SECURITIES & EXCHANGE COMMISSION EDGAR FILING

LGBTQ Loyalty Holdings, Inc.

Form: 10-Q

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2020**

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

For the transition period from ____________ to ____________

Commission file number: **000-54867**

LGBTQ LOYALTY HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**80-0671280**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2435 Dixie Highway, Wilton Manors, FL 33305
(Address of principal executive offices, including zip code)

Tel: (858)-577-1746
(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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 [X] 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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	[X]	Smaller reporting company	[X]
		Emerging growth company	[ ]

If an emerging growth company, indicate by check mark if this 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 [X]

As of June 30, 2020 there were 214,614,749 shares of common stock, $0.001 par value, issued and outstanding.

LGBTQ Loyalty Holdings, Inc.

FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LGBTQ LOYALTY HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash	$ 2,258	$ 13,188
Other receivables	100,000	100,000
Other current assets	9,220	9,220
Total current assets	111,478	122,408
Property and equipment, net	1,800	1,800
Intangible assets, net	97,628	73,076
Total assets	$ 210,906	$ 197,284
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 784,113	$ 772,065
Accrued salaries and consulting fees	484,442	650,133
Accrued interest and dividends	99,021	71,212
Notes payable	130,986	82,986
Notes payable to related party	17,885	17,885
Convertible notes payable, net of debt discount	566,008	363,769
Derivative liability on convertible notes payable	1,490,271	1,111,879
Total liabilities	3,572,726	3,069,929
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value, 10,000,000 shares authorized		
Series A, 1 share designated, no shares issued or outstanding as of December 31, 2019 and 2018	-	-
Series B, 500,000 shares designated, 75,000 and no shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	75	75
Series C, 129,559 shares designated, 129,559 and no shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	130	130
Common stock, $0.001 par value, 1,000,000,000 shares authorized, 181,344,766 and 169,217,460 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	181,344	169,217
Additional paid-in capital	6,511,211	6,035,547
Accumulated deficit	(10,054,580)	(9,077,614)
Total stockholders' equity (deficit)	(3,361,820)	(2,872,645)
Total liabilities and stockholders' equity (deficit)	$ 210,906	$ 197,284

See the accompanying notes to the unaudited condensed consolidated financial statements

LGBTQ LOYALTY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue	$ 560	$ 2,064
Cost of net revenue	-	-
Gross profit	560	2,064
Operating expenses:		
Personnel costs	214,955	431,663
Consulting fees	74,500	-
Legal and professional fees	126,995	167,008
Merger costs	-	388,675
Sales and marketing	7,545	-
General and administrative	49,992	45,716
Depreciation and amortization	6,448	-
Total operating expenses	480,435	1,033,062
Loss from operations	(479,875)	(1,030,998)
Other income (expense):		
Interest (expense) income	(360,839)	10,549
Change in derivative liability	(117,754)	(695,719)
Total other (expense), net	(478,593)	(685,170)
Provision for income taxes	-	-
Net loss	$ (958,468)	$ (1,716,168)
Weighted average common shares outstanding - basic and diluted	171,097,582	227,190,467
Net loss per common share - basic and diluted	$ (0.01)	$ (0.01)

See the accompanying notes to the unaudited condensed consolidated financial statements

LGBTQ LOYALTY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash flows from operating activities:		
Net loss	$ (958,468)	$ (1,716,168)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount and original issue discount	202,239	-
Change in fair value of derivative liability	117,754	695,719
Financing related costs - debt	125,879	373,050
Merger expenses	-	388,675
Stock-based compensation expense	17,800	321,100
Officer deferred compensation	-	66,018
Depreciation and amortization	6,448	-
Changes in operating assets and liabilities:		
Accounts payable	12,048	135,805
Accrued salaries and consulting fees	152,719	(274,530)
Accrued interest and dividends	27,809	-
Net cash provided by (used in) operating activities	(295,772)	(10,331)
Cash flows from investing activities:		
Investment in intangible assets	(31,000)	-
Net cash used in investing activities	(31,000)	-
Cash flows from financing activities:		
Proceeds from issuance of convertible debenture agreements	175,000	32,000
Net proceeds (repayments) from promissory note agreements	47,500	(514)
Shareholder advances	-	2,770
Proceeds from exercise of warrants	93,342	-
Net cash provided by (used in) financing activities	315,842	34,256
Net increase (decrease) in cash	(10,930)	23,925
Cash at beginning of year	13,188	1,084
Cash at end of year	$ 2,258	$ 25,009
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ 2,500	$ -
Supplemental disclosure of non-cash financing activities:		
Conversion of accrued consulting fees into common shares	$ 318,000	$ -
Exercise of common stock warrants - derivative liability	$ 32,742	$ -
Stock issued for services	$ -	$ 44,100
Amortization of preferred stock discount	$ 15,910	$ -

See the accompanying notes to the unaudited condensed consolidated financial statements

