ACCELERIZE NEW MEDIA INC
Form 10-Q
August 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2014**

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

For the transition period from ________ to ________

Commission File Number: **000-52635**

ACCELERIZE NEW MEDIA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3858769**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20411 SW BIRCH STREET, SUITE 250

NEWPORT BEACH

CALIFORNIA 92660

(Address of principal executive offices)

(949) 515 2141

(Registrant's Telephone Number, including Area Code)

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

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if smaller reporting company)	Smaller reporting company [X]

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

The number of shares outstanding of the registrant's Common Stock, $0.001 par value per share, as of August 12, 2014, was 61,200,829.

When used in this quarterly report, the terms "Accelerize," "the Company," "we," "our," and "us" refer to Accelerize New Media, Inc., a Delaware corporation.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This quarterly report on Form 10-Q contains certain forward-looking statements. Forward-looking statements may include our statements regarding our goals, beliefs, strategies, objectives, plans, including product and service developments, future financial conditions, results or projections or current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other comparable terminology. For example, when we discuss our expectations that our revenues will increase in 2014, our expansion plans, our intention to deliver a multi-channel marketing hub, our proposed new products, our intentions to grow revenues by investing in sales and marketing efforts, and our spending on research and development, training, account management and support personnel, we are using forward looking statements. These statements are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those contemplated by the forward-looking statements. These factors include, but are not limited to, our ability to implement our strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. The business and operations of Accelerize New Media, Inc. are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Further information on potential factors that could affect our business is described under “Item 1A. Risk Factors” in our annual report on Form 10-K as filed with the Securities and Exchange Commission, or the SEC, on March 25, 2014. Readers are also urged to carefully review and consider the various disclosures we have made in this report and in our annual report on Form 10-K.

ACCELERIZE NEW MEDIA, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ACCELERIZE NEW MEDIA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2014 (Unaudited)	December 31, 2013
Current Assets:		
Cash	$1,421,163	$1,157,315
Accounts receivable, net of allowance for bad debt of $38,444 and $59,072	1,587,710	1,041,671
Prepaid expenses and other assets	39,712	85,026
Total current assets	3,048,585	2,284,012
Property and equipment, net of accumulated depreciation of $416,801 and $171,856	1,009,855	756,696
Customer relationships, net of accumulated amortization of $370,371 and $37,037	629,629	962,963
Deferred financing costs, net of accumulated amortization of $3,750	43,317	-
Other assets	38,006	-
Total assets	$4,769,392	$4,003,671
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$1,687,167	$1,703,007
Deferred revenues	45,304	83,311
Line of credit	1,000,000	-
Total current liabilities	2,732,471	1,786,318
Stockholders' Equity:		
Common stock; $0.001 par value; 100,000,000 shares authorized; 60,620,256 and 58,394,975 shares issued and outstanding	60,618	58,394
Additional paid-in capital	18,797,324	17,908,278
Accumulated deficit	(16,823,420)	(15,749,319)
Accumulated other comprehensive gain	2,399	-
Total stockholders’ equity	2,036,921	2,217,353
Total liabilities and stockholders’ equity	$4,769,392	$4,003,671

See Notes to Unaudited Condensed Consolidated Financial Statements.

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ACCELERIZE NEW MEDIA, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2014	2013	2014	2013
Revenues:	$3,906,409	$2,259,395	$7,333,606	$4,422,802
Operating expenses:				
Cost of revenue	1,108,112	491,212	1,897,211	961,695
Research and development	757,868	434,365	1,334,654	814,982
Sales and marketing	1,910,650	764,730	3,533,099	1,380,577
General and administrative	841,198	535,494	1,644,366	1,051,777
Total operating expenses	4,617,828	2,225,801	8,409,330	4,209,031
Operating (loss) income	(711,419)	33,594	(1,075,724)	213,771
Other income (expense):				
Interest income	7,044	1,078	7,044	14,745
Interest expense	(2,112)	(14,495)	(5,421)	(33,121)
	4,932	(13,417)	1,623	(18,376)
(Loss) income from continuing operations	(706,487)	20,177	(1,074,101)	195,395
Discontinued operations				
Gain from the disposal of discontinued operations	-	38,611	-	100,361
Income from discontinued operations, net	-	38,611	-	100,361
Net (loss) income	$(706,487)	$58,788	$(1,074,101)	$295,756
Earnings per share:				
Basic				
Continuing operations	$(0.01)	$-	$(0.02)	$-
Discontinued operations	$-	$-	$-	$-
Net (loss) income per share	$(0.01)	$-	$(0.02)	$0.01
Diluted				
Continuing operations	$(0.01)	$-	$(0.02)	$-
Discontinued operations	$-	$-	$-	$-
Net (loss) income per share	$(0.01)	$-	$(0.02)	$-
Basic weighted average common shares outstanding	60,026,430	56,644,643	59,401,930	56,337,069

Diluted weighted average common shares outstanding	60,026,430	75,346,900	59,401,930	72,369,773

See Notes to Unaudited Condensed Consolidated Financial Statements.

ACCELERIZE NEW MEDIA, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Three-month periods ended June 30, 2014	2013	Six-month periods ended June 30, 2014	2013
Net (loss) income	$(706,487)	$58,788	$(1,074,101)	$295,756
Foreign currency translation gain (loss)	1,069	86	2,399	(1,195)
Total other comprehensive gain (loss)	1,069	86	2,399	(1,195)
Comprehensive (loss) income	(705,418)	58,874	(1,071,702)	294,561

See Notes to Unaudited Condensed Consolidated Financial Statements.

ACCELERIZE NEW MEDIA, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six-month periods ended June 30	
	2014	2013
Cash flows from operating activities:		
Net (loss) income from continuing operations	$(1,074,101)	$195,395
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	578,278	27,837
Amortization of debt discount	3,750	17,858
Provision for bad debt	(20,628)	7,186
Fair value of services in lieu of proceeds from note receivable	-	120,250
Fair value of options	287,985	251,235
Amortization of original issuance discount	-	(11,889)
Changes in operating assets and liabilities:		
Accounts receivable	(525,412)	(202,508)
Other assets	(38,006)	(9,439)
Prepaid expenses	45,314	(49,674)
Accounts payable and accrued expenses	9,160	(42,361)
Deferred revenues	(38,007)	26,638
Net cash (used in) provided by continuing operations	(771,667)	330,528
Net cash provided by discontinued operations	-	-
Net cash (used in) provided by operating activities	(771,667)	330,528
Cash flows provided by (used in) investing activities:		
Proceeds from sale of lead generation business	-	80,000
Capitalized software for internal use	(311,106)	-
Capital expenditures	(186,997)	(66,416)
Net cash (used in) provided by investing activities	(498,103)	13,584
Cash flows provided by (used in) financing activities:		
Principal repayments on notes payable	-	(90,000)
Proceeds from line of credit, net	1,000,000	-
Payment of financing costs	(40,000)	-
Net proceeds from exercise of warrants	571,219	421,996
Net cash provided by financing activities	1,531,219	331,996
Effect of exchange rate changes on cash	2,399	(1,394)
Net increase in cash	263,848	674,714
Cash, beginning of period	1,157,315	231,926

Cash, end of period	$1,421,163	$906,640
Supplemental disclosures of cash flow information:		
Cash paid for interest	$-	$22,205
Cash paid for income taxes	$-	$-
Non-cash investing and financing activities:		
Fair value of warrants issued in connection with line of credit	$32,067	$19,889

See Notes to Unaudited Condensed Consolidated Financial Statements.

