ended September 30, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Charles M. Piluso, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the period ended September 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2023, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

By: */s/ Charles M. Piluso*
Charles M. Piluso
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

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

In connection with this Quarterly Report of Data Storage Corporation (the "Company"), on Form 10-Q for the period ended September 30, 2023, as filed with the U.S. Securities and Exchange Commission on the date hereof, I, Chris Panagiotakos, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) Such Quarterly Report on Form 10-Q for the period ended September 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in such Quarterly Report on Form 10-Q for the period ended September 30, 2023, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023

By: /s/ *Chris H. Panagiotakos*
Chris H. Panagiotakos
Chief Financial Officer
(Principal Financial and Accounting Officer)