LGBTQ LOYALTY HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	Preferred Stock								Additional			Total
	Series A		Series B		Series C		Common Stock		Paid-in	Deferred	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Compensation	Deficit	Deficit
Balances at December 31, 2019	-	$ -	75,000	$ 75	129,559	$ 130	169,217,460	$ 169,217	6,035,547	$ -	$ (9,077,614)	$ (2,872,645)
Common shares issued in connection with notes payable	-	-	-	-	-	-	294,994	295	9,705	-	-	10,000
Common shares issued for accrued services	-	-	-	-	-	-	6,662,312	6,662	311,338	-	-	318,000
Common shares issued to board of directors	-	-	-	-	-	-	1,000,000	1,000	16,800	-	-	17,800
Exercise of common stock warrants	-	-	-	-	-	-	4,170,000	4,170	121,914	-	-	126,084
Amortization of preferred stock discount	-	-	-	-	-	-	-	-	15,910	-	(15,910)	-
Dividends on preferred stock	-	-	-	-	-	-	-	-	-	-	(2,588)	(2,588)
Net loss	-	-	-	-	-	-	-	-	-	-	(958,468)	(958,468)
Balances at March 31, 2020	-	$ -	75,000	$ 75	129,559	$ 130	181,344,766	$ 181,344	$ 6,511,211	$ -	$ (10,054,580)	$ (3,361,820)
Balances at December 31, 2018	-	$ -	-	$ -	-	$ -	121,984,192	$ 121,984	$ 3,242,449	$ (195,054)	$ (3,880,234)	$ (710,855)
Merger with Maxim Partners	1	-	-	-	-	-	129,558,574	129,559	259,116	-	-	388,675
Common shares issued for related party debt conversions	-	-	-	-	-	-	8,600,298	8,600	339,712	-	-	348,312
Common shares issued pursuant to note conversions	-	-	-	-	-	-	26,398,704	26,399	735,961	-	-	762,360
Common shares issued for services performed	-	-	-	-	-	-	3,250,000	3,250	317,850	-	-	321,100
Exercise of stock options	-	-	-	-	-	-	500,000	500	4,500	-	-	5,000
Amortization of deferred compensation	-	-	-	-	-	-	-	-	-	66,018	-	66,018
Net loss	-	-	-	-	-	-	-	-	-	-	(1,716,168)	(1,716,168)
Balances at March 31, 2019	1	$ -	-	$ -	-	$ -	290,291,768	$ 290,292	$ 4,899,587	$ (129,036)	$ (5,596,402)	$ (535,560)

See the accompanying notes to the unaudited condensed consolidated financial statements

Note 1. Nature of Business

Throughout this report, the terms "our," "we," "us," and the "Company" refer to LGBTQ Loyalty Holdings, Inc. (formerly LifeApps Brands Inc.), including its subsidiaries.

On January 25, 2019, we acquired LGBT Loyalty LLC, a New York limited liability company, with the goal of creating the first LGBTQ Loyalty Preference Index ETF (the "Index ETF") to provide the LGBTQ community with the power to influence the allocation of capital within a financial Index ETF based upon LGBTQ consumer preferences. The Index ETF is intended to link the growing economic influence of the LGBTQ community and their allies with many of the top Fortune 500 companies that support and implement diversity, inclusion and equality policies within their organizations. The incorporation of diversity and inclusion in a company's recruitment and human resource policies is becoming a key concern to investors as part of their growing focus on ESG allocations. Our data and analytics unequivocally reinforce that corporations that have embraced diversity and inclusion policies within their corporate culture perform at a higher level financially than their peers. This includes advancing a more invigorated workforce that attracts and retains the best talent. Innovation and agility have been identified as great benefits of diversity, and there is an increasing awareness of what has come to be known as 'the power of difference'.

On October 30, 2019, through our wholly-owned subsidiary Loyalty Preference Index, Inc. ("LPI") and our strategically aligned partnerships with crowd sourced data and analytic providers, we launched the LGBTQ100 ESG Index which integrates LGBTQ community survey data into the methodology for a benchmark listing of the nation's highest financially performing large-cap publicly listed corporations that our respondents believe are most committed to advancing equality. LPI is the index provider for the LGBTQ + ESG100 ETF; LGBTQ Loyalty was the Sponsor for the prospectus that was filed by the licensed Fund Adviser ProcureAM, and was approved by the Securities and Exchange Commission ("SEC") in early January 2020. The LGBTQ + ESG100 ETF (the "Fund") seeks to track the investment results (before fees and expenses) of the LGBTQ100 ESG Index. The Fund earns management fees based on assets under management ("AUM") and is expected to launch in the third quarter of 2020 on the NASDAQ.

Through our wholly owned subsidiary LifeApps, Inc., we are a licensed developer and publisher of apps for the Apple Apps Store for iPhone, iPod touch, iPad and iPad mini. We are also a licensed developer on both Google Play and Amazon Appstore for Android. We have distributed apps on all three platforms.

Note 2. Summary of Significant Accounting Policies

Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with principles generally accepted in the United States ("US GAAP"), which contemplates our continuation as a going concern. We have incurred losses to date of $10,054,580 and have negative working capital of $3,461,248 as of March 31, 2020. To date we have funded our operations through advances from a related party, issuance of convertible debt, and the sale of our common stock. We intend to raise additional funding through third party equity or debt financing. There is no certainty that funding will be available as needed. These factors raise substantial doubt about our ability to continue operating as a going concern. Our ability to continue our operations as a going concern, realize the carrying value of our assets, and discharge our liabilities in the normal course of business is dependent upon our ability to raise capital sufficient to fund our commitments and ongoing losses, and ultimately generate profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Basis of Presentation

We have prepared the accompanying condensed consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. These condensed consolidated financial statements are unaudited and, in our opinion, include all adjustments, consisting of normal recurring adjustments and accruals necessary for a fair presentation of our balance sheets, operating results, and cash flows for the periods presented. Operating results for the periods presented are not necessarily indicative of the results that may be expected for fiscal year 2020. Certain information and footnote disclosures normally included in condensed consolidated financial statements prepared in accordance with US GAAP have been omitted in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and accompanying notes.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of LGBTQ Loyalty Holdings, Inc. and our wholly owned subsidiaries, LGBTQ Loyalty, LLC, LifeApps Inc., Sports One Group Inc. and Loyalty Preference Index, Inc. ("LPI"), which was formed on July 24, 2019. All material inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the years reported. Actual results may differ from these estimates.