ACCELERIZE NEW MEDIA, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND DESCRIPTION OF BUSINESS

Accelerize New Media, Inc., a Delaware corporation, incorporated on November 22, 2005, owns and operates CAKE, a marketing technology Software-as-a-Service, or SaaS, company, providing online tracking, attribution and analytics solutions for advertisers and online marketers.

The Company provides software solutions and services for businesses interested in expanding their online advertising spend.

The condensed consolidated balance sheet presented as of December 31, 2013 has been derived from our audited consolidated financial statements. The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to those rules and regulations, but we believe that the disclosures are adequate to make the information presented not misleading. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the SEC on March 25, 2014. In the opinion of management, all adjustments, consisting of normal, recurring adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results of operations for the three and six-month period ended June 30, 2014 are not necessarily indicative of the results for the year ending December 31, 2014.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the results of operations of Cake Marketing UK Ltd., or the Subsidiary. All material intercompany accounts and transactions between the Company and the Subsidiary have been eliminated in consolidation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting amounts of revenues and expenses during the reported period. Actual results will differ from those estimates. Included in these estimates are assumptions about collection of accounts receivable, useful life of fixed assets and intangible assets, and assumptions used in Black-Scholes-Merton, or BSM, valuation methods, such as expected volatility, risk-free interest rate, and expected dividend rate.

Reclassification

The financial statements for the three and six-month periods ended June 30, 2013 have been reclassified to reflect certain training and account management expenses as cost of revenues and sales and marketing expenses separately from our general and administrative expenses as well as to allocate certain unallocated general and administrative expenses to the Company's functional areas.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

The Company’s accounts receivable are due primarily from advertisers and marketers. Collateral is currently not required. The Company also maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company’s customers to make payments. The Company periodically reviews these estimated allowances, including an analysis of the customers’ payment history and creditworthiness, the age of the trade receivable balances and current economic conditions that may affect a customer’s ability to make payments as well as historical collection trends for its customers as a whole. Based on this review, the Company specifically reserves for those accounts deemed uncollectible or likely to become uncollectible. When receivables are determined to be uncollectible, principal amounts of such receivables outstanding are deducted from the allowance.

	June 30, 2014	December 31, 2013
Allowance for doubtful accounts	$38,444	$ 59,072

Concentration of Credit Risks

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents and accounts receivable.

The Company’s cash and cash equivalents accounts are held at a financial institution and are insured by the Federal Deposit Insurance Corporation, or the FDIC, up to $250,000. During the six-month period ended June 30, 2014, the Company has reached bank balances exceeding the FDIC insurance limit. To reduce its risk associated with the failure of such financial institutions, the Company periodically evaluates the credit quality of the financial institution in which it holds deposits.

The Company's accounts receivable are due from customers, generally located in the United States, Europe, Asia, and Canada. None of the Company’s customers accounted for more than 10% of its accounts receivable at June 30, 2014 or December 31, 2013. The Company does not require any collateral from its customers.

Revenue Recognition

The Company recognizes revenue on arrangements in accordance with ASC Topic 605, Revenue Recognition. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectability of the resulting receivable is reasonably assured.

The Company’s SaaS revenues are generated from implementation and training fees and a monthly license fee, supplemented by per transaction fees paid by customers for monthly platform usage. The initial term of the customer contract is generally one year and each party may cancel the contract within that period with 30-days’ prior notice. The Company does not provide any general right of return for its delivered items. Services associated with the implementation and training fees have standalone value to the Company’s customers, as there are third-party vendors who offer similar services to the Company’s services. Accordingly, they qualify as separate units of accounting. The Company allocates a fair value to each element deliverable at the recognition date and recognizes such value when the services are provided. The Company bases the fair value of the implementation and training fees on third-party evidence and the monthly license fee on vendor-specific objective evidence. Fees charged by third-party vendors for implementation and training services do not vary significantly from the fees charged by the Company. Services associated with implementation and training fees are generally rendered within a month from the initial contract date. The value attributed to the monthly license fees as well as the fees associated with monthly transaction-based platform usage are recognized in the corresponding period.

Product Concentration

The Company generates its revenues from software licensing, usage, and related transaction fees.

Fair Value of Financial Instruments

The Company accounts for assets and liabilities measured at fair value on a recurring basis in accordance with ASC Topic 820, Fair Value Measurements and Disclosures, or ASC 820. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1:	Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
Level 2:	Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3:	Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’s own assumptions.

Additional Disclosures Regarding Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and lines of credit approximate their fair value due to the short term maturity of these items.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, Accounting for Derivative Instruments and Hedging Activities, or ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with ASC 470-20, Debt with Conversion and Other Options. Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40, Contracts in Entity's own Equity, provides that, among other things, generally, if an event is not within the entity's control, such contract could require net cash settlement and shall be classified as an asset or a liability.

The Company needs to determine whether the instruments issued in the transactions are considered indexed to the Company's own stock. While the Company's 12% convertible promissory notes, or 12% Convertible Notes Payable, and the warrants issued in connection with the Company's 12% note payable, or 12% Note Payable, did not provide variability involving sales volume, stock index, commodity price, revenue targets, among other things, they did provide for variability involving future equity offerings and issuance of equity-linked financial instruments. While the instruments did not contain an exercise contingency, the settlement of the 12% Convertible Notes Payable and the warrants issued in connection with the 12% Note Payable would not equal the difference between the fair value of a fixed number of shares of the Company's Common Stock and a fixed stock price. Accordingly, they are not indexed to the Company's stock price.

However, the Company believes that there is no value to the derivative liabilities associated with such instruments at June 30, 2014 and December 31, 2013. The Company's obligations under its 12% Convertible Notes Payable and the warrants issued in connection with the 12% Note Payable have been satisfied without issuing additional consideration to the holders.