Reclassifications

The Company has reclassified certain previously reported amounts in its consolidated financial statements. Accordingly, prior year amounts were reclassified to conform to the current year presentation.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company generally maintains balances in various operating accounts at financial institutions that management believes to be of high credit quality, in amounts that may exceed federally insured limits. The Company has not experienced any losses related to its cash and cash equivalents and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. At March 31, 2020 and December 31, 2019, all of the Company's cash and cash equivalents were held at one accredited financial institution.

Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, ASC 820 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. ASC 820 defines the hierarchy as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed on the New York Stock Exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reported date. The types of assets and liabilities in Level 2 are typically either comparable to actively traded securities or contracts, or priced with models using highly observable inputs.

Level 3 – Significant inputs to pricing that are unobservable as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as complex and subjective models and forecasts used to determine the fair value of financial transmission rights and derivative liabilities.

Our financial instruments consist of cash, other current assets, accounts payables, accruals, and notes payable. The carrying values of these instruments approximate fair value because of the short-term maturities. The fair value of the Company's convertible debentures and promissory notes approximates their carrying values as the underlying imputed interest rates approximates the estimated current market rate for similar instruments. The derivative is measured as a Level 3 instrument due to the various inputs which requires significant management judgment. Refer to Note 6 for detail.

The following table is a summary of our financial instruments measured at fair value:

	Fair Value Measurements as of March 31, 2020:			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Derivative liability on convertible notes payable	$ -	$ -	$ 1,490,271	$ 1,490,271
	$ -	$ -	$ 1,490,271	$ 1,490,271

	Fair Value Measurements as of December 31, 2019:			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Derivative liability on convertible notes payable	$ -	$ -	$ 1,111,879	$ 1,111,879
	$ -	$ -	$ 1,111,879	$ 1,111,879

Other Receivables – Related Party

Other receivables represent amounts held in escrow at the Fund's custodian. The Company expects to retrieve the funds upon commencement of the Fund's operations.

Intangibles

Intangibles, which include website development costs, databases acquired, internet domain name costs, and customer lists, are being amortized over the expected useful lives which we estimate to be three to five years. In accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 350 *Intangibles – Goodwill and Other* ("ASC 350"), the costs to obtain and register internet domain names were capitalized.

Website and Software Development Costs

Website and software costs are eligible for capitalization under ASC 350-50 and ASC 985-20, Software-Costs of Software to be Sold, Leased or Marketed. These amounts are included in the consolidated balance sheets. Amortization of these costs will begin when the website becomes active.

Property and Equipment

Property and equipment consist of furniture and equipment and are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives used for financial statement purposes are 3 years.

Derivative Financial Instruments

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company's balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has a sequencing policy regarding share settlement wherein instruments with a fixed conversion price or floor would be settled first, and interest payable in shares settle next. Thereafter, share settlement order is based on instrument issuance date – earlier dated instruments settling before later dated. The sequencing policy also considers contingently issuable additional shares, such as those issuable upon a stock split, to have an issuance date to coincide with the event giving rise to the additional shares. The policy includes all shares issuable pursuant to debenture and preferred stock instruments as well as shares issuable under service and employment contracts and interest on short term loans.

Revenue Recognition

ASC Topic 606, "*Revenue from Contracts with Customers"* establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to performance obligations in the contract; and
- recognize revenue as the performance obligation is satisfied.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation - Stock Compensation*. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the option vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

The Company measures compensation expense for its non-employee stock-based compensation under ASC 505, *Equity*. The fair value of the option or warrant issued or (committed to be issued) is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock or stock award on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to stock-based compensation expense and credited to additional paid-in capital.

Income Taxes

The provision for income taxes is determined in accordance with the provisions of ASC Topic 740, *Accounting for Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740 prescribes a comprehensive model for how companies should recognize, measure, present, and disclose in their financial statements, uncertain tax positions taken or expected to be taken on a tax return. Under ASC 740, tax positions must initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

For the three months ended March 31, 2020 and 2019 we did not have any interest, penalties or any significant unrecognized uncertain tax positions.

Earnings per Share

We calculate earnings per share in accordance with ASC Topic 260 *Earnings Per Share*, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share are computed using the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share represent basic earnings per share adjusted to include the potentially dilutive effect of outstanding stock options and warrants. The diluted earnings per share were not calculated because we recorded net losses for the three months ended March 31, 2020 and 2019, and the outstanding stock options and warrants are anti-dilutive. For the three months ended March 31, 2020 and 2019, the following number of potentially dilutive shares have been excluded from diluted net loss since such inclusion would be anti-dilutive:

	Three Months Ended March 31,	
	2020	**2019**
Stock options outstanding	5,800,000	5,800,000
Warrants	7,000,000	-
Shares to be issued upon conversion of notes	190,488,453	-
	203,288,453	5,800,000

Recent Pronouncements

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's consolidated financial statements upon adoption.

Note 3. Intangible Assets

During the year ended December 31, 2019, the Company capitalized costs pertaining to the development of the LGBTQ100 ESG Index website. The Company began amortizing upon the launch of the index, and will amortize the costs over a three-year useful life.

At March 31, 2020 and December 31, 2019, intangible assets, net was $97,628 and $73,076. Amortization expense was $6,448 for the three months ended March 31, 2020.

Note 4. Notes Payable

As of March 31, 2020 and December 31, 2019, the Company has a note payable outstanding in the amount of $5,986 and $7,986, respectively. The note is past due at March 31, 2020 and is therefore in default. The note accrues interest at a rate of 2% per annum.

In January 2020, the Company issued a note payable to a lender for a principal amount of $50,000. The Company received proceeds of $47,500 and the note matured on February 5, 2020. As of March 31, 2020, the note is past due and in default.

In December 2019, the Company issued a promissory note to Pride Partners LLC ("Pride") for $75,000. The note is secured, accrues interest at a rate of 10% per annum, and matures on June 20, 2020. As of March 31, 2020, the full principal amount was outstanding.