Advertising

The Company expenses advertising costs as incurred.

	Six-month periods ended,	
	June 30, 2014	June 30, 2013
Advertising expense	$119,310	$18,785

Income Taxes

Income taxes are accounted for in accordance with the provisions of ASC Topic 740, Accounting for Income Taxes. 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 bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The 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. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized, but no less than quarterly.

Foreign Currency Translation

The Company's reporting currency is U.S. Dollars. The functional currency of the Company's Subsidiary in the United Kingdom is British Pounds. The translation from British Pounds to U.S. Dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using the average exchange rate in effect during the period. The resulting translation adjustments are recorded as a component of Accumulated Other Comprehensive Income (Loss). Foreign currency translation gains and losses arising from exchange rate fluctuation on transactions denominated in a currency other than the functional currency are included in the unaudited condensed consolidated statements of operations.

Software Development Costs

Costs incurred in the research and development of software products and significant upgrades and enhancements thereto during the preliminary project stage and the post-implementation operation stage are expensed as incurred. Costs incurred for maintenance and relatively minor upgrades and enhancements are expensed as incurred. Costs associated with the application development stage of new software products and significant upgrades and enhancements thereto are capitalized when 1) management implicitly or explicitly authorizes and commits to funding a software project and 2) it is probable that the project will be completed and the software will be used to perform the function intended. The Company capitalized internal-use software development costs of $311,106 during the six-months ended June 30, 2014. The Company amortizes such costs once the new software products and significant upgrades and enhancements are completed. The unamortized internal-use software development costs amounted to $651,902 and $508,257 at June 30, 2014 and December 31, 2013, respectively. The Company's amortization expenses associated with capitalized software development costs amounted to $167,461 during the six-month period ended June 30, 2014. Amortization of internal-use software is reflected in cost of revenues.

Share-Based Payment

The Company accounts for stock-based compensation in accordance with ASC Topic 718, Compensation-Stock Compensation, or ASC 718. Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period.

The Company has elected to use the BSM option-pricing model to estimate the fair value of its options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards. Compensation expense recognized in the statements of operations is based on awards ultimately expected to vest and reflects estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Segment Reporting

The Company generated revenues from one source, its SaaS business, during the six-month period ended June 30, 2014 and 2013. The Company's chief operating decision maker evaluates the performance of the Company based upon revenues and expenses by functional areas as disclosed in the Company's statements of operations.

Recent Accounting Pronouncements

Recent accounting pronouncements have been issued but deemed by management to be outside the scope of relevance to the Company.

Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing income available to stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share are computed using the weighted average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the exercise of stock options and warrants (calculated using the modified-treasury stock method).

	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Numerator:				
Net (loss) income from continuing operations	$(706,487)	$20,177	$(1,074,101)	$195,395
Net income from discontinued operations	-	38,611	-	100,361
Net (loss) income	$(706,487)	$58,788	$(1,074,101)	$295,756
Denominator:				
Denominator for basic earnings per share--weighted average shares	60,026,430	56,644,643	59,401,930	56,337,069
Effect of dilutive securities- when applicable:				
Stock options	-	13,245,665	-	11,747,420
Warrants	-	5,456,592	-	4,285,284
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	60,026,430	75,346,900	59,401,930	72,369,773
Earnings (loss) per share:				
Basic				
Continuing operations, as adjusted	$(0.01)	$0.00	$(0.02)	$0.00
Discontinued operations	$-	$0.00	$-	$0.00
Net (loss) earnings per share- basic	$(0.01)	$0.00	$(0.02)	$0.01
Diluted				
Continuing operations, as adjusted	$(0.01)	$0.00	$(0.02)	$0.00
Discontinued operations	$-	$0.00	$-	$0.00
Net earnings(loss) per shares-diluted	$(0.01)	$0.00	$(0.02)	$0.00
Weighted-average anti-dilutive common share equivalents	15,544,549	9,730,706	15,822,329	12,400,259

Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives of three years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized

Property and equipment consist of the following at:

June 30,

	2014	December 31, 2013
Internal use software costs	$875,750	$564,644
Computer equipment and software	415,147	269,933
Office furniture and equipment	135,759	93,975
	1,426,656	928,552
Accumulated depreciation	(416,801)	(171,856)
	$1,009,855	$756,696

	Six-month periods ended	
	June 30, 2014	June 30, 2013
Depreciation expense	$77,484	$27,837
Amortization expense on internal software	$167,461	$-

NOTE 3: DISCONTINUED OPERATIONS

During the six-month period ended June 30, 2013, the Company recognized $100,361 of gain from the disposal of discontinued operations from in-kind services provided by the buyer of its online marketing services business. The sale of the Company’s online marketing services business closed in September 2012. All obligations of the buyer to the Company were satisfied by December 2013.

The components of the gain from disposal of discontinued operations are as follows:

	Six-month periods ended June 30,	
	2014	2013
Services received in lieu of note receivable	$-	$120,250
Write-down of note receivable	-	(19,889)
Gain from disposal of discontinued operations	$-	$100,361

NOTE 4: PREPAID EXPENSES

At June 30, 2014 the Company’s prepaid expenses consisted primarily of tradeshow costs. At December 31, 2013, the Company’s prepaid expenses consisted primarily of prepaid insurance and rent.

NOTE 5: CUSTOMER RELATIONSHIPS

During November 2013, the Company completed its acquisition of certain customer relationships of a former competitor. Pursuant to the acquisition, the Company will pay $1 million payable in four installments of $250,000 every quarter, effective March 2014. Additionally, the former competitor will refer potential clients to the Company. The consideration for the referrals amounts to 25% of the revenues generated from such customers for a period of up to one year. The Company has capitalized the acquisition cost, which approximates fair value of the customer relationships, which amounts to $1,000,000 at December 31, 2013. The Company amortizes such customer relationships over a period of 18 months. The Company incurred amortization expense related to the customer relationships of $333,334 during the six-month period ended June 30, 2014. The amortization amount for the Customer relationships, by fiscal year over the remaining useful life is as follows:

Remainder of 2014	$333,333
2015	296,296
	$629,629

NOTE 6: DEFERRED REVENUES

The Company’s deferred revenues consist of prepayments made by certain of the Company’s customers. The Company decreases the deferred revenues by the amount of the services it renders to such clients when provided.