Note 5. Convertible Notes Payable

Convertible Note

In February 2019, the holder of a March 2018 convertible promissory note in the original principal amount of $35,000 converted $26,920 in principal and $4,255 in interest into an aggregate of 26,398,704 shares of our common stock at a conversion price of $0.0015 per share. As the result of such conversions, this note has been repaid in full and terminated.

Convertible Debenture

On February 12, 2020, the Company entered into a Securities Purchase Agreement with Cavalry Fund I LP (the "Calvary Note"). Pursuant to the terms of the Calvary Note, the lender agreed to purchase from the Company, for a purchase price of $100,000, a 10% convertible note in the principal amount of $115,500. The Cavalry Note matures and becomes due and payable on November 11, 2020 and accrues interest at a rate of 10% per annum. The Calvary Note, plus all accrued but unpaid interest, may be prepaid at any time prior to the maturity date.

The Calvary Note is convertible into shares of the Company's common stock at any time at a conversion price (the "Conversion Price") equal to the lower of: (i) the lowest closing price of the common stock during the preceding twenty (20) trading day period ending on the latest complete trading day prior to the issuance date of the Note (the "Closing Price"), (ii) $0.04, or (iii) 60% of the lowest traded price for the Common Stock on the principal market on which the Common Stock is then trading during the twenty (20) consecutive trading days on which at least 100 shares of Common Stock were traded including and immediately preceding the date of conversion. Upon an event of default, the holder may elect to convert at an alternate conversion price which is the lower of: (i) the closing price of the Common Stock on the Principal Market on the Trading Day immediately preceding the issue date of the Calvary Note or (ii) 60% of either the lowest traded price or the closing bid price, whichever is lower for the common stock on the principal market during any trading day in which the event of default has not been cured. The conversion price of the Note will be further adjusted by another 15% reduction, regardless of whether there is an event of default, if (A) the Common stock is no longer a reporting company pursuant to the Securities Exchange Act of 1934, as amended, (B) the Note cannot be converted into free trading shares after 181 days from the issuance date of the Note, (C) the Common Stock is chilled for deposit at DTC or becomes chilled at any point while the Note remains outstanding, (D) deposit or other additional fees are payable due to a Yield Sign, Stop Sign or other trading restrictions, or (E) if the closing price at any time falls below $0.015. The conversion price is subject to customary adjustments. The conversion price is not subject to a floor.

On March 10, 2020, the Company entered into a Securities Purchase Agreement with Power Up Lending Group Ltd ("Power Up Note". Pursuant to the terms of the Power Up Note, the lender agreed to purchase from the Company, for a purchase price of $75,000, a 10% convertible note in the principal amount of $85,800. The Power Up Note matures and becomes due and payable on March 10, 2021 and accrues interest at a rate of 10% per annum. The Power Up Note, plus all accrued but unpaid interest, may be prepaid at any time prior to the maturity date.

The Power Up Note is convertible into shares of the Company's common stock at any time at a conversion price (the "Conversion Price"), which shall equal the Variable Conversion Price. The "Variable Conversion Price" shall mean 60% multiplied by the Market Price, which is the lowest Trading Price for the common stock during the twenty (20) trading day period ending on the latest complete trading day prior to the conversion date. The conversion price is subject to customary adjustments. The conversion price is not subject to a floor.

During the three months ended March 31, 2020, the Company recorded amortization of debt discount and original discount of $202,239 for all convertible debentures. This amount is included in interest expense in our consolidated statements of operations.

The following is a summary of the activity of the convertible notes payable and convertible debenture for the three months ended March 31, 2020:

		Total
Balance as of December 31, 2019	$	363,769
Issuance of convertible debenture - principal amount		201,300
Issuance of convertible debenture - debt discount and original issue discount		(201,300)
Amortization of debt discount and original issue discount		202,239
Balance as of March 31, 2020	$	566,008

The following comprises the balance of the convertible debenture outstanding at March 31, 2020 and December 31, 2019:

		March 31, 2020		December 31, 2019
Principal amount outstanding	$	1,279,390	$	1,078,090
Less: Unamortized original issue discount		(62,571)		(62,779)
Less: Unamortized debt discount		(650,811)		(651,542)
	$	566,008	$	363,769

Note 6. Derivative Liability

We evaluated the terms of the conversion features of the debentures in accordance with ASC Topic No. 815 - 40, *Derivatives and Hedging - Contracts in Entity's Own Stock*, and determined they are indexed to the Company's common stock and that the conversion features meet the definition of a liability. Therefore, we bifurcated the conversion feature and accounted for it as a separate derivative liability.

To determine the fair value of our embedded derivatives, management evaluates assumptions regarding the probability of certain future events. Other factors used to determine fair value include our period end stock price, historical stock volatility, risk free interest rate and derivative term. The fair value recorded for the derivative liability varies from period to period. This variability may result in the actual derivative liability for a period either above or below the estimates recorded on our consolidated financial statements, resulting in significant fluctuations in other income (expense) because of the corresponding non-cash gain or loss recorded.

We value the conversion feature at origination of the notes using the Black-Scholes valuation model. We value the derivative liability at the end of each accounting period, and upon conversion of the underlying note or warrant, with the difference in value recognized as gain or loss included in other income (expense) in our consolidated statements of operations.