	June 30, 2014	December 31, 2013
Deferred revenues	$45,304	$ 83,311

NOTE 7: CONVERTIBLE NOTES PAYABLE AND NOTE PAYABLE

12% Convertible Notes Payable & 12% Note Payable

The Company had its 12% Convertible Notes Payable of $176,244, including accrued interest, outstanding during the six-month period ended June 30, 2013. The Company satisfied its remaining obligations under the 12% Convertible Notes Payable in August 2013. The 12% Convertible Notes Payable bore interest at 12% per annum.

The 12% Note Payable was outstanding during the six-month period ended June 30, 2013. The Company satisfied its remaining obligations under the 12% Note Payable in August 2013. The 12% Note Payable, as amended, bore interest at a rate of 12% per annum and matured in August 2013.

The Company made principal repayments of $90,000 on its 12% Note Payable during the six-month period ended June 30, 2013.

Six-month periods

	ended June 30, 2014	June 30, 2013
Interest and amortization expense associated with the 12% Convertible Notes Payable and 12% Note Payable	$-	$33,121

NOTE 8: LINE OF CREDIT

On March 17, 2014, the Company entered into a loan and security agreement, or the Line of Credit, with Square 1 Bank, or the Lender, to borrow up to a maximum of $3,000,000 at the Company’s discretion. Amounts borrowed will accrue interest at the prime rate in effect, plus 1.25%, not to be less than 5.5% per annum. Accrued interest on amounts borrowed is payable monthly and all other amounts borrowed will be payable in full on the maturity date of March 17, 2016, which maturity date may be extended to March 17, 2017 if the Company provides the Lender with a fully-funded business plan acceptable to Lender by January 15, 2016 and no event of default has occurred.

The Line of Credit contains covenants including, but not limited to, covenants to achieve specified Adjusted EBITDA, as defined, levels and customer renewal levels, limiting capital expenditures and restricting the Company's ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. The occurrence of a material adverse change, as defined, will be an event of default under the Line of Credit, in addition to other customary events of default. The Company granted the Lender a security interest in all of the Company's personal property and intellectual property.

The Company borrowed $1,500,000 from the Line of Credit during the six-month period ended June 30, 2014. The amount due under the Line of Credit amounts to $1,000,000 as of June 30, 2014. The interest rate for the amount borrowed is 5.5% per annum.

In connection with the Line of Credit, the Company issued to the Lender a warrant to purchase up to 46,875 shares of the Company's common stock at an exercise price of $1.60 per share. The warrant expires on March 17, 2017. The fair value of the warrants amounted to $32,067. Additionally, the Company paid approximately $40,000 to the lender in financing costs. The fair value of the warrants as well as the financing costs not expensed, which amounted to $15,000, were capitalized as deferred financing costs at June 30, 2014. The Company recognized an amortization expense of $3,750 in connection with such deferred financing costs during the six-month period ended June 30, 2014.

	Six-month periods ended	
	June 30, 2014	June 30, 2013
Interest and amortization expense associated with the Line of Credit	$4,667	$ -

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NOTE 9: STOCKHOLDERS' EQUITY

Common Stock

During the six-month periods ended June 30, 2014 and 2013, the Company generated proceeds of $571,219 and $421,996 from the exercise of 1,632,051 and 827,690 warrants, respectively.

During the six-month period ended June 30, 2014, the Company issued 538,542 and 54,688 shares of its Common Stock pursuant to the cashless exercise of 626,250 and 79,158 warrants and options, respectively.

Warrants

On March 17, 2014, the Company issued 46,875 warrants to the Lender. The warrants are exercisable at the price of $1.60 per share and expire on March 2017. The fair value of such warrants, which amounted to $32,067 has been recognized as deferred financing fees is amortized using the effective interest method over the terms of the associated Line of Credit.

The fair value of the warrants granted during the six-month period ended June 30, 2014 is based on the BSM model using the following assumptions:

Effective Exercise price	$1.60	
Effective Market price	$1.60	
Volatility	64	%
Risk-free interest	0.9	%
Term (years)	3	
Expected dividend rate	0	%

Stock Option Plan

On December 15, 2006, the Company's Board of Directors and stockholders approved the Accelerize New Media, Inc. Stock Option Plan, or the Plan. The total number of shares of capital stock of the Company that may be subject to options under the Plan is 22,500,000 shares of Common Stock, following an increase from 10,000,000 shares to 15,000,000 shares of Common Stock in May 2011, and from 15,000,000 shares to 22,500,000 shares of Common Stock on March 27, 2012, from either authorized but unissued shares or treasury shares. The individuals who are eligible to receive option grants under the Plan are employees, directors and other individuals who render services to the management, operation or development of the Company or its subsidiaries and who have contributed or may be expected to contribute to the success of the Company or a subsidiary. Every option granted under the Plan shall be evidenced by a written stock option agreement in such form as the Board shall approve from time to time, specifying the number of shares of Common Stock that may be purchased pursuant to the option, the time or times at which the option shall become exercisable in whole or in part, whether the option is intended to be an incentive stock option or a non-incentive stock option, and such other terms and conditions as the Board shall approve.

The share-based payment is based on the fair value of the outstanding options amortized over the requisite period of service for option holders, which is generally the vesting period of the options. The fair value of the options granted during the six-month periods ended June 30, 2014 and 2013 is based on the BSM model using the following assumptions:

	June 30, 2014	June 30, 2013
Effective Exercise price	$1.43-1.80	$0.58
Effective Market price	$1.43-1.80	$0.58
Volatility	64 %	62 %
Risk-free interest	0.9 %	0.36 %
Terms (years)	4	4
Expected dividend rate	0 %	0 %

The Company generally recognizes its share-based payment over the vesting terms of the underlying options.

	Six-month periods ended	
	June 30, 2014	June 30, 2013
Weighted-average grant date fair value	$1.51	$0.59
Fair value of options, recognized as selling, general, and administrative expenses	$287,985	$251,235
Number of options granted	1,017,500	942,500

The total compensation cost related to non-vested awards not yet recognized amounted to approximately $1,915,807 at June 30, 2014 and the Company expects that it will be recognized over the following weighted-average period of 22 months.

If any options granted under the Plan expire or terminate without having been exercised or cease to be exercisable, such options will be available again under the Plan. All employees of the Company and its subsidiaries are eligible to receive incentive stock options and non-qualified stock options. Non-employee directors and outside consultants who provided bona-fide services not in connection with the offer or sale of securities in a capital raising transaction are eligible to receive non-qualified stock options. Incentive stock options may not be granted below their fair market value at the time of grant or, if to an individual who beneficially owns more than 10% of the total combined voting power of all stock classes of the Company or a subsidiary, the option price may not be less than 110% of the fair value of the Common Stock at the time of grant. The expiration date of an incentive stock option may not be longer than ten years from the date of grant. Option holders, or their representatives, may exercise their vested options up to three months after their employment termination or one year after their death or permanent and total disability. The Plan provides for adjustments upon changes in capitalization.

The Company's policy is to issue shares pursuant to the exercise of stock options from its available authorized but unissued shares of Common Stock. It does not issue shares pursuant to the exercise of stock options from its treasury shares.

NOTE 10: COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes changes in equity related to foreign currency translation adjustments. The following table sets forth the reconciliation from net income (loss) to comprehensive income (loss) for the six-month periods ended June 30, 2014 and 2013:

	Six months ended June 30,	
	2014	2013
Net (loss) income	$(1,074,101)	$295,756
Other comprehensive income (loss):		
Foreign currency translation adjustment	2,399	(1,195)
Comprehensive (loss) income	$(1,071,702)	$294,561

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The following table sets forth the balance in accumulated other comprehensive gain as of June 30, 2014 and December 31, 2013, respectively:

	June 30, 2014	December 31, 2013
Foreign currency translation gain	$2,399	$ -
Accumulated other comprehensive income	$2,399	$ -

NOTE 11: SEGMENTS

The Company operates in one business segment. Percentages of sales by geographic region for the six-month periods ended June 30, 2014 and 2013 were approximately as follows:

	Six-month periods ended June 30,	
	2014	2013
United States	79%	89%
Europe	15%	9%
Other	6%	2%

NOTE 12: COMMITMENTS AND SUBSEQUENT EVENTS

During July 2014, the Subsidiary entered into a 5-year lease for certain office space in London, England, effective July 29, 2014. Under the terms of the lease, the Subsidiary pays a monthly base rent of approximately $12,700.

During July 2014, the Company made principal repayments of $1,000,000 under its line of credit.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2013. Certain statements in this discussion and elsewhere in this report constitute forward-looking statements. See ""Cautionary Statement Regarding Forward Looking Information'' elsewhere in this report. Because this discussion involves risk and uncertainties, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

We own and operate CAKE, and getcake.com, a marketing technology that provides a comprehensive suite of innovative marketing intelligence tools. Our powerful software-as-a service solution has been an industry standard for ad networks, publishers, brands, and agencies to measurably improve and optimize digital spend. We currently have over 450 customers driving over 5 billion consumer actions monthly through the CAKE platform.

The CAKE SaaS proprietary marketing platform is used by some of the world's leading companies and largest customer-base of enterprise affiliate marketing networks and merchants. CAKE's solutions are based on reliable, feature rich technology and are bolstered by the industry's leading customer service and top tier technology partners, assuring the highest level of uptime.

During the quarter ended June 30, 2014, the company began development of a new suite of enterprise software-as-a-service solutions purpose-designed to satisfy the digital marketing needs of advertisers. Currently, advertisers struggle to properly track and optimize online advertising campaigns across multiple marketing channels (including, display, search, email, shopping, affiliate and more). In addition, the pressure on advertisers to understand how digital marketing impacts the entire sales cycle has brought with it additional challenges - curbing wasteful spending, analyzing existing campaigns, determining improvements for future campaigns, and detecting fraudulent activity.

In the second half of 2014, we will be delivering an intuitive, multi-channel marketing hub that provides tracking, attribution, and reporting to allow advertisers to optimize the performance of their digital spend. Our new product line will allow advertisers to accurately measure the paths that lead customers to a brand and ultimately, determine which paths influence the conversion across the entire digital customer journey. The new products are built on the same high-performance technology platform as our current offering that has long been an industry standard for affiliate networks and publishers.

Our revenue model is based on a monthly license fee, a usage fee (based on volume of online events), and a training and implementation fee. Clients purchase annual or monthly subscriptions with an additional usage fee. A majority of our revenue is derived from clients in the United States but we have seen a 67% and 200% growth from our European and Other segments, respectively, during the six months ended June 30, 2014 when compared to the same period last year. Cake Marketing UK Ltd., our wholly-owned Subsidiary located in the United Kingdom, services the European market.

Our business is headquartered in Newport Beach, California, with offices in Santa Monica, New York and London, allowing us to provide global support to our client base. We are looking to expand our footprint with additional locations in the United States, South America, Europe and India. The CAKE platform supports multiple languages and currencies so online marketers can track the performance of their marketing campaigns and better target their digital spend on a global scale.

The CAKE platform’s breath of capabilities provides opportunities in many of the major verticals like financial services, travel, technology, entertainment, gaming, and automotive. CAKE has also implemented a channel sales program that includes several digital agency participants. Recent product enhancements have also contributed to new opportunities in mobile and retail tracking.

Our training, account management, support personnel, hosting and cloud-based infrastructure contribute to our cost of operating the business. We anticipate more spending in these areas while we continue to grow and could foresee some savings in infrastructure cost due to economies of scale. However, we want to continue to invest in these areas to support our growth.

We experienced 66% year on year growth in revenue during the six-month period ended June 30, 2014 when compared to the same period in 2013. We saw a 52% increase in the number of clients and a 10% increase in the average revenue per client during the six-month period ended June 30, 2014 when compared to the same period in 2013. Additionally, we saw average monthly revenue churn of 0.6% for the first six months of 2014. Revenue churn is defined as the amount of revenue lost from the customers in the prior month. The organic growth has been a result of providing the marketing technology industry a comprehensive suite of marketing intelligence tools through innovation and what we believe to be a superior product and customer experience.

We intend to grow revenues by investing in sales, marketing, and product development and innovation. We are currently hiring and will continue to hire sales executives globally to target specific verticals and accounts with both agencies and advertisers. We will allocate a significant portion of our marketing budget to being present at tradeshows, industry publications, and providing the support documentation required by sales initiatives. Additional efforts will be made to speak at industry events and write for online publications, increasing awareness of the CAKE suite of products and the thought leadership driving product development.

Our principal offices are located at 20411 SW Birch Street, Suite 250, Newport Beach, CA 92660. Our telephone number there is: (949) 515-2141. Our corporate website is: www.accelerizenewmedia.com, the contents of which are not part of this quarterly report.

Our Common Stock is quoted on the OTCQB Marketplace under the symbol "ACLZ."

Results of Operations

ACCELERIZE NEW MEDIA, INC.