The original debentures had conversion features that resulted in derivative liabilities. We valued the conversion features at each origination date with the following assumptions, on a weighted-average basis:

		Three Months Ended March 31, 2020
Risk-free interest rate		1.04%
Expected term (in years)		0.86
Expected volatility		154.3%
Expected dividend yield		0%
Exercise price of underlying common shares	$	0.02

	Year Ended December 31, 2019							
		Tranche 1		Tranche 2		Tranche 3		Warrants
Risk-free interest rate		2.11%		1.75%		1.67%		2.11%
Expected term (in years)		1.25		1.03		0.89		1.25
Expected volatility		312.4%		303.70%		326.88%		312.4%
Expected dividend yield		0%		0%		0%		0%
Exercise price of underlying common shares	$	0.09	$	0.04	$	0.04	$	0.08

During the three months ended March 31, 2020, the entire value of the principal of the debentures were assigned to the derivative liability and recognized as a debt discount on the convertible debentures. The debt discount is recorded as reduction (contra-liability) to the debentures and are being amortized over the initial term. The balance of $118,191 was recognized as origination interest on the derivative liability and expensed on origination. In accordance with the Company's sequencing policy, shares issuable pursuant to the convertible debentures would be settled subsequent to the Company's Series B preferred stock.

The following is a summary of the activity of the derivative liability for the three months ended March 31, 2020:

		Debenture		**Warrants**		**Total**
Balance as of December 31, 2019	$	1,047,977	$	63,902	$	1,111,879
Initial fair value on issuance of convertible debenture		293,192		-		293,192
New warrant issuances		-		39,690		39,690
Common stock warrant exercises		-		(72,431)		(72,431)
Change in fair value of derivative liability		149,102		(31,348)		117,754
Balance as of March 31, 2020	$	1,490,271	$	-	$	1,490,271

Note 7. Stockholders' Equity

Common Stock

2020 Transactions

In January 2020, we issued 294,994 shares of common stock to a bridge noteholder in connection with promissory notes received.

In January 2020, we issued 6,662,312 shares to a consultant for 2019 services which were accrued at a fair value of $318,000.

In March 2020, we issued 1,000,000 shares to Orlando Reece pursuant to his appointment to the Board of Directors.

During the three months ended March 31, 2020, we issued an aggregate of 4,170,000 shares of common stock to Pride Partners pursuant to warrant exercises. Refer to Note 8.

2019 Transactions

In January 2019, we entered into and closed a securities exchange under a Securities Exchange Agreement (the "Securities Exchange Agreement") with LGBT Loyalty LLC ("LGBT Loyalty") and Maxim Partners, LLC ("Maxim"), pursuant to which we acquired all of the membership interests of LGBT Loyalty, making LGBT Loyalty a wholly owned subsidiary of ours, in exchange for 120,959,996 shares (the "Shares") of our restricted common stock and one share of our newly created Series A Convertible Preferred Stock (the "Series A Preferred Stock"). The Shares issued to Maxim represented, upon issuance, 49.99% of our then issued and outstanding shares of common stock. On March 29, 2019 an additional 8,598,578 shares were issued to Maxim for the conversion of the Series A Convertible Preferred Stock. LGBT Loyalty has no assets, liabilities nor operations at the exchange date, therefore, the value ascribed to the issued stock ($388,675) has been charged to operations as expenses of the merger.

In February 2019, we issued an aggregate of 750,000 shares of common stock to a consultant in accordance with a service contract that provided for a 250,000 share stock grant for services performed of $7,500, as well as the exercise of 500,000 stock options in exchange for the cancellation of $5,000 then outstanding accounts payable due to the consultant for prior services.

In March 2019, we issued an aggregate of 8,600,298 shares of our common stock pursuant to the automatic exercise of warrants issued to two current and prior company officers.

In March 2019, we issued an aggregate of 3,000,000 shares of common stock to three unrelated individuals in accordance with their appointment as directors of the Company.

During the three months ended March 31, 2019, we issued 26,398,704 shares of our common stock to a lender pursuant to note conversions.

Series B Convertible Preferred Stock

As of March 31, 2020, we had $10,350 in remaining accrued Series B dividends.

Note 8. Options and Warrants

Options

As of March 31, 2020 and December 31, 2019, we had 5,800,000 options remaining outstanding pursuant to the 2012 Equity Incentive Plan.

There was no stock based compensation expense for options for the three months ended March 31, 2020 and 2019. There will be no additional compensation expense recognized in future periods.

Warrants

During the three months ended March 31, 2020, Pride exercised an aggregate of 4,170,000 shares of common stock pursuant to the exercise provisions of the warrant, including a simultaneous grant and exercise of 2,285,000 warrants. As of March 31, 2020, Pride had no outstanding warrants remaining. The Company received total proceeds of $93,342 a result of the warrant exercises.

On January 25, 2019 we issued warrants to two Company executives in exchange for the cancellation of an aggregate of $348,312 of salary and interest accruals through December 31, 2018. The warrants were fully exercised as described in Note 7 above.

The following is a summary of the warrant activity for the three months ended March 31, 2020:

	Warrants		Weighted Average Exercise Price
Outstanding as of December 31, 2019	8,885,000	$	0.04
Granted	2,285,000		0.08
Exercised	(4,170,000)		0.08
Forfeited	-		-
Outstanding as of March 31, 2020	7,000,000	$	0.03

Note 9. Related Party Transactions

Parties, which can be a corporation or an individual, are considered to be related if we have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Notes Payable to Related Party

Notes payable to related parties at March 31, 2020 and December 31, 2019 totaled $17,885 with a 2% annual interest rate. Currently the Company has defaulted on all of their related party loan obligations. Forbearance has been granted by the related parties on all loans.

Accrued Salaries

In March 2019, we issued an aggregate of 8,600,298 shares of our common stock pursuant to the automatic exercise of warrants issued to two current and prior company officers. The warrants were issued in exchange for the cancellation of an aggregate of $348,312 of salary and interest accruals through December 31, 2018.

As of March 31, 2020 and December 31, 2019, accrued salaries to our company officers and executive director totaled $171,352 and $91,352, respectively, and is included in accrued salaries and consulting fees in our consolidated balance sheets.