UNAUDITED CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

	Three-month periods ended June 30, 2014	Three-month periods ended June 30, 2013	Increase/ (Decrease) in $ 2014 vs 2013	Increase/ (Decrease) in % 2014 vs 2013	Six-month periods ended June 30, 2014	Six-month periods ended June 30, 2013	Increase/ (Decrease) in $ 2014 vs 2013	Increase/ (Decrease) in % 2014 vs 2013
Revenue:	$3,906,409	$2,259,395	1,647,014	72.9 %	$7,333,606	$4,422,802	2,910,804	65.8 %
Operating expenses:								
Cost of revenues	1,108,112	491,212	616,900	125.6 %	1,897,211	961,695	935,516	97.3 %
Research and development	757,868	434,365	323,503	74.5 %	1,334,654	814,982	519,672	63.8 %
Sales and marketing	1,910,650	764,730	1,145,920	149.8 %	3,533,099	1,380,577	2,152,522	155.9 %
General and administrative	841,198	535,494	305,704	57.1 %	1,644,366	1,051,777	592,589	56.3 %
Total operating expenses	4,617,828	2,225,801	2,392,027	107.5 %	8,409,330	4,209,031	4,200,299	99.8 %
Operating (loss) income	(711,419)	33,594	(745,013)	-2,217.7 %	(1,075,724)	213,771	(1,298,495)	-603.2 %
Other income (expense):								
Interest income	7,044	1,078	5,966	553.5 %	7,044	14,745	(7,701)	-52.2 %
Interest expense	(2,112)	(14,495)	12,383	-85.4 %	(5,421)	(33,121)	27,700	-83.6 %
	4,932	(13,417)	18,349	-136.8 %	1,623	(18,376)	19,999	-108.8 %
Net (loss) income from continuing	(706,487)	20,177	(726,664)	-3,601.4 %	(1,074,101)	195,395	(1,269,496)	-649.7 %

operations								
Discontinued operations								
Net income from discontinued operations	-	38,611	(38,611)	-100.0 %	-	100,361	(100,361)	-100.0%
	-	38,611	(38,611)	-100.0 %	-	100,361	(100,361)	-100.0%
Net (loss) income	$(706,487)	$58,788	$(765,275)	-1,301.8%	$(1,074,101)	$295,756	$(1,369,857)	-463.2%

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Discussion of Results for Three-Month and Six-Month Periods Ended June 30, 2014 and 2013

Revenues

	Three Months Ended June 30, 2014	2013	% Change	Six Months Ended June 30, 2014	2013	% Change
Revenues	$3,906,409	$2,259,395	72.9 %	$7,333,606	$4,422,802	65.8 %

We generate revenues from a training and implementation (also known as on-boarding) fee and a monthly licensing fee, supplemented by per-transaction fees paid by customers for monthly platform usage.

The increase in our software licensing revenues during the three and six-month periods ended June 30, 2014, when compared to the prior year periods, is due to the increased number of customers using our SaaS products and services, as well as increased monthly revenues from our existing customers resulting from higher usage of our SaaS platform. Our number of average clients increased 49% and 48% during the three and six-month periods ended June 30, 2014, respectively, when compared to the prior year periods, and our average monthly fee per customer increased 10% and 7% during the three and six-month periods ended June 30, 2014, respectively, when compared to the prior year periods. The increase in the number of customers using our SaaS products and services during the three and six-month periods ended June 30, 2014 is primarily due to the increased resources we have devoted to customer acquisition for our SaaS products. The higher usage by our existing customers of the same products is primarily due to higher market acceptance among our larger users who generate a higher volume of transactions.

We believe that our SaaS revenues will continue to increase during the remainder of 2014 when compared to 2013.

Cost of Revenues

	Three Months Ended June 30, 2014	2013	% Change	Six Months Ended June 30, 2014	2013	% Change
Cost of Revenues	$1,108,112	$491,212	125.6 %	$1,897,211	$961,695	97.3 %

Cost of revenue consists primarily of web hosting and personnel costs associated with supporting customer on-boarding and training activities, consisting of salaries, benefits, and related infrastructure costs. Web hosting fees are partially correlated to our revenues, depending on each specific agreement we have with our clients. The majority of our clients' services are hosted on non-dedicated servers, on which capacity can be maximized by server, while certain customers prefer to have their services hosted on dedicated servers, on which capacity can only be maximized by customer and by server. Additionally, our resources associated with on-boarding are usually allocated at the beginning of the relationship with the new customer (usually, the first two months). Accordingly, our personnel costs associated with supporting customer on-boarding activities are not necessarily correlated with our revenues.

During the three and six-month periods ended June 30, 2014, when compared to the prior year periods, cost of revenues significantly increased reflecting the higher number of employees hired to support customer on-boarding and training activities, which increased personnel costs in this area by approximately $442,000 and $936,000, respectively. Web hosting fees incurred to support our increased number of clients and platform usage, also increased during the three and six-month periods ended June 30, 2014 by approximately $122,000 and $573,000, respectively, when compared to the same period in 2013.

We believe that our cost of revenues will continue to increase, at lower percentages than our anticipated increase in revenues, during the remainder of 2014, when compared to 2013.

Research and Development Expenses

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2014	2013		2014	2013	
Research and Development	$757,868	$434,365	74.5 %	$1,334,654	$814,982	63.8 %

Research and development expenses consist primarily of personnel costs associated with the enhancement and maintenance of our SaaS product offerings, consisting of salaries, benefits, and related infrastructure costs, offset by capitalized software development costs.

Our research and development expenses increased during the three and six-month periods ended June 30, 2014, when compared to the prior year periods, due to increased staff assigned to the enhancement and maintenance of our software services, which translated to increased personnel costs, offset by the capitalization of software development costs which amounted to $157,110 and $311,106 for the three and six-month periods ended June 30, 2014, respectively.

We believe that our research and development expenses will continue to increase during the remainder of 2014, when compared to 2013, as we continue to enhance the features of our SaaS platform. We did not capitalize software development costs during the three or six-month periods ended June 30, 2013.

Sales and Marketing Expenses

	Three Months Ended June 30, 2014	2013	% Change	Six Months Ended June 30, 2014	2013	% Change
Sales and Marketing	$1,910,650	$764,730	149.8 %	$3,533,099	$1,380,577	155.9 %

Sales and marketing expenses consist primarily of personnel costs associated with the sale and marketing of our SaaS products, including salaries, benefits, and related infrastructure, as well as the costs of related marketing programs, such as trade shows and public relations.

The increase in sales and marketing expenses during the three and six-month periods ended June 30, 2014, when compared to the prior year periods, is primarily due to the increased number of employees associated with the sale of our products as well as increased expenditures in our marketing programs, primarily company rebranding, trade shows, press relations, industry analyst relations and digital advertising (including, pay-per-click, display ads, sponsored articles, etc.). Additionally, we amortized customer relationships of $166,667 and $333,334 during the three and six-month periods ended June 30, 2014, respectively.