Board of Directors

In March 2020, the Company issued 1,000,000 shares to Orlando Reece pursuant to his appointment to the board, and recognized $17,800 in compensation expense. In March 2019, we issued an aggregate of 3,000,000 shares of common stock to three unrelated individuals in accordance with their appointment as directors of the Company, and recognized $313,600 in compensation expense.

Total accrued directors' compensation of $123,750 and $80,000 at March 31, 2020 and December 31, 2019, respectively, is included in accrued salaries and consulting fees on our consolidated balance sheets.

As of March 31, 2020 there is an aggregate of 7,000,000 warrants outstanding to the board of directors.

A board member is the co-founder and president of ProcureAM, LLC, the fund advisor for the Fund. As of March 31, 2020 and December 31, 2019, we have $100,000 included as other receivables of on our consolidated balance sheet, which represents amounts held in escrow at the Fund's custodian.

Note 10. Subsequent Events

Management has evaluated all activity up to July 6, 2020 and concluded that no subsequent events have occurred that would require recognition in these financial statements or disclosure in the notes to these financial statements other than the following:

In April 2020, a Series B investor converted 25,000 shares of Series B Preferred Stock for 958,333 shares of common stock.

In May 2020, the Company cancelled the outstanding warrants and issued an aggregate of 8,000,000 shares of common stock to the board members.

On May 26, 2020, we entered into a Securities Purchase Agreement (the "SPA") with an unrelated entity. Pursuant to the terms of the SPA, the Purchaser agreed to purchase from the Company, for a purchase price of $75,000, a 10% Convertible Note (the "Note") in the principal amount of $85,800. The Note matures and becomes due and payable on May 26, 2021 and accrues interest at a rate of 10% per annum (increasing to 22% upon an event of default) while the Note remains outstanding. The Note, plus all accrued but unpaid interest and other amounts due on the Note, may be prepaid, at varying amounts, at any time prior to the maturity date. The Note is convertible into shares of the Company's common stock at any time at a conversion price (the "Conversion Price"), which shall equal the Variable Conversion Price (as defined herein) (subject to equitable adjustments by the Company relating to the Company' securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The "Variable Conversion Price" shall mean 60% multiplied by the Market Price (as defined herein) (representing a discount rate of 40%). "Market Price" means the lowest Trading Price (as defined below) for the Common Stock during the twenty (20) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date. The conversion price is subject to customary adjustments. The conversion price is not subject to a floor.

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

The following discussion should be read in conjunction with the financial information included elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"), including our unaudited condensed consolidated financial statements as of March 31, 2020 and for the three months ended March 31, 2020 and 2019 and the related notes. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations section to "us," "we," "our," and similar terms refer to LGBTQ Loyalty Holdings, Inc., a Delaware corporation. This discussion includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Words such as "anticipate," "estimate," "plan," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements.

We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risk factors in Item 2.01 in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission (the "SEC") on May 14, 2020. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Business Overview

On January 25, 2019, we acquired LGBT Loyalty LLC, a New York limited liability company, with the goal of creating the first LGBTQ Loyalty Preference Index ETF (the "Index ETF") to provide the LGBTQ community with the power to influence the allocation of capital within a financial Index ETF based upon LGBTQ consumer preferences. The Index ETF is intended to link the growing economic influence of the LGBTQ community and their allies with many of the top Fortune 500 companies that support and implement diversity, inclusion and equality policies within their organizations. The incorporation of diversity and inclusion in a company's recruitment and human resource policies is becoming a key concern to investors as part of their growing focus on ESG allocations. Our data and analytics unequivocally reinforce that corporations that have embraced diversity and inclusion policies within their corporate culture perform at a higher level financially than their peers. This includes advancing a more invigorated workforce that attracts and retains the best talent. Innovation and agility have been identified as great benefits of diversity, and there is an increasing awareness of what has come to be known as 'the power of difference'.

On October 30, 2019, through our wholly-owned subsidiary Loyalty Preference Index, Inc. ("LPI") and our strategically aligned partnerships with crowd sourced data and analytic providers, we launched the LGBTQ100 ESG Index which integrates LGBTQ community survey data into the methodology for a benchmark listing of the nation's highest financially performing large-cap publicly listed corporations that our respondents believe are most committed to advancing equality. LPI is the index provider for the LGBTQ + ESG100 ETF; LGBTQ Loyalty was the Sponsor for the prospectus that was filed by the highly regarded licensed Fund Adviser ProcureAM, a wholly owned subsidiary of Procure Holdings, LLC., which is through our platform service agreement ("PSA"), and was approved by the Securities and Exchange Commission ("SEC") in early January 2020. The LGBTQ + ESG100 ETF (the "Fund") seeks to track the investment results (before fees and expenses) of the LGBTQ100 ESG Index. The Fund earns management fees based on assets under management ("AUM") and is expected to launch in Q3-2020 on the NASDAQ.

LGBTQ Loyalty has generated an abundance of media coverage for our premier LGBTQ Index product with the launch and listing on NYSE of the LGBTQ100 ESG Index. The exclusive media launch with Bloomberg Media was instrumental in propelling the LGBTQ100 brand to center stage overnight in the financial sector. In addition, LGBTQ Loyalty was featured at the Inside ETFs Summit in early 2020 with Board Members, Barney Frank and Billy Bean speaking on the "The Power of Inclusion & Equality" for investors. Our media strategy objective is to lay the groundwork for additional high-profile positioning of the brand as we work to achieve the desired increased financial media coverage and growth in AUM valuation for our company and shareholders.

Our Products

Our mission is to build a sustainable and well recognized brand focused on unlocking the growing purchasing power of the LGTBQ community globally by offering a robust LGBTQ Index and core ETF portfolio that attracts key institutional investors and corporations.

At the nucleus of our LGBTQ Loyalty Preference Index is our partner-driven Crowd Preference Index Methodology (CPIM) which disrupts ESG investing. This is achieved through an elevated screening process of financial performance data and ESG standards and practices, whereby LGBTQ community data on diversity and inclusion compliance directly impacts corporate financial results and transparently identifies and recognizes high performance companies who have consistently outperformed the S&P 500 index or equivalent sector standards and norms.

We intend to extend the LGBTQ Loyalty Index brand with future plans to develop indices with a focus on the 'Social' component of ESG utilizing our proprietary financial slogan of "Advancing Equality" within other gender, minority interest groups.

Revenue

The Company focus in 2019 was to create and launch our first of many financial Index products through an equality driven thematic ESG screened and alpha performance benchmark. The Company achieved this through its LGBTQ100 ESG Index listing and performance on the NYSE starting on October 30, 2019. In 2020 our collective efforts and focus is to monetize and scale our model by capturing recurring revenue streams through our current financial Index product. Our goal is to accelerate our revenue pursuits through our partnership and licensed relationships to achieve a break-even point when we have secured AUM benchmarked against the LGBTQ100 Index in excess of $50,000,000.

We intend to introduce a new key partnered revenue source derived from Direct Index Licensing Fees generated by financial institutions and asset management companies for creating a product (e.g. , Index Funds, Structured Financial Products, Turnkey Asset Management Providers) based on or linked to the LGBTQ100 index. This includes fees to use the LGBTQ100 index to track the performance of funds or as benchmarks for actively managed portfolios. We plan to capture Data Subscriptions which could provide recurring subscription revenue from our LGBTQ Index. This includes ongoing and historical data and information generated by our wholly owned division Loyalty Preference Index, Inc., and through our strategic partnerships for new potential financial equality-driven Indices.

New initiatives in 2020 include a plan to create ancillary revenue streams to complement and support this unique platform for the top 100 Equality driven Corporations in America represented in the LGBTQ100 Index. We believe our index will reward and elevate the status of those corporations that have adopted diversity and inclusion best practices, cared for their employees and positively impacted LGBTQ communities. Expert LGBTQ economists have repeatedly stressed the value of the LGBTQ brand loyalty to corporations. We consider the companies that best capture the spending trends and loyalty of the LGBTQ consumer will be better positioned for financial growth and success. Given the opportunity to link to the power and status generated between the LGBTQ community, these companies and their own workforce, we will launch a Partner Loyalty Program which includes benefits afforded to defined sponsorship tiers. The LGBTQ Loyalty Sponsorship is designed to attract the significant marketing dollars Fortune 500 companies are allocating to D&I programs with an opportunity to purchase LGBTQ Loyalty Sponsorship packages, including participation and brand exposure at planned conferences and events. Companies will be offered the opportunity to purchase LGBTQ Loyalty Sponsorship packages starting in Q2-2020.

Our initial investments in creating a high performing product with a well-recognized brand have been established. As we begin to move into planning for the post-COVID-19 world, we will now shift our efforts to cultivate new revenue stream opportunities while building AUM as we construct a profitable business platform.

We have achieved no revenues to date from our LGBTQ related operations and have been focused on building our product and achieving performance results and media branding over the course of the past twelve months. There are no assurances that can be given that we will achieve revenues or profitability in the future.

Critical Accounting Policies and Estimates

Going Concern

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which contemplates our continuation as a going concern. As of March 31, 2020, we have incurred losses to date of $10,054,580 and have negative working capital of $3,461,248. To date we have funded our operations through advances from a related party, issuance of convertible debt, and the sale of our common stock. We intend to raise additional funding through third party equity or debt financing. There is no certainty that funding will be available as needed. These factors raise substantial doubt about our ability to continue operating as a going concern. Our ability to continue our operations as a going concern, realize the carrying value of our assets, and discharge our liabilities in the normal course of business is dependent upon our ability to raise capital sufficient to fund our commitments and ongoing losses, and ultimately generate profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheets and revenues and expenses during the years reported. Actual results may differ from these estimates.

Derivative Financial Instruments:

The Company has financial instruments that are considered derivatives or contain embedded features subject to derivative accounting. Embedded derivatives are valued separately from the host instrument and are recognized as derivative liabilities in the Company’s balance sheet. The Company measures these instruments at their estimated fair value and recognizes changes in their estimated fair value in results of operations during the period of change. The Company has a sequencing policy regarding share settlement wherein instruments with a fixed conversion price or floor would be settled first, and interest payable in shares settle next. Thereafter, share settlement order is based on instrument issuance date – earlier dated instruments settling before later dated. The sequencing policy also considers contingently issuable additional shares, such as those issuable upon a stock split, to have an issuance date to coincide with the event giving rise to the additional shares. The policy includes all shares issuable pursuant to debenture and preferred stock instruments as well as shares issuable under service and employment contracts and interest on short term loans.

Results of Operations

Three months ended March 31, 2020 compared with the three months ended March 31, 2019

Revenues for the three months ended March 31, 2020 and 2019 were $560 and $2,064, respectively. Revenues were primarily from the sale of sports apparel and health and fitness products. We continue to have a limited number of apps in the Apple App store.

The following is a breakdown of our operating expenses for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Change $	Change %
Personnel costs	$ 214,955	$ 431,663	$ (216,708)	-50%
Consulting fees	74,500	-	74,500	100%
Legal and professional fees	126,995	167,008	(40,013)	-24%
Merger costs	-	388,675	(388,675)	100%
Sales and marketing	7,545	-	7,545	100%
General and administrative	49,992	45,716	4,276	9%
Depreciation and amortization	6,448	-	6,448	100%
	$ 480,435	$ 1,033,062	$ (552,627)	-53%

Personnel costs include officer salaries, directors' compensation and deferred officer compensation. The decrease in personnel costs is primarily due to compensation associated with the formation of our board of directors in the first quarter 2019.