We believe that our sales and marketing expenses will continue to increase in 2014 as we continue to hire sales and marketing personnel in the U.S. and in Europe in anticipation of increased revenues and as we increase our expenditures in certain marketing programs. Additionally, the amortization of the customer relationships we acquired from our former competitor in November 2013 will amount to $333,333 during the remainder of 2014. We did not incur such amortization expenses during the three or six-month periods ended June 30, 2013.

General and Administrative Expenses

Three Months Ended June 30, 2014	2013	% Change	Six Months Ended June 30, 2014	2013	% Change

General and administrative	$841,198	$535,494	57.1 %	$1,644,366	$1,051,777	56.3 %

General and administrative expenses primarily consist of personnel costs associated with the support of our operations consisting of salaries, benefits, and related infrastructure. Also included are non-personnel costs, such as audit fees, accounting services and legal fees, as well as professional fees, insurance and other corporate expenses such as investor relations.

The increase in general and administrative expenses during the three and six-month periods ended June 30, 2014, when compared with the prior year periods, is primarily due to the increased number of employees assigned to support our organization. We continued to expand in Europe during the three and six-month periods ended June 30, 2014, and incurred additional up-front expenses related to developing and integrating our operations in Europe prior to a commensurate increase in revenues, as well as increased our efforts in investor relations.

We believe that our general and administrative expenses will continue to increase during the remainder of 2014 as we expect that the scope of our operations will continue to increase.

Other Income/Interest Income

	Three Months Ended June 30, 2014	2013	% Change	Six Months Ended June 30, 2014	2013	% Change
Other Income/Interest Income	$7,044	$1,078	553.5 %	$7,044	$14,745	-52.2 %

Other Income during the three and six-month periods ended June 30, 2013 consisted of interest income associated with our note receivable delivered to us by the buyer of our online marketing services division during September 2012, which was satisfied by the borrower in June 2013 and the amortization of the related original issuance discount.

Due to the cancellation of this note receivable, we will not recognize any further interest income from the note receivable during the remainder of 2014.

Other Income during the three and six-month periods ended June 30, 2014 consists of rent income and profit from sale of non-inventory assets.

Other Expenses/Interest Expense

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	% Change	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	% Change
Other Expenses/Interest Expense	$2,112	$14,495	-85.4 %	$5,421	$33,121	-83.6 %

Other expenses consist of interest charges and amortization of deferred financing costs associated with our Line of Credit during the six-month period ended June 30, 2014 and debt discount associated with our 12% Convertible Notes Payable and our 12% Note Payable during the same period in 2013.

The decrease in interest expenses during the three and six-month periods ended June 30, 2014 is primarily due to a lower weighted average interest-bearing balance of our debt during this period when compared to the prior year period.

Due to the satisfaction of all of our then existing interest-bearing liabilities during the third quarter of 2013, we do not believe that our interest expense will increase during 2014, unless we finance the working capital from increased operations through our Line of Credit. Our interest expense may increase during the remainder of 2014 depending on our liquidity needs and we may choose to finance our working capital needs through our operations and from our Line of Credit.

Income from discontinued operations

	Three Months	%	Six Months Ended	%

	Ended June 30, 2014	2013	Change	June 30, 2014	2013	Change
Gain from the disposal of discontinued operations	-	38,611	-100.0 %	-	100,361	-100.0 %
Income from discontinued operations	$-	$38,611	-100.0 %	$-	$100,361	-100.0 %

We sold our online marketing services division in September of 2012.

The gain during the three and six-month periods ended June 30, 2013 resulted primarily from disposition proceeds received as in-kind services from the buyer of our online marketing services division. We did not receive such in-kind services during the three or six-month periods ended June 30, 2014.

We do not anticipate recognizing additional gains or losses from the disposal of discontinued operations during the remainder of 2014.

Liquidity and Capital Resources

	Ending balance at June 30,		Average balance during six months ended June 30,	
	2014	2013	2014	2013
Cash	$1,421,163	$906,640	$1,289,239	$569,283
Accounts receivable	1,587,710	869,140	1,314,691	771,479
Accounts payable and accrued expenses	1,687,167	241,704	1,695,087	263,115
Convertible notes payable excluding debt discount	-	176,244	-	176,244
Notes payable, excluding debt discount	-	49,819	-	86,450
Line of credit	1,000,000	-	500,000	-

At June 30, 2014 and June 30, 2013, 63% and 90%, respectively, of our total assets consisted of cash and cash equivalents and accounts receivable.

We extend unsecured credit in the normal course of business to our customers. The determination of the appropriate amount of the reserve for uncollectible accounts is based upon a review of the amount of credit extended, the length of time each receivable has been outstanding, and the specific customers from whom the receivables are due.

The objective of liquidity management is to ensure that we have ready access to sufficient funds to meet commitments while implementing our growth strategy. Our primary sources of liquidity historically include the sale of our securities and other financing activities, such as the issuance of the 12% Note Payable in January 2011, and more recently, our cash flow from operating activities. We also completed the sale of our online marketing services division in September 2012, which generated $379,000. Most recently, we have entered into the Line of Credit. In August 2013, we satisfied all our then existing interest-bearing outstanding obligations by paying the remaining principal amount of $22,500 and $122,500 on the 12% Note Payable and certain 12% Convertible Notes Payable, respectively, from existing cash on hand. Additionally, we issued 131,411 shares of our Common Stock in satisfaction of $52,564 of principal and interest on certain 12% Convertible Notes Payable.

We do not have any material commitments for capital expenditures of tangible items, with the exception of tenant improvements to our principal place of business, net of reimbursements from the landlord. We routinely purchase computers, office equipment, and technology to maintain or enhance the productivity of our employees and such capital expenditures amounted to $186,998 and $66,416, respectively, during the six-month period ended June 30, 2014 and 2013.

We have material commitments for payments under an agreement with a former competitor from whom we purchased certain customer relationships, as referenced on our consolidated balance sheet at December 31, 2013, related to our business. Pursuant to the agreement, we will pay $1 million payable in four installments of $250,000 every quarter, effective March 2014. Additionally, the former competitor will refer potential clients to us. The consideration for the referrals amounts to 25% of the revenues generated from such customers for a period of up to a year. We paid the second installment of $250,000 in June 2014 and owe the remaining $500,000 under this arrangement at June 30, 2014.