Consulting fees were $74,500 in the three months ended March 31, 2020, primarily due to our expanded operations and efforts to launch the LGBTQ100 ESG Index and LGBTQ + ESG100 ETF.

Legal and professional fees decreased by $40,013, primarily because of the Maxim transaction in 2019.

Merger costs represents expenses incurred upon the acquisition of LGBT Loyalty LLC in March 2019.

Sales and marketing expenses were $7,545, which included advertising and marketing efforts as we initiated our new business plans.

General and administrative expenses increased by $4,276 in 2020 due to the increased activity in our operations, including travel, insurance and rent.

Depreciation and amortization expense was $6,448 in the three months ended March 31, 2020, which represents amortization on our index development costs.

The following is a breakdown of our other income (expenses) for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Change $	Change %
Interest (expense) income	$ (360,839)	$ 10,549	(371,389)	-3521%
Change in derivative liability	(117,754)	(695,719)	577,965	-83%
	$ (478,594)	$ (685,170)	$ 206,576	-30%

Interest expense increased by $371,389 in the three months ended March 31, 2020, primarily attributable to origination interest and amortization of debt discount in connection with our convertible debentures.

Change in derivative liability includes the mark-to-market adjustment of the derivative liability in connection with our convertible debenture.

Net loss was $958,468 and $1,716,168 for the three months ended March 31, 2020 and 2019, respectively.

Liquidity and Capital Resources

Historically, we have been financed through advances from related parties, issuances of convertible debt, and the sale of our common and preferred stock. Our existing sources of liquidity will not be sufficient for us to implement our business plans. There are no assurances that we will be able to raise additional capital as and when needed. As of March 31, 2020, we had $2,258 in cash on hand. Based on our current planned expenditures, we will require approximately $2.5 million over the next 12 months. Our existing sources of liquidity may not be sufficient for us to implement our continuing business plan. Our need for future capital will be dependent upon the speed at which we expand our product offerings. There are no assurances that we will be able raise additional capital as and when needed.

As of March 31, 2020, we had a working capital deficit of $3,461,248 as compared to a working capital deficit of $2,947,531 at December 31, 2019.

During the three months ended March 31, 2020 and 2019, operations used and provided cash of $295,772 and $601,806, respectively.

During the three months ended March 31, 2020, net cash used in investing activities was $31,000, primarily attributable to capitalized costs pertaining to the development of the LGBTQ100 ESG Index and ETF website.

From February to March 2020, we received $175,000 in proceeds from the issuance of two convertible debentures. In January 2020, we received $47,500 pursuant to a bridge note agreement. We also received $93,343 from the exercise of warrants.

During the three months ended March 31, 2019 we repaid notes of $514.

We will continue to seek out additional capital in the form of debt or equity under the most favorable terms we can find.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) and are not required to provide the information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) (the Company’s principal financial and accounting officer), of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures are not effective due to a lack of audit committee and segregation of duties caused by limited personnel to ensure that information required to be disclosed by the Company in the reports that the Company 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 the Company’s management, including the Company’s CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Management believes that the material weakness set forth above did not have an effect on our financial results.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no pending, nor to our knowledge threatened, legal proceedings against us.

ITEM 1A. RISK FACTORS

For information regarding risk factors, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on May 14, 2020, which may be accessed via EDGAR through the Internet at www.sec.gov.

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

Recent Sales of Unregistered Securities

In April 2020, we issued 90,216 and 958,333 shares of common stock to a Series B Preferred Stock investor for accrued dividends and conversion of 25,000 shares of the Series B Preferred Stock.

In April 2020, we issued an aggregate of 3,942,160 shares of common stock to seven individuals consisting of active and former Board of Directors members pursuant to monthly compensation as defined in the director compensation agreements.

In June 2020, we issued an aggregate of 8,000,000 shares of common stock to the board of directors as annual compensation for appointment on the board.

In June 2020, we issued an aggregate of 14,529,273 shares of common stock to executives, employees and consultants for services performed.

Other than what has previously been disclosed in public filings, there are no new sales of unregistered securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

We are in default under a $20,000 Promissory Note dated May 20, 2017 that became due on August 31, 2017. We have entered into a payment plan with the payee thereunder wherein we are making monthly cash payments to reduce the outstanding balance due. At March 31, 2020 the outstanding balance was approximately $5,986.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* This certification is being furnished and shall not be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

In accordance with 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.

LGBTQ LOYALTY HOLDINGS, INC.

July 6, 2020

By: */s/ Robert A. Blair*

Robert A. Blair, Chief Executive Officer

SIGNATURES

In accordance with 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.

	LGBTQ LOYALTY HOLDINGS, INC.
July 6, 2020	By: */s/ Eric Sherb*
	Eric Sherb, Chief Financial Officer

EXHIBIT 31.1

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert A. Blair, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LGBTQ Loyalty Holdings, Inc.;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly 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: July 6, 2020

By: */s/ Robert A. Blair*
Robert A. Blair
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification of Principal Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Eric Sherb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LGBTQ Loyalty Holdings, Inc.;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an quarterly 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: July 6, 2020

By: */s/ Eric Sherb*
Eric Sherb
Chief Financial Officer
(Principal Financial 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 the Quarterly Report of LGBTQ Loyalty Holdings, Inc. (the "Company") on Form 10-Q, for the fiscal quarter ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Blair, Chief Executive Officer of LGBTQ Loyalty Holdings, Inc., certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 6, 2020

By: */s/ Robert A. Blair*
Robert A. Blair
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 the Quarterly Report of LGBTQ Loyalty Holdings, Inc. (the "Company") on Form 10-Q, for the fiscal quarter ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Sherb, Chief Financial Officer of LGBTQ Loyalty Holdings, Inc., certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 6, 2020

By: */s/ Eric Sherb*
Eric Sherb
Chief Financial Officer
(Principal Financial Officer)