On March 17, 2014, we entered into the Line of Credit with the Lender to borrow up to a maximum of $3,000,000 at our discretion. Amounts borrowed will accrue interest at the prime rate in effect from time to time plus 1.25%, not to be less than 5.5% per annum. Accrued interest on amounts borrowed is payable monthly and all other amounts borrowed will be payable in full on the maturity date of March 17, 2016, which maturity date may be extended to March 17, 2017 if we provide a fully-funded business plan acceptable to Lender by January 15, 2016 and no event of default has occurred.

The Line of Credit contains covenants including, but not limited to, covenants to achieve specified Adjusted EBITDA levels and customer renewal levels, limiting capital expenditures and restricting our ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. The occurrence of a material adverse change will be an event of default under the Line of Credit, in addition to other customary events of default. We granted the Lender a security interest in all of our personal property and intellectual property.

We owed $1,000,000 under the Line of Credit at June 30, 2014 which we subsequently repaid in full in July 2014. The interest rate for the amount borrowed was 5.5% per annum.

We believe we have sufficient cash to fund our operations for the next 12 months. We currently expect to use cash balances, borrowings under the Line of Credit, and net proceeds from offerings of our equity securities to fund our future operations, capital expenditures and other expenses. We currently have an effective shelf registration statement that allows us to issue public securities on an expedited basis, but it does not assure that there will be buyers for such securities. Our ability to obtain, and the costs of, any future financings will depend primarily on our success, profitability and market conditions, among other factors.

Changes in Cash Flows

	Six-Month Periods Ended June 30, 2014	2013
Cash flows from operating activities		
Net (loss) income from continuing operations	$(1,074,101)	$195,395
Non-cash adjustments		
Fair value of options	287,985	251,235
Fair value of services in lieu of proceeds from note receivable	-	120,250
Amortization of debt discount	3,750	17,858
Depreciation and amortization	578,278	27,837
Other	(20,628)	(4,703)
Changes in assets and liabilities		
Accounts receivable	(525,412)	(202,508)
Accounts payable and accrued expenses	9,160	(42,361)
Deferred revenues	(38,007)	26,638
Prepaid expenses	45,314	(49,674)
Other	(38,006)	(9,439)
Net cash (used in) provided by continuing operations	(771,667)	330,528
Net cash provided by discontinued operations	-	-
Net cash (used in) provided by operating activities	(771,667)	330,528
Cash flows provided by (used in) investing activities		
Proceeds from sale of discontinued operations	-	80,000
Capitalized software for internal use	(311,106)	-
Capital expenditures	(186,997)	(66,416)
Net cash (used in) provided by investing activities	(498,103)	13,584
Cash flows provided by (used in) financing activities		
Repayment of notes payable	-	(90,000)
Proceeds from line of credit	1,000,000	-
Payment of financing costs	(40,000)	-
Proceeds from exercise of warrants	571,219	421,996
Net cash provided by financing activities	1,531,219	331,996
Effect of exchange rate changes on cash	2,399	(1,394)
Net increase in cash	$263,848	$674,714

Six months ended June 30, 2014

The increase in accounts receivable as of June 30, 2014 is primarily due to a commensurate increase in revenues. The increase in accounts payable and accrued expenses during the six-month period ended June 30, 2014 is primarily due to the accrual of the second payment of $250,000 to a former competitor in relation to the purchase of customer relationships.

Cash used in investing activities during the six-month period ended June 30, 2014 consists of purchases of computer equipment and other capital expenditures of approximately $187,000, and capitalization of development costs for internal-use software of approximately $311,000.

Cash provided by financing activities during the six-month period ended June 30, 2014 resulted from the proceeds from the exercise of warrants of approximately $571,000 and a $1,000,000 draw down on the Line of Credit on June 2014. This amount was offset by $40,000 in financing costs.

Despite an increase in revenues, the decrease in net operating cash flows during the six-month period ended June 30, 2014 was due to a higher increase in correlated web-hosting and payroll costs, as well as an increase in accounts receivable due to a commensurate increase in revenues.

Six months ended June 30, 2013

The increase in accounts receivable as of June 30, 2013 is primarily due to a commensurate increase in revenues. The decrease in accounts payable and accrued expenses during the six-month period ended June 30, 2013 is primarily due to faster payment processing to our vendors due to increased cash flows from operations.

Cash provided by investing activities during the six-month period ended June 30, 2013 consists of proceeds from the sale of our online marketing services business of $80,000, offset by purchases of computer equipment and furniture of approximately $66,000.

Cash provided by financing activities during the six-month period ended June 30, 2013 resulted primarily from the proceeds from the exercise of warrants of approximately $421,000, offset by the principal repayments on our notes payable of $90,000.

The increase in cash flows from operating activities during the six-month period ended June 30, 2013 is due to an increase in revenues during the six month period ended June 30, 2013, offset by a lesser increase in correlated web-hosting and payroll costs, an increase in non-cash expenses, such as the fair value of options, and by an increase in accounts receivable and due to commensurate increases in revenue.

Capital Raising Transactions

Exercise of warrants

We generated proceeds of $571,219 from the exercise of 1,632,051 warrants during the six-month period ended June 30, 2014.

Other outstanding obligations at June 30, 2014

Line of Credit

As of June 30, 2014, we owed $1,000,000 under the Line of Credit which we subsequently repaid in full in July 2014.

Warrants

As of June 30, 2014, 3,791,699 shares of our Common Stock are issuable pursuant to the exercise of warrants.

Options

As of June 30, 2014, 19,933,336 shares of our Common Stock are issuable pursuant to the exercise of options.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer, who is our principal executive and financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our Chief Executive Officer concluded that, as of June 30, 2014, due to continuing material weaknesses in our internal control over financial reporting (as discussed more fully in our Annual Report on Form 10-K/A (Amendment No. 1) filed with the SEC on June 19, 2014) our disclosure controls and procedures were not effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our Chief Executive Officer, who serves as our principal executive and financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits

10.1	Amendment No. 2 to Employment Agreement, dated as of August 8, 2014, between Michael Lin and Accelerize New Media, Inc. (incorporated by reference to the Company's current report on Form 8-K filed on August 11, 2014).
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and15d-14(a).*
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a).*
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. 1350.**
31.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. 1350.**
101.	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) the Balance Sheets, (ii) the Statements of Operations, (iii) the Statements of Comprehensive (Loss) Income, (iv) the Statements of Cash Flows, and (v) related notes to these financial statements.*

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

	ACCELERIZE NEW MEDIA, INC.	
Dated: August 13, 2014	By:	/s/ Brian Ross Brian Ross President and Chief Executive Officer (Principal Executive Officer)
Dated: August 13, 2014	By:	/s/ Michael Lin Michael Lin Chief Financial Officer (Principal Financial Officer)